



**The Impact of Corporate Social Responsibility (CSR) on  
Management Training Programmes—An Investigation in  
the Chinese Context.**

**Bin Jia, BSc, MSc**

**A thesis presented in partial fulfilment of the requirements of the degree of  
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London.**

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## **Declaration of Authorship**

I, Bin Jia, hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

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## Abstract

Against the backdrop of the popularity of corporate social responsibility (CSR), this thesis investigates the impact of CSR on management training programmes in China. CSR is important for management training not only because the fairness of training opportunities is part of the requirements of CSR standards, but also because it emphasises corporate support for continual learning by individuals. However, the existing literature has little to say about the conditions under which CSR may have an impact on management training and development. This applies in particular to the contexts of emerging economies and the financial sector. Thereby, by employing institutional theory, this research investigates how CSR affects management training in Chinese financial companies.

The qualitative data suggest an expansion of CSR activities in the Chinese context, led by pressures from legislation on CSR disclosure, local government, peers and social traditions. In the case companies, differences in organisational size and industrial characteristics drive differences in CSR practices regarding CSR reporting systems and CSR priorities given to stakeholders. The research findings also underline the impact that CSR policies and industrial characteristics have on two substantive differences, namely the scope of management training provision and the availability of mentoring support. Nonetheless, CSR has little influence on trainees' engagement with setting priorities for and implementing management training, as a result of a dominant emphasis in the sample firms on a top-down management approach.

By discussing such empirical observations, this thesis explores two forms of decoupling phenomena of CSR and investigates the usefulness of company characteristics, such as strategic orientation, and competing pressures in analysing how companies set CSR priorities and implement management training. Therefore, beyond its contributions to the knowledge of CSR and management training, this study also advances the power of institutional theory in explaining firms' symbolic responses to external pressures.

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## List of Abbreviations

CBA	China Banking Association
CBRC	China Banking Regulatory Commission
CIA	China Insurance Association
CIRC	China Insurance Regulatory Commission
CSR	Corporate Social Responsibility
CSRC	China Securities Regulatory Commission
GRI	Global Reporting Initiative
HR	Human Resource
HRD	Human Resource Development
JV	Joint Venture
KPI	Key Performance Indicator
MNC	Multinational Corporation
NGO	Non-Governmental Organisation
SASAC	State-Owned Assets Supervision and Administration Commission
SME	Small and Medium Enterprise
SOE	State-Owned Enterprise
WTO	World Trade Organisation

# Chapter 1 Introduction

## 1.1 Purpose and Aims

This chapter introduces the background to and the key research findings of this PhD thesis entitled *The Impact of Corporate Social Responsibility (CSR) on Management Training Programmes—An Investigation in the Chinese Context*.

The objective of this research is to investigate (i) the interaction embedded in the institutional drivers for CSR, (ii) CSR priorities and (iii) the outcomes achieved through CSR by discussing the relationship between CSR and management training programmes in Chinese financial companies. The chapter has five specific aims:

1. To describe the background to the research;
2. To introduce the research objectives;
3. To outline the research methodology;
4. To summarise the key research findings of this thesis;
5. To provide a general outline of the contents of the subsequent chapters.

## 1.2 Background to the Research

Having regard to the global spread of CSR, this PhD starts from an interest in how CSR may impact the implementation of management training programmes in Chinese financial companies, particularly bearing in mind the knowledge gap that is evident in existing CSR literature. First, although CSR has the potential to

affect the provision of management training, there is little discussion in the existing literature of the factors that determine the effectiveness of CSR in this respect. Second, this knowledge gap is of particular significance in the context of China and its financial sector, as most CSR literature in China focusses on labour issues in outsourcing factories. Accordingly, an investigation of the link between CSR and management training in the Chinese context not only helps to understand the development of CSR in China, but also develops existing knowledge of its impact.

In order to achieve these goals, this thesis adopts the qualitative research method, based on a middle-range thinking approach (Laughlin, 1995). As suggested by Laughlin (1995), this investigation in the context of Chinese financial companies can add empirical details to a ‘skeletal’ theory of institutional theory (as the theoretical lens of this research), by exploring how conflict and ambiguity in a firm’s institutional environment explain corporate strategic responses and thus the effectiveness of CSR in shaping the provision of management training. Given this research philosophy, qualitative methods, such as semi-structured interviews, have been used to gather rich and detailed data.

The remainder of this section will describe the knowledge gap in the existing literature, the research aims and objectives of the thesis, and its research methodology.

### ***1.2.1 Review of Key Literature***

Due to increasing public concerns about social and environmental issues, CSR has attracted the attention of, for example, non-governmental organisations (NGOs), government bodies, the media and the local community (see, for example, Matten and Moon, 2008). Given the increased importance of CSR in both the academic and business worlds, this thesis discusses the impact of CSR on business practices. Of particular concern, when considering the adoption of either integrated or decoupled policies and practices in response to the pressure for CSR (Weaver *et al.*, 1999; Stevens *et al.*, 2005; Long and Driscoll, 2008), is whether CSR can lead to substantial change or can cause the phenomenon known as ‘window dressing’ (Weaver *et al.*, 1999). Furthermore, other studies, e.g. Hine and Preuss (2009), consider firms’ different treatment of the interests of stakeholders, where the external aspects of CSR are being increasingly refined by firms but the internal aspects are often neglected.

The present research focusses on corporate management training programmes (within the general discipline of human resource management). As the existing literature suggests, CSR has the potential to impact the implementation of management training, because CSR standards require the provision of training opportunities for managers (Gond *et al.*, 2011; Jenkins, 2009; Sachs *et al.*, 2006) and corporate support for lifelong learning by individuals (Fenwick, 2005; Elliott and Turnbull, 2005; Fenwick and Bierema, 2008). However, the relationship

between CSR and management training has been the subject of limited research, which has provided little clarification of how CSR may be effective in reaching the targets or affecting the implementation of management training (Hill, 1999; Roberson, 1999; Gond *et al.*, 2011; Fenwick and Bierema, 2008).

This research gap applies in particular to emerging economies such as China, as well as to the financial sector. A review of the current CSR literature in China shows that attention has predominantly been paid to issues of labour standards or human resource management in firms involved in global supply chains (Chan and Ross, 2003; Chan, 2001; Cooke and He, 2010; Yu, 2008; Kortelainen, 2008), with plenty of information on workplace training but little on questions of management training. With respect to both the rise of CSR and the China's poor reputation for labour relations (Yu, 2008; Kortelainen, 2008; Yin and Zhang, 2012; Kolk *et al.*, 2008), an investigation of the effect of CSR on management training initiatives in Chinese financial companies can contribute to understanding CSR priorities within Chinese companies and responding to its impact on the provision of training opportunities for manages in China.

### ***1.2.2 Research Objectives and Aims***

This thesis is interested in a practical question: *The Impact that CSR Has on Management Training and Development Programmes*. Therefore, through the discussion of the insights drawn from the existing literature, the objective of this

research is to understand and analyse the extent to which the rise of CSR may lead to organisational changes, perhaps creating a supportive environment for management training and development. Accordingly, three specific questions that can serve this research purpose are:

1. How do Chinese companies set CSR priorities?
2. What is the link between CSR priorities and the implementation of management training?
3. How do institutional pressures drive or constrain the nature of CSR priorities as well as the implementation of management training?

The research addresses these practical questions in order to meet the following detailed objectives of the empirical analysis:

- Provide an institutional explanation for CSR priorities in China;
- Identify key factors underpinning management training practices;
- Gauge the extent to which CSR affects management training and development.

The thesis begins by discussing corporate activities in terms of CSR and management training. Based on the qualitative data as well as institutional theory, this research develops the existing literature by considering the role of competing pressures (e.g. the competing expectations by different stakeholders, and the conflict between institutional pressures and market drivers) in shaping and determining corporate strategic responses.

### ***1.2.3 Research Philosophy and Methods***

The present research uses institutional theory to understand the interaction between contextual factors, CSR and management training programmes. As suggested by Scott (1995), institutional theory emphasises the role of institutions in shaping and affecting corporate practices. This link between institution and business activities is built upon the assumption that organisations operate in certain social, cultural and historical contexts, with shared icons, regulations and social beliefs. Accordingly, institutional theory may be a powerful and useful tool in the analysis of how contextual factors can affect the implementation of CSR and the provision of management training.

This research is also underpinned by a research philosophy of middle-range thinking, which requires this thesis to add empirical details and information to the ‘skeletal’ theory produced by previous literature. Adopting this middle-ranging thinking approach is consistent with a need to develop (institutional) theory. In particular, the empirical evidence on CSR and management training helps to clarify (1) what the conflict and ambiguity within an institutional environment are, and (2) how differences in company characteristics, for example strategic orientation, shape corporate responses to competing pressures existing in the business context. Both these questions can contribute to developing institutional theory in explaining and analysing decoupling phenomena.



This belief has led to the use of qualitative research methodology in this PhD research. In view of the relative scarcity of research on CSR and management training in China, a case study method has been adopted, which enhances the empirical details (Yin, 2003) and is vital for “understanding the dynamics present within a single setting” (Eisenhardt, 1989, p.534). Two techniques have been employed for collection of the empirical data: the semi-structured interview and a review of secondary documents. Researching the CSR reports of sample companies published in the past six years (where available) provides a general picture of their CSR activities. The responses of interviewees in the 38 semi-structured interviews conducted in sample companies demonstrate holistic perspectives and insights in terms of CSR and management training programmes. The wealth of detailed qualitative data owes a certain amount to the adoption of the semi-structured interview.

### **1.3 Research Findings and Contributions**

Empirical evidence shows a rise of corporate attention to CSR in Chinese companies, driven by institutional pressures from legislation on CSR disclosure, the intervention of local government, peers and the expectations of the general public. From an organisational perspective, organisational size and sectoral legacy would be the other contextual factors shaping the implementation of CSR practices. This explains the differences in the formalisation of the CSR reporting system as well as the priority given to different stakeholder groups.

Furthermore, empirical findings also suggest considerable variety in management training practices, with respect to the scope of management training provision and the availability of mentoring support. Such substantive differences are the result of the interaction between institutional drivers (pressures for CSR as well as competition) and organisational characteristics (CSR policies and industrial characteristics). However, qualitative data indicate that neither the rise of CSR nor the increased peer pressure affects trainees' engagement with setting priorities for and implementing management training initiatives, which is predominantly due to corporate emphasis in the sample companies on a 'top-down' management approach.

These empirical observations enable this thesis to identify different forms of decoupling by exploring firms' strategies in setting CSR priorities and their strategic implementation of management training. Also, the findings raise on the question of the role of competing pressures in constraining and shaping the effectiveness of CSR.

These research findings advance and develop the existing CSR literature from several perspectives: (1) they provide a holistic understanding of decoupling phenomena by underlining the distinction between the legitimacy provided through CSR, CSR priorities and its specific impact on corporate practices; (2) the research findings clarify the conditions under which CSR can be effective by

considering the drivers from the organisational field and the market, and the influence made by company characteristics, e.g. strategic orientation; (3) the empirical evidence helps to illustrate the link between CSR and management training by detailing the impact that CSR has on the elements of management training provision; (4) the qualitative data in this thesis advance the current knowledge of CSR in China by adding insights on CSR characteristics within the financial sector.

In addition to its CSR aspect, this thesis also seeks to make relevant contributions to the development of institutional theory. Regarding its focus on the details of CSR priorities and training methods, this research responds to the need for investigations at the organisational level as stressed by previous institutional work. Given this focus on the organisational level, the qualitative data suggest two forms of decoupling in terms of CSR priorities and the implementation of management training. This develops the usage of the decoupling concept in the existing CSR literature, where there is a disconnect between work on the weak implementation of each CSR programme, and studies on firms' different treatment of external and internal stakeholders. More importantly, this thesis concludes the usefulness of organisational characteristics, for instance strategic orientation, in explaining corporate responses to competing pressures in the business context. This conclusion can contribute to developing institutional theory, where there is an overemphasis on the institutions outside organisations but a

neglect of differences in organisational characteristics, e.g. strategic orientation (Greenwood *et al.*, 2014).

## **1.4 Organisation of This Thesis**

This thesis comprises six chapters. As the starting point, this current chapter offers an introduction to the key elements and basic information on the present research. Specifically, this chapter introduces the key aspects of the current literature and the knowledge gap in the literature, the detailed research objectives and aims, and the research methodology underpinning this thesis. The empirical findings and research contributions of this thesis are then introduced, with the suggestion that the research outcomes may develop the current understanding of CSR as well as the explanatory power of institutional theory for decoupling.

Chapter 2 provides an overall review of existing literature on CSR and management training, as well as a theoretical framework for discussing the impact that CSR has on management training. The chapter starts with an overview of the conceptual insights of CSR and management training. Through the literature review, the thesis argues that CSR has the potential to affect corporate management training practices, not only because CSR standards include access to fair training opportunities, but also because CSR emphasises corporate support for long-term learning by individuals. Moreover, Chapter 2 introduces the decoupling concept and the theoretical framework of institutional theory, which this thesis

uses as its analytical lens. By discussing key insights of institutional theory, the chapter concludes by drawing out the importance of both competing pressures and company characteristics, e.g. strategic orientation, in shaping the implementation of CSR and management training.

Chapter 3 discusses research philosophy as well as the research method that underpins this research. The chapter considers objectivist and subjectivist philosophy, emphasising the benefits of adopting middle-range thinking approach for this thesis. Subsequent sections of Chapter 3 detail the importance of qualitative research methods for the implementation of the empirical investigation of this thesis. The sampling, data collection and data analysis research designs are also outlined in the chapter.

Chapter 4 provides empirical evidence of CSR activities in selected Chinese financial companies. The focus is on three specific aspects of the differences between CSR practices: the extent to which companies formalise their CSR targets by CSR reporting; how companies maintain their relationship with external stakeholders through CSR programmes; and the details of CSR activities from the employee's point of view. Through the institutional lens, Chapter 4 identifies the role of contextual factors in shaping the implementation of CSR strategies. As far as differences in organisational size and industrial legacy are concerned, it can be concluded that companies would respond differently to pressures from the

institutional environment, which is reflected in the differences in their CSR policies as well as the priority given to stakeholder groups.

Chapter 5 concentrates on two aspects of management training programmes: the institutional drivers for the provision of management training, and differences between corporate practices in implementing management training. First, empirical findings suggest differences in corporate training methods, in terms both of the scope of management training and of the provision of mentoring support. The second part of Chapter 5 identifies that both pressure for CSR and peer pressures are driving the development of management training initiatives in Chinese financial companies. Accordingly, by discussing the interaction between CSR activities and management training provision, Chapter 5 concludes that CSR policies have a direct impact on the rise of training opportunities for junior managers, and under certain circumstances CSR would help to formalise the policies on mentoring support.

Chapter 6 offers a discussion drawn from the empirical evidence as well as the conclusion of this thesis. The research findings emphasise the importance of both organisational characteristics, e.g. strategic orientation, and competing pressures within the institutional environment in explaining decoupling phenomena between the legitimacy provided through CSR, CSR priorities and management training provision. Moreover, several empirical and theoretical contributions are identified,

which benefit the existing CSR literature and institutional theory. Finally the chapter provides an overview of this current research, describes the limitations of this thesis and makes suggestions for future research.

## **1.5 Summary**

This chapter has provided basic information about this thesis. The background to the research and the key aspects of the literature were described to indicate the knowledge gap regarding the impact of CSR on management training. This chapter also detailed the research aims and objectives and discussed the research philosophy and methods. The remaining sections listed the major points of the empirical findings, indicating briefly how such findings would advance and develop existing literature. Finally, this chapter summarised the content of the remaining five chapters of this thesis. The following chapters will discuss, respectively, insights drawn from the literature review; the research methodology; empirical evidence of CSR and management training; and the implications of those empirical observations.

## Chapter 2 Literature Review

### 2.1 Purpose and Aims

This chapter offers an overview of the key concepts relevant to a discussion of the link between CSR and management training. As two major elements of this thesis, the existing literatures around CSR and management training provision are presented in Section 2.2. By reviewing the existing literature, this chapter aims to identify the importance of investigating the impact of CSR on management training. Following this, a theoretical framework of (neo-) institutional theory is introduced in Section 2.3, which acts as the theoretical lens to discuss how institutional pressures may shape differences of CSR priorities and thus the implementation of management training. Furthermore, Section 2.4 discusses the characteristics of both the Chinese context and the financial sector, which identifies several potential empirical contributions by researching the link between CSR and management training in Chinese financial companies. This chapter has the following objectives:

1. To introduce the concept of CSR.
2. To introduce the relevance of management training.
3. To describe the key elements of institutional theory and the concept of decoupling.
4. To discuss the link between management training provision and CSR through an institutional lens.



5. To emphasise the key insights obtained from this literature review, which are relevant for the research objectives of this study.

## **2.2 Literature on CSR and Management Training Programmes**

The starting point of this section is the concept of CSR. Although there is still debate on the nature or meaning of CSR, previous papers indicate an ongoing consensus on specific dimensions of CSR (Garriga and Mele, 2004; Matten and Moon, 2008), such as a greater emphasis on wider stakeholder groups than on shareholders or owners (Freeman, 1984). The section describes key debates on the impact of CSR on business practices, with particular reference to the decoupled/coupled responses to CSR, and the different treatment of external and internal stakeholders. Furthermore, when the content of Human Resource Development (HRD) as well as management training programmes is taken into consideration, the existing literature suggests that the rise of CSR may have two types of impact on the adoption and implementation of management training, and these are described in Section 2.2.3.

### ***2.2.1 The CSR Concept***

The concept of CSR is not new. It originated in the United States in the 1960s (Carroll, 1999) and quickly spread to European nations and other regions (Matten and Moon, 2008). Over the last few decades, the CSR literature has significantly expanded from its theoretical to its practical aspects, such as definition (Carroll,

1979, 1991, 1999), companies' reasons for engaging in it (Vogel, 2005), how to implement CSR practices (Cramer, 2005; Jonker *et al.*, 2004; Natrass and Altomare, 2002; Husted, 2003), the factors determining CSR integration within firms (McWilliams and Siegel, 2001), and the contribution made by companies to stakeholders in society more broadly (Donaldson and Dunfee, 1994; Swanson, 1999).

There is a consensus within existing literature on CSR that it emphasises corporate attention to the interests of stakeholders (Freeman, 1984; Davis, 1973; McWilliams and Siegel, 2001; Carter and Jennings, 2004; Garriga and Mele, 2004; Dahlsrud, 2008; McGuire, 1963), beyond those of shareholders, although there is still ambiguity around the meaning of CSR.<sup>1</sup> According to Freeman (1984, p. 46), a stakeholder can be defined as “any group or individual who can affect, or is affected by, the achievement of the organisation’s objectives”.

Several definitions relate CSR to stakeholder interests. For instance, Jones (1980, pp.59-60) defines CSR as, “the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract, indicating that a stake may go beyond mere ownership”. Also, Whetten, Rands and Godfrey (2002, p.374) view CSR as “societal expectations of corporate behavior; a behavior that is alleged by a stakeholder to

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<sup>1</sup> Carroll's (1991) pyramidal model of CSR categorises CSR dimensions on four levels: economic, legal, ethical and philanthropic. McWilliams and Siegel (2001) define CSR as voluntary behaviours going beyond economic targets and legal compliance.

be expected by society or morally required and is therefore justifiably demanded of a business”. The UK government (2001) states:

Corporate social responsibility recognises that the private sector’s wider commercial interests require it to manage its impact on society and the environment in the widest sense. This requires it to establish an appropriate dialogue or partnership with relevant stakeholders, be they employees, customers, investors, suppliers or communities. CSR goes beyond legal obligations, involving voluntary, private sector-led engagement, which reflects the priorities and characteristics of each business, as well as sectoral and local factors.

Business for Social Responsibility (2003) points out that:

Socially responsible business practices strengthen corporate accountability, respecting ethical values and in the interests of all stakeholders. Responsible business practices respect and preserve the natural environment. Helping to improve the quality and opportunities of life, they empower people and invest in communities where a business operates.

Most of these CSR definitions stress the importance of stakeholders with regard to CSR (Dahlsrud, 2008; Freeman, 1984), although this thesis does not contain an exhaustive list. Such clear emphasis on stakeholders drives the resultant discussion of the link between CSR and stakeholders.

#### 2.2.1.1 Focus on Stakeholders

The existing literature suggests that three related changes of social conditions – political, social and functional – are behind the attention being paid by firms to the demands of stakeholders (Vogel, 2005; Habisch *et al.*, 2005). The first change refers to the erosion of government power associated with globalisation (Scherer

and Palazzo, 2011). This decline in political power directly indicates the decreasing ability of governments to resolve social and environmental issues as well as to provide social welfare. This weakened role of governments is related to the second change of social conditions, rising pressure from social actors. Accordingly, rising social concerns motivate corporate engagement in solving social and environmental problems (Marquis *et al.*, 2007; Weaver *et al.*, 1999). In addition, with regard to the increasing mobility of corporations and the importance of financial markets to business success, CSR is often viewed as the emerging business opportunities, by which companies seek to gain competitive advantage, such as first-mover advantages and enhanced reputation (Vogel, 2005; Turban and Greening, 1997; Greening and Turban, 2000). All of these environmental changes suggest the importance of stakeholders for successful business operation, and this motivates companies to pay increasing attention to the demands and claims of stakeholders (Grunig, 1979; Elkington, 1997; Agle *et al.*, 1999; Boal and Peery, 1985; Sharma and Henriques, 2005; Stevens *et al.*, 2005; Aguilera *et al.*, 2007; Preuss *et al.*, 2006, 2009), rather than just to those of shareholders (David *et al.*, 2007).

The focus on stakeholder is further illustrated by a set of empirical studies that consider the role of stakeholders in driving CSR development. These stakeholders may be governments (Fineman and Clarke, 1996; Matten and Moon, 2008); industry associations (Christmann and Taylor, 2006); media (Weaver *et al.*, 1999);

consumers (Christmann and Taylor, 2006; Sen and Bhattacharya, 2001); the local community (Marquis *et al.*, 2007) and NGOs (O'Rourke, 2003; Spar and La Mure, 2003). Existing literature suggests not only that a focus on the interests of stakeholders is important for the achievement of competitive advantages (Jones, 1995; Mitchell *et al.*, 1997), but also that stakeholder management through CSR programmes has already become a growing management trend (Smith, 2005; Preuss *et al.*, 2009).

In terms of the approach to stakeholder management, there are two schools of thought as to why companies engage with the requirements of stakeholders (Garriga and Mele, 2004; Windsor, 2006; Meehan *et al.*, 2006; Aguilera *et al.*, 2007): the normative approach, which says that a company *should* implement its ethical obligation to stakeholders due to moral rationality, and the instrumental approach, which emphasises the instrumental rationality of corporate engagement with the claims of stakeholders.

The ethical or normative strand stresses that companies have moral obligations to society (Donaldson and Dunfee, 1994; Swanson, 1999; Maignan and Ralston, 2002), thus companies have a moral duty to recognise the intrinsic value of stakeholders and to respond to their needs. Accordingly, this school argues that corporations should engage in CSR because it is 'the right thing to do', rather than seeking to improve their financial performance or achieve commercial targets. As

noted by Cacioppe, Forster and Fox (2008, p.684):

Socially responsible companies not only try to be economically sustainable and profitable, but also endeavor to work with their employees, families, local communities and nation states to improve the quality of life in ways that are both ethical and sustainable in relation to society and the environment.

However, this normative strand often takes the discussion of CSR out of the realm of practice and empirical evidence. Although it is possible for CSR to stimulate the ethical justification for improving the interests of stakeholders (Muller and Kolk, 2010; Agle *et al.*, 1999; Waldman *et al.*, 2006), such normative consideration is hardly applied within a practical context (Phillips *et al.*, 2003). The difficulty of applying the normative strand is often caused by a conflict between moral and instrumental rationality. Under pressure from business imperatives, the ethical justifications and CSR consciousness of individuals have had little chance for integration with business practices and management decision making (Bansal and Roth, 2000; Hine and Preuss 2009). This means that the evidence supporting normative arguments can only be discovered by chance, which thus limits the development of the normative strand.

By contrast, the instrumental school, which treats CSR as a means to achieve business goals, suggests that corporate engagement in stakeholder concerns is driven by a specific business case. In the thesis of instrumental stakeholder management, CSR is often viewed as a kind of corporate investment in a 'goodwill bank' (Vaughn, 1999; McWilliams and Siegel, 2001; Porter and

Kramer, 2006), where corporate relations with stakeholders can help in the search for competitive advantages (Jones, 1995), for example, shareholder value (Margolis and Walsh, 2003; Orlitzky *et al.*, 2003), brand reputation (Husted and Allen, 2000; Petrick and Quinn, 2001; Porter and Kramer, 2006; Vogel, 2005), and employees' loyalty and commitment to organisations (Peterson, 2004; Smith *et al.*, 2004; Ng and Burke, 2005; Aguilera *et al.*, 2006; Carmeli *et al.*, 2007; Brammer *et al.*, 2007; Valentine and Fleischman, 2008). Accordingly, CSR is managed and justified by corporations on the basis of its capacity to offer a variety of benefits, first to firms and then to relevant stakeholders (Jones, 1995; Aaronson and Reeves, 2002; Frehs, 2003).

Within this type of business case, Mitchell, Agle and Wood (1997) suggest that companies may strategically prioritise the concerns of stakeholders according to the power, legitimacy and urgency of stakeholder groups. Following this strategic logic, Frynas (2008) has cautioned that CSR could be significant for strategic governance in terms of firms' relations with stakeholders, and yet ignore the interests of certain stakeholder groups (see also in Jones, 1995). Accordingly, the strategic response to stakeholder demands would raise particular concerns about the impact of CSR on business practices, as shown in Section 2.2.1.2.

#### 2.2.1.2 Impact on Business Practices

The impact of CSR on business practices is reflected in the way that stakeholder

concerns are responded to and prioritised by the CSR practices (Tenbrunsel *et al.*, 2000). Conceptually, management decisions on CSR or organisational CSR foci are determined by (1) the organisation's interaction with external stakeholders (Kostova and Roth, 2002; Campbell, 2007; Aguilera and Jackson, 2003; Schuler and Cording, 2006), and (2) the extent to which the pressure from stakeholders is related to corporate performance (Spar and La Mure, 2003; Christmann and Taylor, 2006). As pointed out by Jones (1995) and Mitchell, Agle and Wood (1997), given a conflict between instrumental rationality and stakeholder demands (Sternberg, 1997), companies may strategically respond to the interests of particular stakeholder groups that are identified as important and essential for instrumental rationality. The existing literature explores such strategic responses to stakeholder concern through two key perspectives: (1) the extent to which a CSR programme is integrated with everyday practices; and (2) which stakeholder interests may be prioritised.

In terms of strategic responses of firms to CSR, Weaver, Trevino and Cochran (1999) focus on the distinction between integrated and decoupled strategies for responding to the rise of pressure from stakeholders (decoupling is discussed in greater detail in Section 2.3.2 below). An integrated (or coupled) strategy means CSR is integrated with the structures and policies affecting everyday practices and decisions, so that "managers and employees are held accountable to [them], take note of [them], and see [them] as having a valued role in the organisation's



operations” (Weaver *et al.*, 1999, p. 540). An integrated strategy may refer to, for example, structures, policies or words that deeply affect organisational presence. In contrast, Weaver, Trevino and Cochran (1999) describe a decoupled strategy as the adoption of symbolic practices, which visibly conform to external demands but make little difference to everyday practices. For instance, in a decoupled strategy, CSR is often described as ‘window dressing’, greenwashing or PR, as a way of impressing stakeholders while protecting core business benefits (Donaldson, 1996; Stevens *et al.*, 2005; Long and Driscoll, 2008).

In terms of the determining factors for coupled or decoupled CSR responses, the existing literature suggests that external pressure and the evaluation of pressures by senior management are the essential elements for explaining the creation of coupled/decoupled strategies. On the one hand, as indicated by Weaver, Trevino and Cochran (1999) and Spar and La Mure (2003), an integrated CSR response may be associated with a rise of corporate input or costs (such as funding, time, energy and other resources), which causes a conflict between achieving legitimacy and maintaining efficiency. Thus, decoupling is perceived as an economically rational decision that protects efficiency from the cost associated with legitimacy achievement. On the other hand, the lack of effective monitoring from stakeholders such as third-party auditors is often criticised as one of the major drivers for the weak implementation of CSR standards (O’Rourke, 2003; Aravind and Christmann, 2011; Christmann and Taylor, 2006). Therefore, given the

weakness of external monitoring systems, O'Rourke (2003) believes that the adoption of CSR standards did little to improve working standards in the supply chain, which thus suggests a symbolic adoption of CSR.

Another key perspective is the question of which kinds of stakeholder interests are prioritised by companies. An external-internal organisational paradox is mentioned by Hine and Preuss (2009). They suggest that a CSR initiative is often adopted as a way of addressing external stakeholders' questions. In turn, the interests of the employee as internal stakeholder tend to be overlooked. The underlying assumption is that the corporate contribution to external stakeholders is highly visible to the public and is likely to help the achievement of business benefits (Jones, 1995; Mitchell *et al.*, 1997). Therefore, instrumental rationality drives management efforts to meet external demands through the adoption of CSR programmes, rather than internal.

This paradox is further captured by others (e.g. Barrientos and Smith, 2007; Fenwick and Bierema, 2008; L'Etang, 1995; MacLean and Behnam, 2010; Valentine and Fleischman, 2008), who suggest that even if companies have a good reputation for CSR, employees hardly benefit from the CSR programmes. For instance, as pointed out by Barrientos and Smith (2007), although in Asia the adoption of CSR standards clearly focusses corporate attention on the external stakeholder, for example on the local community, there is little change to

employee benefits, such as poor support for career development or the lack of employee representatives.

Drawing on the existing literature, the questions of who may benefit from CSR practices (Scherer and Palazzo, 2011), and how they benefit (Weaver *et al.*, 1999), are essential for understanding the impact that CSR has on the interests of stakeholders. However, these two perspectives are not yet integrated very well, mainly due to two reasons. First, the majority of current discussions of the decoupled or coupled CSR adoption are conducted at the analytical level of the single CSR programme, rather than the organisational level. Therefore, in such literature, there is little consideration of firms' different treatment for external versus internal stakeholders. This may require a general understanding of CSR at organisational level as well as a further discussion of the implementation of specific CSR sub-units.

Second, as indicated by the CSR literature, the interaction between business imperatives and the level of external pressures for CSR broadly explains why companies respond in a strategic way. Nevertheless, this broad theory is little discussed in terms of the link between CSR and management training and development. Given its expansion, CSR in principle stresses the benefits of management trainees by highlighting the adoption of management training programmes. Meanwhile, regarding the roles of training and human resource

development in business competition, there is a certain incentive pushing companies to focus on the development of trainees' knowledge and skills. As a result, both pressures for CSR and business incentives conceptually may drive companies to consider the interests of internal stakeholders, in contrast to current literature emphasising firms' neglect on the benefits of internal stakeholders (Fenwick and Bierema, 2008; Hine and Preuss, 2009).

Therefore, it is interesting to consider whether firms may adopt integrated or decoupled strategies to protect the interests of internal stakeholders. Accordingly, in this research, particular attention will be paid to the topic of management training and development, coming from the general discipline of human resource development (HRD). As will be shown in Section 2.2.2, a discussion of the link between management training and CSR can provide a holistic understanding of the influence that CSR has on corporate strategies.

### ***2.2.2 Management Training and Development Literature***

This section introduces the content of HRD and management training programmes and discusses the link between CSR and management training. It suggests that CSR may influence the adoption of management training initiatives in two ways. First, CSR has the potential to enable managers at different levels to benefit from greater training opportunities, which thus may lead to a rise of corporate input to training resources (Gond *et al.*, 2011; Jenkins, 2009; Sachs *et al.*, 2006). On the

other hand, CSR standards require corporate support for the continual learning by individuals as an important element of management training and development (Fenwick, 2005; Elliott and Turnbull, 2005; Fenwick and Bierema, 2008). Nonetheless, according to the existing literature, this link between CSR and management training provision is still under-developed; the current research is therefore interested in exploring how CSR affects the provision of management training.

#### 2.2.2.1 Content of Human Resource Development (HRD)

HRD focusses on matters of employee development (Garavan, 1991; Garavan and McGuire, 2010), rather than other labour issues. For instance, according to McLean and McLean (2001, p.322), HRD can be described as:

Any process or activity that, either initially or over the long term, has the potential to develop adults' work-based knowledge, expertise, productivity and satisfaction, whether for personal or group/team gain, or for the benefit of an organisation, community, nation or, ultimately, the whole of humanity.

The nature and content of HRD renders it highly relevant to the CSR discussion, not only because of the significance of HRD practices for employee development, but also due to the way that HRD contributes to individual attitudes to engaging in CSR programmes.

First, the rise of CSR requires corporate responsibility to employees through HRD practices (Fenwick, 2005; Elliott and Turnbull, 2005; Corley and Eades, 2006;

Valentin, 2006; Bierema and D'Abundo, 2004). As global CSR initiatives, such as Global Compact, Global Reporting Initiative or international CSR standards (SA8000, ISO26000), clearly show, the term CSR can be linked to employee benefits. This type of CSR initiative assumes that the development of knowledge and intellectual capital will contribute to equality and fairness at work (Sage, 1999; Wilkinson and Hill, 2001; Fox, 2008), which can be divided into specific themes, for instance, equal training opportunities, support for lifelong learning, and regular performance and career development reviews (GRI guidelines).

Second, a set of papers suggests that HRD practices can help to stimulate employees' engagement in CSR initiatives (Strautmanis, 2007; Fernandez *et al.*, 2003; Wilcox, 2006; Gond *et al.*, 2011; Lam and Khare, 2010; Maon *et al.*, 2009; Chong, 2009; Ramus and Steger, 2000; Rocha *et al.*, 2007). For instance, according to Maon, Lindgreen and Swaen (2009), the implementation of CSR may bring about some changes in HRD practices, for example, linking employee reward and recognition to the adoption of CSR projects, as well as improving individual attitudes towards CSR. Within such change, Fernandez, Junquera and Ordiz (2003, p. 644) suggest that "an increase in awareness and knowledge of process and materials" through HRD can be viewed as key facilitator for CSR management and strategies.

With regard to these two conceptual links between CSR and HRD, some scholars

clearly express concern as to the extent to which employees can benefit from the HRD practices in socially responsible companies (Willis, 1996; Natrass and Altomare, 2002; Willard, 2005; Fenwick and Bierema, 2008; Wilcox, 2006; Gond *et al.*, 2011). For instance, Bhattacharya, Korschun and Sen (2008) explore the fact that most companies take a top-down approach to planning, developing and managing CSR initiatives, under which the interests and demands of employees are often overlooked. Thus, as cautioned by Vince (2005), HRD practice is often criticised as being too close to the needs of the marketplace and the company's short-term profitability and performance agenda. Similarly, Bierema (2009) and Turnbull and Elliott (2005) comment that there is a lack of discussion of how CSR can benefit employees.

This debate about the link between CSR and HRD can be explained by ambiguous definitions of the scope of HRD practices (McLean and McLean, 2001). For instance, Yan and McLean (1998) show that in Korea, most academics and practitioners narrowly define the training provision as an HRD activity. Similarly, McLean and McLean (2001) suggest that this limited definition of HRD practices occurs in the Netherlands, Russia and Singapore. If defined in this way, HRD scarcely differs from training programmes, the link between HRD practices and personnel development is expected to be weak.

In contrast, other scholars (e.g. Garavan, 1991; Rao, 1996; Harada, 1999;

McGoldrick and Stewart, 1996) argue that HRD practice involves other relevant processes and systems, which indeed go beyond the scope of training provision. These HRD systems may include manpower planning (Kuo and McLean, 1999), communication for career development (Rao, 1996; Harada, 1999), and mentoring support from supervisors or line managers (Garavan, 1991; Rao, 1996; McGoldrick and Stewart, 1996).

Regarding this issue, this research will pay particular attention to the topic of management training and development, as one of the key elements of the HRD discussion (Garavan, 1991; Garavan and McGuire, 2010; McLean and McLean, 2001). Scholars such as Storey, Edwards and Sisson (1997) clearly distinguish between training provision and management development, by stressing that the latter requires systematic support from the relevant HR and training policies (Thomson and Gray, 1999; McDowall and Saunders, 2010; Tyson and Ward, 2004; Mabey and Thomson, 2000).

#### 2.2.2.2 Content of Management Training

The aim of management training is to teach or develop various management skills and knowledge (Burke and Day, 1986), in order to improve individual performance and quality in management (Goldstein, 1980; Wexley and Latham, 1981). A meta-analysis conducted by Campbell, Dunnette, Lawler and Weick



(1970) lists six major components of management training programmes:

- (1) General management knowledge, aiming to teach the concepts, facts and theory of management, e.g. labour economics and general management functions;
- (2) Human relations/leadership programmes, which help to develop the skills of dealing with human relations problems, e.g. communication, supervision and leadership;
- (3) Self-awareness programmes, helping trainees to recognise their own strengths as well as weaknesses;
- (4) Problem-solving/decision-making programmes, which teach generalised useful skills that can help with a range of work problems in a practice context;
- (5) Rater training programmes, developing the skills of how to evaluate the behaviours and performance of their subordinates;
- (6) Motivation/values training programmes, designed to modify trainees' values or attitudes or increase their motivation.

In emphasising the nature of management training, Pettigrew, Sparrow and Hendry (1988) identify two types of benefits for companies and trainees.

The provision of management training helps to govern the increasing complexity of business conditions. This argument particularly suits the context of globalisation, where competitive advantage mainly comes from the knowledge and ability to offer high-quality customised products and services (Keep and Rainbird, 2000). Therefore, as supported by Jones and Hendry (1992), management training programmes certainly help to improve the management skills of dealing with emerging demand from global markets.

Management training and development may be helpful to employees' career advancement. As far as content is concerned, management training is different

from technical training tackling skills deficiency and increasing productivity (Saari *et al.*, 1988; Schuler, 1995; Barney 1991; MacDuffie, 1995; Salas and Cannon-Bowers, 2001). The enhancement of individual knowledge and working skills is therefore not oriented towards a specific job content, but becomes more open and flexible (Jones and Hendry, 1992, 1994; Marquardt and Reynolds, 1994; Mabey *et al.*, 1998; Pedler *et al.*, 1991). Following these theoretical assumptions, Fenwick (2005) suggests that beyond the emphasis on individual performance, management training programmes can perhaps help to counteract disadvantages in terms of working skills and educational background, and can then contribute to career advancement (Kraiger *et al.*, 1993; Yadapadithaya, 2001).

### ***2.2.3 CSR and Management Training and Development***

The existing literature suggests a rise of CSR can make two types of impact on the implementation of management training. First, along with the expansion of CSR, there is a change in the content of management training, specifically with reference to the ethical dimensions of training sessions (Cramer, 2005; Jonker *et al.*, 2004; Nattrass and Altomare, 2002; Husted, 2003; Fernandez *et al.*, 2003; Maon *et al.*, 2009; Chong, 2009; Ramus and Steger, 2000; Rocha *et al.*, 2007). Adoption of ethical training sessions, on the one hand, helps to improve managers' awareness on ethical issues or environmental protection (Fernandez *et al.*, 2003; Maon *et al.*, 2009); on the other hand, it potentially contributes to the integration of ethical awareness into business operations (Fernandez *et al.*, 2003; Maon *et al.*,

2009; Chong, 2009; Ramus and Steger, 2000; Rocha *et al.*, 2007). As concluded by Preuss (2012, p.7), the ethical dimensions promoted through training sessions typically refer to “no fraud”, “proper use of equipment”, “no leakage of confidential information”, “improper use of insider information”, “avoid conflict of interests”, “no corruption or bribery”, “restriction on acceptance of gifts”, or “no alcohol and drug use during working hours”. Drawing upon these content of ethical training sessions, it can be argued that the adoption of ethical training is important in reinforcing CSR standards of business operations, and thus benefiting CSR reputation of companies.

Second, beyond a change in training content, CSR can have an impact on the principles of training systems, thus leading to a change in training methods or the development of training programmes. As the CSR concept stresses equal training opportunities, companies may adopt relevant management training programmes as a response to the pressure for CSR (Gond *et al.*, 2011). For instance, in Jenkins’s (2009) investigation into 24 UK companies, the term ‘training support’ is clearly stated in the CSR statements or policies of the case companies. Also, as explored by Sachs, Maurer, Ruhli and Hoffmann (2006) in their study of a Swiss telecoms company, CSR policies require management to pay a certain amount of attention to training programmes to comply with the firm’s internal regulations. In this case, the requirements of CSR policies and standards lead to greater training opportunities for management trainees.

Meanwhile, another impact on the principle of management training is that CSR may have the potential to stimulate corporate support for continual learning by individuals. Some scholars have explored how CSR might improve individual awareness of the provision of essential support for continual learning. For instance, according to Hill's (1999) study on the social awareness of HRD practitioners, the majority of participants have defined corporate support for continual learning by individuals as one of most important ethical issues in terms of HRD practices. Moreover, employing the Delphi technique, Roberson (1999) focusses on HRD professionals' perception of CSR and ethical issues in HRD. The majority of respondents in her research support the importance of CSR values in HRD, and suggest the rise of CSR drives their attention to companies' long-term and consistent support for lifelong learning by individuals.

In reviewing the impact that CSR has on management training, the current literature has provided two types of insights on how companies implement management training in response to the rise of CSR, in terms of either the rise of ethical dimensions of training content or the ways in which training programmes are implemented. The most significant difference between these two insights is whose interests will be emphasised or guaranteed by initiating training programmes. On the one hand, the increase of ethical dimensions within management training can be characterised as corporate efforts to improve firms' financial performance and to achieve social legitimacy through CSR approaches.

Therefore, the primary objective of such ethical training session is to further company interests. On the other hand, an emphasis on equal training opportunities and corporate support for continual learning has directed attention to the demands of employees/managers. Thus, a change in the principles of the training system, led by CSR, suggests corporate attention to protect stakeholder interests, rather than a sole focus on business benefits.

This PhD research is particularly interested in the impact that CSR has on how management training is delivered, due to the general objective of this study. As mentioned in Chapter 1, this research intends to explore the extent to which external pressures may lead to a symbolic or substantive change to CSR priorities as well as corporate practices in meeting stakeholder demands. Given this general research target, the investigation of management training specifically focusses on the extent to which the rise of CSR is helpful in protecting the interests of managers or meeting their training demands, rather than examining the ethical dimensions of training content. The discussion of the impact that CSR has on how management training is delivered helps to (1) show how firms develop different CSR priorities for their external stakeholders and management trainees; (2) indicate the extent to which CSR is effective in protecting the needs of management trainees.

### 2.2.3.1 Various Implementations of Management Training

While CSR in principle has the potential to affect the implementation of management training, such as equal training opportunities as well as continual learning by individuals, current empirical studies suggest that socially responsible companies may adopt a variety of strategies to implement management training.

Specifically considering the largest Finnish companies, Vuontisjarvi's (2006) investigation suggests that the rise of CSR can make a significant change to the number of training programmes and HRD policies, such as performance appraisals and regular development reviews, and personal development plans (together with the employees), which are essential for the continual learning by individuals. Therefore, Vuontisjarvi (2006) summarises that in developing CSR, there may be some changes to training or HRD policies, which can provide the fundamental support for the individual's lifelong learning and the equal training opportunities within companies.

In contrast, the exploratory study of Fenwick and Bierema (2008) indicates a mixture of corporate responses to CSR, by arguing that training programmes are often marginalised in the development of CSR. Fenwick and Bierema (2008) categorise the strategies of Canadian companies with a high CSR reputation into three clusters. First, certain companies neglect the link between CSR and human resource development; they emphasise the role of CSR in promoting the benefit of

external stakeholders rather than that of their employees or managers. Second, regarding the pressure for CSR, some companies focus on the growth of their training investment to improve the equality of training programmes, but seemingly resist the adoption of continual support for individual lifelong learning in corporate policies. Third, only one particular company defines training programmes, which are integrated with employee engagement and employee dialogue policies, as the means to fulfil the CSR principle of supporting personnel development. As explained by Fenwick and Bierema (2008), line managers working under this kind of HRD policy can be seen to pay increased attention to employee communication and the provision of the relevant mentoring support as an addition to management training.

Following the contributions of Fenwick and Bierema (2008), CSR may make a symbolic or a substantive impact, if any, on the implementation of training programmes. A symbolic impact refers to the second category mentioned by Fenwick and Bierema (2008) - companies would like to increase their training input as the response to CSR pressures, but often ignoring firms' frequent or long-term support for the individual continual learning. Under such a strategy, HRD or personnel managers often play an operational role in supporting the fulfilment of specific training targets, but there may be little communication with employees and rarely much understanding of the needs of trainees (Nattrass and Altomare, 2002; Willard, 2005; Wilcox, 2006). This suggests that management

training programmes may become a way to “fulfill the task given by the higher authority” (Cooke, 2005, p. 45) or meet market expectations (Cooke and He, 2010; Gond *et al.*, 2011), rather than engaging in employees’ interests and personnel development. Therefore, by adopting this strategy, the design of management training is more likely to achieve the appraisals of external stakeholders, but less refers to the benefits of management trainees such as lifelong learning or personnel development.

In terms of the substantive impact of CSR, it is essential for management training to provide the systematic support for personnel development of trainees (Garavan, 1991), thus an integrated adoption of management training programmes refers to the substantive change of relevant HRD policies, such as management trainees’ engagement with planning training programmes and the availability of formalised mentoring support. On the one hand, the involvement of managers in the planning of training content seems to be important for the implementation of management training. As supported by Kessels and Harrison (1998), this engagement of management trainees in the design of training programmes determines the extent to which trainees actively participate in training sessions on a long-term basis. Also, Currie (1999) reveals that a dissatisfaction with training content causes trainees to be reluctant to attend management training sessions, which threatens the long-term implementation of management training. In a further study, Boyett and Currie (2001) explain that such dissatisfaction stems from the lack of trainees’



engagement with planning the content and process of the management course. Without such engagement, trainees often view management training as irrelevant and useless. The finding of Gond, Igalens, Swaen and Akreimi (2011) indicates that the rise of CSR leads to an improvement of employee communication and engagement in France, where trade union helps to protect employee voice in shaping corporate strategies (Preuss *et al.*, 2006). However, in other contexts (e.g. the UK in Hine and Preuss, 2009 or North America in Fenwick and Bierema, 2008) where market pressures clearly affect CSR activities, employee engagement or communication is relatively limited.

On the other hand, formalised mentoring support appears to be crucial in changing the nature of the adoption of management training. Scholars (e.g. Shamir *et al.*, 1998; Gooderham *et al.*, 1999; Bono and Judge, 2003) suggest that mentoring support is very useful in improving managerial skills and thus benefiting management development. For instance, as revealed by Clutterbuck and Megginson (1999), mentoring support can provide good guidelines for the critical aspects of individual performance. Similar comments also come from Wales (2003), suggesting mentoring can offer tailored support to trainees, which is important for individuals' career planning. Ready and Conger's (2003) case study of IBM points out that mentoring and coaching support, combined with on-the-job experience, is adopted as the preferred method for management and leadership development. By using such strategies, both trainees and line managers are

required to engage in the implementation of management training. Nevertheless, as suggested by scholars (e.g. Keep and Rainbird, 2000; Thomson *et al.*, 1997), formalised mentoring support is not provided by all companies. Especially in companies where individual actions are determined by “the requirements of an impersonal, technical logic” (Alvesson and Willmott, 1992, p.6), training provision is likely to serve to improve operational capacity (Chin and Benne, 1985; Saari *et al.*, 1988), but offers little mentoring support for the career advancement of employees.

In sum, the recent literature has captured a phenomenon that, under pressure to engage in CSR activities, companies may adopt HRD policies and implement management training in various ways, regarding their training funding, the availability of mentoring support and trainees’ engagement. In explaining why and how CSR pressure drives corporate responses, the existing literature has applied either a normative or an instrumental perspective in discussing the adoption of management training (Fenwick and Bierema, 2008; Gond *et al.*, 2011).

A normative perspective has been mentioned by Roberson (1999) and Hill (1999), who suggest that the normative pressure of CSR has the potential to affect managers’ awareness of ethics and thus leads them to support lifelong study. Nevertheless, such a normative perspective cannot fully explain managerial

decisions in CSR, where business imperatives limit the influence that individual consciousness has on business practices (Hine and Preuss, 2009). Therefore, a normative approach emphasising the role of managerial awareness and consciousness may neither explain the symbolic adoption of management training nor the substantive impact led by CSR.

Alternatively, as indicated by the recent literature (e.g. Gond *et al.*, 2011; Fenwick and Bierema, 2008), there is a need to consider the role of contextual factors in shaping the link between CSR and management training. For instance, in the context of North America, the compatibility between CSR pressures and firms' intentions to achieve a competitive advantage through HRD may increase the firms' emphasis on management training and development (Fenwick and Bierema, 2008). In addition, given their strong position in the French context, trade unions can produce strong pressures pushing the integration between CSR and management training (Gond *et al.*, 2011). Nevertheless, neither market incentives nor drivers from the institutional context can fully explain how CSR affects the implementation of management training. From an empirical perspective, the problem is that the discussion of CSR and management training is a relatively recent interest of academic studies, thus there is a lack of knowledge of the factors that explain the relation between CSR and management training in other national or industrial contexts. From a theoretical perspective, although market drivers and institutional pressures can potentially motivate the substantive adoption of

management training, it may be interesting to know whether there is interaction between institutional pressures and market drivers. As the fact that competition and the market are embedded in an institutional environment, a change in institutional pressure may reshape competitive and market conditions. Accordingly, an interaction between the market and institutional conditions may be helpful for an in-depth explanation of the impact that CSR has on management training.

As a result, this study is interested in how CSR may impact the implementation of management training, which can further clarify the determining factors and the mechanism for the symbolic and substantive change brought by CSR. To implement this research objective, institutional theory is employed as the theoretical lens to analyse the influence of contextual factors, and this will be introduced in the next section.

### **2.3 (Neo-) Institutional Theory**

This thesis employs institutional theory as the theoretical lens to discuss the impact that CSR has on the adoption of management training initiatives. The importance of institutional theory is supported by arguments in the CSR literature suggesting that contextual factors clearly affect the development and implementation of CSR programmes (Campbell, 2007; Matten and Moon, 2008).

It can therefore be argued that institutional theory is important to a discussion of CSR, as far as its usefulness to explore the interaction between institutional condition and corporate practices is concerned.

Institutional theory stresses pressure from firms' external environment, contributing to defining and explaining organisational responses to the business environment (Oliver, 1991; DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Zucker, 1977, 1988). In its early stages, institutional theory paid great attention to how institutional pressure can motivate organisational compliance with external claims by using isomorphism (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Scott, 2004). Beyond this kind of isomorphic adaptation, some scholars increasingly emphasise companies' strategic responses to the existing institutional arrangement (Kostova and Roth, 2002; Oliver, 1991, 1992; Edelman, 1992; Knight, 1992). An underlying assumption is that the instrumental imperatives often affect the degree of companies' compliance with institutional expectations (Greenwood *et al.*, 2002; Hinings and Greenwood, 1988; Oliver, 1991; Scott, 2008), which further leads to the diversity of responses by firms.

Therefore, with respect to its conceptual nature, institutional theory can provide a useful instrument to analyse the impact that CSR has on management training. On the one hand, institutional theory can promote a holistic understanding of the impact of external pressures, which can explain the rise of CSR initiatives (Matten

and Moon, 2008; Aguilera *et al.*, 2007), as well as corporate responsibility to personnel development and the provision of learning opportunities. On the other hand, institutional theory can provide key insights explaining the interaction between organisations and their organisational context (Tempel and Walgenbach, 2007; Oliver, 1991; Scott, 2008), which thus contributes to explaining variety in companies' adoption of CSR programmes.

### ***2.3.1 Institution and Isomorphism***

An institution is one of the important components in the business environment, viewed as “the central pillar” organising business principles and shaping corporate behaviours (Friedland and Alford, 1991; Prakash, 1999, p. 332). North (1990) defines institution as the rule of the game. Basically, institutions can be classified as formal and informal institutions (North, 1990; Peng, 2003; Scott, 1995). Formal constraints include political rules, judicial decisions and economic contracts. Informal constraints, on the other hand, include socially sanctioned norms of behaviour and taken-for-granted cognition (Scott, 2008). Another widely accepted definition of institution is given by Scott (1995, p. 33):

Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers – cultures, structures, and routines – and they operate at multiple levels of jurisdiction.

According to Scott's (1995) description of the nature of an institution, institutional

theory argues that organisational or individual behaviour is constructed by the institutional pressures, cognitive, normative and regulatory pillars (Meyer and Rowan, 1977; Meyer *et al*, 1983; Zucker, 1983; Scott, 2001). Unlike the economic version of institutional theory which focusses more on efficiency (North, 1990; Williamson, 1985), institutionalism in social science emphasises organisational compliance with institutional expectations due to the importance of social legitimacy (D'Aunno *et al.*, 1991; DiMaggio and Powell, 1983; Scott, 1987, 1995; Suchman, 1995). Social legitimacy can be produced by various organisations (e.g. governments, civil society organisations, trade associations and corporations) existing in an organisational field (Suchman, 1995). Scott and Meyer (1991, p.117) define the organisational field as comprising “a collection of organizations operating in the same domain as identified by the similarity of their services, products or functions” and “those organizations that critically influence the performance of the focal organization”. In such a field, aiming to attain social legitimacy of business activities, organisational strategies will be shaped by the influence and pressure of (formal and informal) institutions. DiMaggio and Powell (1983, p.149) argue that under institutional pressures, the phenomenon of isomorphism may happen, which can be defined as “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions”.

There are three principal forms of isomorphism identified by the existing

institutional literature: coercive, mimetic and normative mechanism (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Scott, 2008). Coercive isomorphism is driven by the pressures from other stakeholders on whom an organisation is dependent (DiMaggio and Powell, 1983; Lai and Slater, 2006). This kind of coercive pressure is often associated with enforcement by powerful stakeholders existing within the organisational field. As implied by North (1990), in order to avoid being penalised by powerful stakeholders, management is motivated to change its behaviours, leading to the phenomenon of isomorphism. This coercive mechanism may originate from the influence of codified rules, norms and laws of the state, pressure from trade unions, supplier requirements or customer boycotts (Pfeffer and Salancik, 1978; Clarke *et al.*, 1997; Carpenter and Feroz, 2001; Mizruchi and Fein, 1999). In order to measure this coercive pressure, DiMaggio and Powell (1983) highlight organisational dependence on others and vital resources. Corporations that are heavily dependent on other organisations, such as governments and suppliers may be more likely to comply with coercive pressures. Moreover, with greater centralisation of an organisation's vital resources, isomorphism in corporations and their suppliers may become more significant.

Mimetic isomorphism can be seen as an organisational response to an uncertain business environment (DiMaggio and Powell, 1983). There are two specific processes to explain mimetic isomorphism. First, business decisions are not independent, but are often associated with organisational habits and inertia.



Therefore, under certain conditions, companies will not make changes, but will internally institutionalise the management's existing approach (Porter, 1990). This phenomenon is illustrated in the desire of Japanese MNCs to retain their management traditions regardless of the expansion of American business models (Lu, 2002). Second, where there is no clear course of action, organisational leaders may decide that the best response is to mimic a peer that they perceive to be successful (Carpenter and Feroz, 2001). Under pressure from competition and pursuing both economic and social legitimacy, corporations' strategies may mimic the others' successful previous experience. For instance, the global spread of Total Quality Management is largely due to the successful experience of the American economy (Zbaracki, 1998).

DiMaggio and Powell (1983) point out that uncertainty is the main measure of organisational imitation. Where companies are more uncertain about the relation between means and ends, they tend to imitate earlier successful experience. A further source of uncertainty in companies is ambiguous goals. Organisations with ambiguous goals are likely to be highly dependent upon appearances for legitimacy. Such organisations may find it to their advantage to meet the expectations of important constituencies about how they should be designed and run. Another explanation for ambiguous goals is found in situations where conflict over organisational goals is repressed in the interests of harmony; thus participants find it easier to mimic strategies than to make decisions on the basis

of systematic analyses of goals, since such analyses would prove painful or disruptive.

The final dimension of isomorphism is normative mechanism, introducing “a prescriptive, evaluative and obligatory dimension into social life, reflecting the values (what is preferred) and norms (how things should be done) of the social system” (Scott, 2001, p. 175). Therefore, this normative isomorphism is mainly associated with professionalisation (DiMaggio and Powell, 1983; Marquis *et al.*, 2007). According to Larson (1977) and Collins (1979), professionalisation can be defined as the collective struggle of members of an occupation to define the conditions and methods of their work to establish a cognitive base and legitimation for their occupational autonomy. For instance, this normative process can be promoted through educational (MBA study) and professional bodies (professional accountancy associations and business associations).

As clarified by DiMaggio and Powell (1983), corporations closely related to professionalisation (e.g. accounting and consulting firms) are likely to comply with normative pressure. First, such relations can be observed from the participation of organisational managers in business, trade and professional associations. Under the influence and education of these associations, it may be easier for a corporation to become like other organisations in its field. Second, this link with professionalisation can be measured in terms of reliance on academic

credentials in choosing managerial and staff personnel. Applicants with academic credentials have already undergone a socialisation process in university programmes, and are thus more likely than others to have internalised the reigning norms and dominant organisational models.

These three isomorphic mechanisms can be seen as three separate processes shaping organisational actions. Nonetheless, due to the ambiguity of their boundaries, the rise of one mechanism may be able to increase another isomorphic process. For instance, where the normative pressure from NGOs rises dramatically to a high level equivalent to legislation, the norms and policies codified by NGOs may become compulsory – an example of coercive isomorphism (e.g. the global anti-sweatshop movement quoted in O'Rourke, 2003). Also, changes in the coercive and normative pressures of legislation and unions can potentially lead to a more uncertain business environment, increasing the tendency towards mimic mechanisms with actions to protect labour interests.

### ***2.3.2 Strategic Responses to Institutional Pressures***

Institutional theory has been employed as a theoretical lens to analyse individual and organisational actions. Beyond its explanations for the homogeneity and persistence of phenomena through isomorphic mechanism, institutional theory is also a popular and powerful tool for explaining heterogeneity of and variance in business actions.

Oliver (1991, 1992) suggests that above and beyond the business benefits of compliance with institutional arrangements, firms can benefit from resistance or non-compliance to institutional constraints, highlighting the importance of understanding proactive strategies developed by companies. The implicit assumption of Oliver's theoretical framework is that the challenges of institutional pressure towards instrumental targets directly determine the response of organisations. By recognising the potential benefits or threats brought by institutional arrangements, organisations perhaps not only resist compliance with external claims (a strategy of defiance), but may also apply 'manipulate' strategies to control and reshape the existing institutional structure (Oliver, 1991, 1992).

The aspect of firms' strategic responses has expanded the usefulness of institutional theory in explaining the variety of corporate practices. Beyond the sole emphasis on the role of isomorphic mechanisms in diffusing firms' actions, the strategic perspective of corporate responses suggests an interaction between organisations and their business environment as the foundation for considering the reasons underlying corporate decisions. In this thesis discussing the impact that CSR has on management training programmes, specific attention is paid to a discussion of companies' substantive and symbolic adoption of institutional claims, which explains the extent to which institutional pressure can lead to a substantive change in companies' responsible treatment of stakeholders.

### 2.3.2.1 Substantive Versus Symbolic Adoption

Considering the impact that institutional pressures have on business practices, Weaver, Trevino and Cochran (1999) categorise corporate responses as the coupled and decoupled adoption of institutional arrangements, which respectively refers to substantive and symbolic changes caused by external pressures. A coupled structure refers to an organisational adoption of external claims that is highly integrated with daily activities, and closely associated with core business practice relating to business performance. In contrast, a decoupled structure indicates firms may ceremonially integrate some institutional arrangements in order to maintain visible similarities with external claims, thus attaining the essential legitimacy for their business operations.

Under a decoupled structure, there is a significant difference between perceived image and the actual change of corporate practices (Meyer and Rowan, 1977; Lapsley and Mussari, 2008), which can help the adoption of institutional templates with a minimal input (Heugens and Lander, 2009). For instance, as pointed out by Kury (2007), decoupling includes the management setting vague goals, monitoring and evaluating in a ceremonial way, and refusing to formalise rules for institutional arrangements. Such lack of clear goals or the effective evaluation makes organisational compliance with institutional pressures become 'lip service', which hardly leads to a substantive change of firms' everyday practices.

Decoupling is no longer a recent phenomenon, since a great deal of previous studies have focussed on the difference between the rhetoric and reality of business practices (e.g. Westphal and Zajac, 1994, 2001; Fiss and Zajac, 2006; Kostova and Roth, 2002; Westphal *et al.*, 1997; Zbaracki, 1998; Zajac and Westphal, 2004; Stevens *et al.*, 2005; Christmann and Taylor, 2006; Delmas and Montes-Sancho, 2010; Perez-Batres *et al.*, 2012; Park *et al.*, 2010; Aravind and Christmann, 2011; MacLean and Behnam, 2010). Based on this set of literature, MacLean and Behnam (2010) define decoupled structure as two specific phenomena:

(1) Decoupling refers to little implementation of institutional claims within organisations. One of representative examples is the symbolic adoption of stock repurchase plans discussed by Westphal and Zajac (2001). Although companies have formally adopted the policy of stock repurchase plan, Westphal and Zajac (2001) observed that such plans are hardly ever implemented. Another case of little implementation refers to the implementation of ISO standards (such as ISO 9000 and ISO 14001). According to Christmann and Taylor (2006) and Aravind and Christmann (2011), ISO-certified firms often fail to make a significant change of their social and environmental performance compared to those non-certified firms, which thus suggests a decoupled adoption of certification standards.

(2) Another type of decoupling phenomenon in companies is the concealment

strategy----substantive change exists in non-core business operations but this is disconnected from core and performance-related organisational functions. One typical example of such concealment is the diffusion of Total Quality Management. As pointed out by Westphal, Gulati and Shortell (1997) and Zbaracki (1998), firms' adoption of Total Quality Management to certain degree is motivated by achievement of legitimacy, rather than due to a consideration of efficiency or technical demands. Thus, when implementing Total Quality Management in organisational practices, managers often struggle to deal with the incompatibility brought by Total Quality Management. Accordingly, organisations are more likely to customise the application of Total Quality Management systems (Westphal *et al.*, 1997), which thus "leads managers to reject some of the most clearly technical elements of TQM in their program" (Zbaracki, 1998, p. 616). Also, a similar story comes from the study of Park, Sine and Tolbert (2010), which is interested in the declining implementation of the tenure system in US colleges and universities. The tenure system has a long history in US colleges and universities, but it is significantly less applied to new faculty position. Alternatively, fixed-term and part-time arrangements are increasingly used in current recruitment of faculty, which gradually decouples the application of tenure from the administration within colleges and universities (Park *et al.*, 2010).

To sum up, decoupling broadly indicates the distinction between perceived image

and reality of the corporate response to institutional pressures. Specifically, the existing literature distinguishes the weak implementation by firms of two forms – resistance to implement the formally adopted policies, as well as the customised and selective implementation of institutional patterns.

#### 2.3.2.2 Knowledge Gap in Decoupling

In early discussions of decoupling, a dichotomy between legitimacy and efficiency is usually emphasised. Decoupling originates from ambiguity existing in the institutional environment (Edelman, 1992; Meyer and Rowan, 1977), under which symbolic adoption is often sufficient for the achievement of legitimacy. Furthermore, as cautioned by Meyer and Rowan (1977), firms' adoption of institutional arrangements cannot always lead to the improvement of efficiency, but to a certain extent may even threaten efficiency. Thus, the dichotomy between legitimacy and efficiency causes management to struggle to remain efficient while remaining legitimated. Accordingly, a decoupled structure may be adopted, which serves to maintain symbolic appearances for achieving 'business licence' but to protect business interests from the unwanted costs associated with institutional pressures.

In reviewing the existing literature on decoupling, one specific debate is whether competing pressures within the institutional context can fully explain the adoption



of decoupling strategies by firms. As identified by several scholars (e.g. Oliver, 1991; Greenwood and Hinings, 1996; Weaver *et al.*, 1999; Kostova and Roth, 2002; Scott, 2008; Purdy and Gray, 2009), competing expectations by different stakeholders directly weaken the role of institutional pressures in driving organisational compliance. Thus, as the seminal work of Meyer and Rowan (1977) concludes, the ambiguity existing in the institutional context drives firms' decoupled or ceremonial responses. Meanwhile, the conflict between institutional claims and firms' internal goals certainly causes decoupling phenomena, since companies often intend to adopt ceremonial compliance by undertaking minimum efforts to engage with the external demands (Oliver, 1991; Greenwood and Hinings, 1996; Rao *et al.*, 2000; Westphal and Zajac, 2001; Park *et al.*, 2010; Delmas and Montes-Sancho, 2010).

By contrast, other papers such as Knight (1992), Beckert (1999), Levy and Scully (2007) and Lounsbury (2007, 2008), and Maguire, Hardy and Lawrence (2004) view the competing structure of institutional pressures as an emergent business opportunity, helping companies achieve first-entry/differentiation advantages. As pointed out by Maguire, Hardy and Lawrence (2004, p. 657), the fragmented organisational field motivates "the activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones". This is particularly with reference to the rise of a political role of MNCs in providing social welfare in developing

countries, where the institutional infrastructure is weakly developed (Braithwaite and Drahos, 2000; Hopkins, 2003; Vachani and Smith, 2004; Sell and Prakash, 2004).

Such different insights into the competing pressures for decoupling phenomena are very important for discussing symbolic adoption by companies. Under the assumption that the conflict and ambiguity within the business environment drive the decoupled responses, an improvement of external monitoring (Meyer and Rowan, 1977) as well as the collective engagement of social actors (Campbell, 2007) are necessary in driving the substantive changes to business practices. However, this emphasis on the improvement of the institutional infrastructure may be contradictory to the argument that conflict within the institutional environment creates the space for the coupled responses of companies to seek innovation and competitive advantages (Maguire *et al.*, 2004). Thereby, this contradiction suggests that a thorough examination of decoupling phenomena is useful for advancing theorising on institutionalism.

In this debate, one important but still unsolved question is how senior management evaluates the existing ambiguity and competing pressures in the organisational field. According to many institutional studies, a great deal of attention has been paid to two specific factors. On the one hand, the costs or benefits of organisational compliance with institutional claims have been often

mentioned (Oliver, 1991; Rao *et al.*, 2000; Westphal and Zajac, 2001; Park *et al.*, 2010; Delmas and Montes-Sancho, 2010). On the other hand, ‘the commitment of management’ is increasingly applied as a key factor to analyse whether certain programmes, policies or projects will be implemented in a decoupled or coupled way (Weaver *et al.*, 1999; Park *et al.*, 2010).

Nevertheless, corporate decision-making is far more complex than comprising just the considerations of costs/benefits or the commitment of senior managers. A cost/benefit analysis or the commitment of management reflects the influence that external pressures have on a firm’s motivation to adopt either coupled or decoupled structures, but fails to indicate whether the company has sufficient resources, energy and knowledge to integrate the demands from the institutional environment with daily operations. As Battilana and Dorado (2010) and Pache and Santos (2010) argue, corporate decisions are usually structured by multiple logics within the business context and by multiple demands of stakeholders. Thereby, there is a need for the consideration of how organisations are able to handle the conflict over goals or means, in responding to the different claims from their internal and external environments (Battilana and Dorado, 2010; Pache and Santos, 2010).

Several papers (e.g. Kostova and Roth, 2002; Battilana and Dorado, 2010; Pache and Santos, 2010; Crilly *et al.*, 2012) indicate that a discussion that only

concentrates on firms' motivations to respond to institutional pressures is insufficient in exploring corporate strategic responses. For instance, beyond the perceived importance of quality management practices by the headquarters, the capacity of MNCs in managing their overseas subsidiaries determines the implementation of quality management within the branches (Kostova and Roth, 2002). According to Crilly, Zollo and Hansen (2012), in addition, corporate responses to the competing pressures depend on the consensus among managers in their readings of the external environment. The weak implementation is often caused by a low consensus in managers' understandings of institutional pressures and the "difficulty of replicating practices throughout a firm" (Crilly *et al.*, 2012, p.1443).

To explain corporate responses to external pressures, recent papers (Lounsbury, 2007; Tempel and Walgenbach, 2007; Crilly *et al.*, 2012; Greenwood *et al.*, 2014; Meyer and Höllerer, 2014) criticise that the current institutional literature overemphasises the role of institutions outside organisations in shaping business practices. This is because many institutional studies discuss either the isomorphism led by the pressures from outside the organisation (e.g. DiMaggio and Power, 1983) or the efforts by individual and collective actors to create, maintain, and disrupt institutions (e.g. Oliver, 1991; Knight, 1992; Beckert, 1999; Levy and Scully, 2007; Lounsbury, 2007, 2008; Maguire *et al.*, 2004). Under this emphasis on the role of institutions outside organisations, the institutional

literature underemphasises heterogeneity within organisations (Aldrich, 2009; Greenwood *et al.*, 2014; Whetten, 2009). This applies in particular to the discussion of isomorphism, where scholars are more likely to consider the different characteristics of the organisational field than that of organisations. This suggests institutional studies often presume “differences between organizations are less important than insights that can be gleaned from assuming similarities” (Greenwood *et al.*, 2014, p.1211).

What is missing, however, is an investigation of company characteristics, and thus how these hamper or support isomorphic pressures from outside the organisation being taken up inside it (Greenwood *et al.*, 2014). This draws attention to, for example, the key impact that strategic orientation has on business practices. Gatignon and Xuereb (1997, p.78) define this term as “a firm’s strategic orientation reflects the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business”. The usefulness of strategic orientation for explaining corporate responses to the external pressures can be discussed through the following aspects.

First, as a factor at organisational level, a consideration of strategic orientation has the potential to connect an investigation of strategy implementation with a discussion of the impact made by pressures from the organisational field. On the one hand, differences in strategic orientation have an influence on the details of

corporate strategies (e.g. Venkatraman, 1989; Parkhe, 1991; Gatignon and Xuereb, 1997; Robertson and Gatignon, 1986; Gatignon and Robertson, 1993; Rajagopalan, 1997; Rajagopalan and Finkelstein, 1992), as well as the outcomes of long-term and short-term performance (e.g. Wright, Kroll, Pray and Lado, 1995; Doyle and Hooley, 1992; Lumpkin and Dess, 1996; Morgan and Strong, 2003; Todorovic and Ma, 2008; Baker and Sinkula, 2009). On the other hand, the characteristics of strategic orientation reflect corporate responses to the demands from the external business environment (Miles and Snow, 1978). This, for instance, refers to firms' understanding of the needs of customers and the actions of competitors (Narver and Slater, 1990), in order to augment their adaptive capacity (Zhou and Li, 2010).

Second, a discussion of strategic orientation contributes to clarifying the priorities of corporate decision-making (Gatignon and Xuereb, 1997). For example, the study of Doyle and Hooley (1992) indicates companies driven by a long-term financial performance often emphasise an improvement of market share and brand value rather than profitability, which is in contrast to the ones driven by a short-term performance. Also, in the American mutual fund management industry, companies in Boston and New York respectively focus on long-term and short-term investment strategies, suggesting an impact that the difference in strategic orientation has on their business approaches (Lounsbury, 2007). As explained by Lounsbury (2007), in companies from Boston, the strategies

benefiting long-term, rather than short-term, goals are defined as proper behaviour by firms. In addition, Barkemeyer and Figge (2014) give further support to the importance of strategic orientation, and conclude that the concentration of decision-making within corporate headquarters explains why MNCs offer different priorities for meeting the demands of stakeholders in their home versus their host countries. All the examples above suggest the usefulness of strategic orientation for exploring how companies define their ‘proper behaviour’ (Gatignon and Xuereb, 1997), and thus design priorities of their strategies.

Third, the current literature on strategic orientation lacks an investigation of how competing pressures affect corporate responses, necessitating its integration with institutional theory. Several seminal articles (e.g. Venkatraman, 1989; Narver and Slater, 1990; Gatignon and Xuereb, 1997) argue that the discussion of strategic orientation is developed upon a resource-based view, and thereby is applied to examine how to optimise corporate efficiency. Although Narver and Slater (1990) or Zhou and Li (2010) stress that market drivers often shape the orientation of corporate strategies, a specific concern is that the strategic orientation literature often overlooks competing pressures within the external environment. This is in contrast to institutional literature, where much attention is paid to the role of institutions outside organisations but little to firm-specific characteristics (Greenwood *et al.*, 2014). This would suggest that the integration between institutional theory and the discussion of company characteristics, such as

strategic orientation, is helpful for theorising on the interaction between external pressures, internal context and business strategies.

This emphasis on company characteristics also echoes a recent call for institutional studies to develop further discussions at the organisational level (Tempel and Walgenbach, 2007; Crilly *et al.*, 2012; Greenwood *et al.*, 2014; Meyer and Höllerer, 2014). This focus on the organisational level calls for a clarification of the issues, such as the priorities of decision-making and the impact that such priorities have on corporate practices (Greenwood *et al.*, 2014; Meyer and Höllerer, 2014). A consideration of company characteristics, for instance of their strategic orientation, enables this research to capture “identities and valuation orders that structure the decision making and the practices of the players in a product market” (Thornton and Ocasio, 1999, p. 805). Specifically, given the competing pressures, company characteristics have the potential to shape the way in which organisations distribute their resources to solve a delimited set of questions claimed by powerful actors in the organisational field but decouple corporate emphasis away from meeting the needs of less powerful actors (Levy and Scully, 2007; Lounsbury, 2008). Thereby, the discussion of differences in company characteristics can contribute to further clarifying the interaction between the institutional environment, the internal context of organisations and corporate practices.



The differences in company characteristics such as strategic orientation can be defined in several typologies. For instance, according to the importance of different functional areas in companies, Gatignon and Xuereb (1997) categorise strategic orientation as competitor, customer and innovation orientation (see also Kohli and Jaworski, 1990). Considering firms' expectations regarding financial performance, Doyle and Hooley (1992) argue business strategies are oriented by either long-term or short-term financial performance. Also, Miles and Snow (1978) define companies as prospector, analyser, reactor or defender, upon their different approaches to respond to market drivers. Additionally, Venkatraman's (1989) paper distinguishes strategic orientation through six dimensions (i.e. aggressiveness, analysis, defensiveness, futurity, proactiveness and riskiness) (see also Morgan and Strong, 2003; Johnson, Martin and Saini, 2012).

Despite the variety of typologies, this research examines the differences in company characteristics by focussing on two types of strategies orientations: business strategy is either driven by political pressures from the state or driven by competition. This is due to several reasons. (1) This study integrates competing pressures in the organisational field (institutional theory) with company characteristics (developed from a resource-based view) to explain corporate responses, which requires a consideration of social legitimacy and operational efficiency. A comparison between strategic orientations, driven by the state and by competition, represents two polar conditions of company characteristics

(legitimacy versus efficiency), benefiting the discussion of how differences in company characteristics affect corporate responses. (2) Political drivers and competitive pressures more frequently have impact on business practices than pressure from other social actors, such as NGOs, the local community and customers.

As a result, in discussing the weakness of the existing literature on decoupling, some key points can be summarised, (1) competing expectations in the institutional context can drive either decoupled or coupled responses adopted by companies; (2) it is necessary to consider the role of company characteristics (e.g. strategic orientation) in discussing corporate evaluations and responses to competing pressures. These insights are valuable for a discussion of the effectiveness of CSR, by calling for attention to the questions whose legitimacy is at stake (Mason *et al.*, 2007) which legitimacy is important for firms (Berchicci and King, 2007).

### ***2.3.3 Existing Institutional Analysis of CSR***

There is a large body of literature that explains the reasons underlying the development or adoption of socially responsible programmes using the framework of institutional theory (Aguilera *et al.*, 2007; Boxenbaum, 2006; Campbell, 2006, 2007; Doh and Guay, 2006; Hoffman, 1999, 2001; Jennings and Zandbergen,

1995; Jones, 1999; Walsh *et al.*, 2003; Matten and Moon, 2008; Preuss *et al.*, 2006, 2009; Bondy *et al.*, 2012; Jamali and Neville, 2011; Yin and Zhang, 2012). These papers generally agree that the isomorphic mechanism has a valuable potential to explain the diffusion of CSR. The isomorphic pressures are not only perceived as key drivers motivating CSR expansion among nations (Doh and Guay, 2006; Jamali and Neville, 2011; Matten and Moon, 2008; Preuss *et al.*, 2006, 2009), but also explain the similarity of corporate practices in developing CSR programmes (Bondy *et al.*, 2012; Yin and Zhang, 2012).

As will be described in the following paragraphs, beyond isomorphism and the diffusion of CSR, the existing literature has also emphasised companies' strategic responses to CSR and thus the various impacts that CSR has on addressing stakeholder demands. Nonetheless, the current CSR literature has not well integrated the different forms of decoupling phenomena in exploring the effectiveness of CSR in protecting stakeholder interests, and has not fully clarified how firms respond to competing pressures from the market or the institutional infrastructure. By considering the impact that CSR has on management training, this thesis can advance the application of institutional theory in explaining the extent to which CSR can be effective in addressing stakeholder issues and in meeting stakeholder demands.

### 2.3.3.1 Decoupling of CSR

In terms of the decoupling phenomenon in the CSR literature, particular attention has been paid to the impact that pressures for CSR have on corporate practices by discussing such topics as the implementation of self-regulatory codes (Stevens *et al.*, 2005; Weaver *et al.*, 1999; Perez-Batres *et al.*, 2012; O'Rourke, 2003; Yu, 2008) and CSR standards (Christmann and Taylor, 2006; Aravind and Christmann, 2011; Delmas and Montes-Sancho, 2010; Kortelainen, 2008). As suggested by this set of literature, the decoupling phenomenon of CSR means a distinction between achieving legitimacy through CSR, the implementation of CSR and corporate social performance (Aravind and Christmann, 2011). However, the definition of decoupling in CSR has not been well developed, leading to a lack of a holistic understanding of the decoupling phenomenon.

The current literature has discussed the difference between CSR image and firms' actual practices through two analytical levels. At the level of the single CSR or ethics programme, decoupled CSR usually means the weak implementation of CSR policies. For instance, Weaver, Trevino and Cochran (1999) mentioned that managers are significantly unclear about ethics communication policies, thus suggesting little implementation of such policies. Also, O'Rourke (2003) observed firms' resistance to develop or adopt effective monitoring methods, and therefore concluded a weak implementation of companies' self-regulatory codes. In addition, a recent study of Aravind and Christmann (2011), discussing the

adoption of ISO 14001, suggests (1) ISO 14001 certified firms do not always implement ISO 14001 standards in an integrated way; (2) Thus, to a certain extent, ISO 14001 certification is often used as a signal to external stakeholders, but is not necessarily helpful in improving firms' environmental performance (see also O'Rourke, 2003; Christmann and Taylor, 2006; Kortelainen, 2008).

Furthermore, at the analytical level of the company, the decoupling phenomenon is visible in companies' selective responses to the interests of stakeholders, which may cause CSR priorities of the organisation to become decoupled from the interests of less powerful stakeholders. This aspect of firms' selective foci on CSR is clearly emphasised by the papers that are interested in the strategic management of stakeholder demands (Clarkson, 1995; Jones, 1995; Mitchell *et al.*, 1997), as well as the concerns of institutional theorists with concealment strategies (Oliver, 1991; Westphal *et al.*, 1997; Zbaracki, 1998; Park *et al.*, 2010). In particular, companies can allocate more resources to meeting the claims of important and powerful stakeholders but less is applied to the marginalised stakeholder groups (Clarkson, 1995). In CSR, companies' selective responses can also refer to their different treatment of external and internal stakeholders (Hine and Preuss, 2009; Fenwick and Bierema, 2008; Barrientos and Smith, 2007). These papers suggest that 'socially responsible' companies often focus on the expectations by external stakeholders, but relatively speaking neglect the interests of internal stakeholders, e.g. employees or managers. Also, as explored by Barkemeyer and Figge (2014),

another example is that the MNCs from developed countries often implement a CSR agenda based on stakeholders from their home countries, with little attention given to the needs of stakeholders in developing countries.

In considering the impact that CSR has on business practices, certain papers (Bondy *et al.*, 2012; Yin and Zhang, 2012; Preuss, 2011) suggest it is crucial to discuss the potential of CSR to affect general business philosophy as well as the implementation of specific programmes. For example, Preuss's (2011) framework of innovative CSR suggests that a discussion of CSR strategy is ideally systematic, involving e.g. the content of CSR projects, CSR processes, CSR positioning and CSR paradigm. Also, viewing CSR as an emergent institution that can affect corporate practices, Boxenbaum (2006) and Bondy, Moon and Matten (2012) highlight that it is necessary to consider general CSR positions and principles before discussing technical details of corporate implementation of specific CSR programmes or projects. Such systematic insight clearly requires a holistic understanding of decoupling in CSR, but the existing literature has said little about the relationship between weak implementation of specific programmes and the different CSR priorities given to external and internal stakeholders.

In terms of management training and development, a decoupling perspective generally points to the difference between CSR image and corporate efforts to protect the interests of management trainees, which can be caused by two

problems. First, a ‘socially responsible’ company may give different treatment to external and internal stakeholders, which suggests CSR substantively responds to the claims of external stakeholders while ignoring the benefits of management trainees. An implicit assumption in this provision of CSR priorities is that corporate relations with external stakeholders are more visible and thus easily bring certain business benefits to companies, such as reputation and the achievement of social legitimacy (Hine and Preuss, 2009). As regards this priority given to external stakeholders, a concern for high CSR reputation does not automatically mean that companies act responsibly with regard to management trainees.

Second, even if CSR can drive companies to focus on their responsibility to provide management training, there certainly are different levels of implementation of management training sessions as previously introduced by Section 2.2.3.1. By weak implementation of management training, companies may raise the funding of their training input as well as the numbers of training sessions, as a ceremonial response to CSR standards or pressures, in order to improve CSR reputation and achieve social legitimacy. Nonetheless, there may be little communication with employees and rarely much understanding of the needs of trainees (Nattrass and Altomare, 2002; Willard, 2005; Wilcox, 2006). For example, management training may be disconnected from the trainees’ involvement in the planning of training content or the availability of mentoring

support. This decoupled structure suggests that management training programmes may become a way to “fulfill the task given by the higher authority” (Cooke, 2005, p. 45) or meet market expectations (Cooke and He, 2010; Gond *et al.*, 2011), rather than protecting employee interests and personnel development.

According to the existing knowledge of decoupling and CSR, there is a need to develop an understanding of different forms of decoupling in CSR, which can integrate the concerns over weak implementation with firms’ selective foci on stakeholder groups. In this thesis, a decoupled structure of management training means the distinction between firms’ CSR image and actual implementation of management training, caused by the neglected interests of management trainees in general CSR targets, and the lack of long-term support for the development of trainees. This comprehensive insight on CSR and management training responds to the claims of the existing decoupling and CSR literature, requiring a holistic consideration of different forms of decoupling phenomena in exploring CSR impact.

#### 2.3.3.2 Competing Pressures for CSR

For firms’ strategic responses to external pressures, institutional theory stresses that competing pressures and ambiguity in the institutional environment largely shape business imperatives and management’s evaluation of organisational compliance, which leads to firms’ strategic responses such as symbolic and



substantive adoption. Nevertheless, in explaining the difference between achieving legitimacy through CSR and its actual implementation, how differences in company characteristics affect corporate responses has not yet been well discussed. This applies in particular to a potential conflict between market drivers and the pressures from the institutional infrastructure, and the competing expectations by different stakeholders (Brammer *et al.*, 2012; Kang and Moon, 2011; Matten and Moon, 2008; Perez-Batres *et al.*, 2012; Scherer and Palazzo, 2011).

As a socially embedded concept, CSR is clearly affected by the multiplicity of institutional structure, producing the competing logics and thus affecting awareness and willingness of management (Weaver *et al.*, 1999). Campbell's (2007) conceptual paper categorises the determinants for the strong implementation of CSR as two aspects---the competitive environment and the influence of the institutional infrastructure. Specifically in terms of the institutional infrastructure, the effective regulation issued by governments, transparent dialogue between stakeholders, and powerful monitoring from the general public are perceived as the essential means to limit 'lip service' of CSR strategies. Also, in explaining the motivations for companies' civic engagement, Koos (2012) identifies different paths, respectively led by market drivers and the collective engagement of stakeholders, in determining the level of civic engagement of small companies. In addition, the study by Perez-Batres, Doh,

Miller and Pisani (2012), in terms of self-regulatory codes of conduct, clearly emphasises the impact that the ‘pull’ effect of the market and the ‘push’ effect of regulatory pressures have on the substantive implementation of codes of conduct (see also Wisner and Epstein, 2005). Accordingly, in considering the impact of CSR, the existing literature points out the importance of competitive or market drivers as well as the pressures from the institutional infrastructure in shaping implementation of CSR (Perez-Batres *et al.*, 2012; Koos, 2012; Campbell, 2007; Wisner and Epstein, 2005).

Although other scholars such as Matten and Moon (2008) and Kang and Moon (2011) agree that the difference in competitive drivers and the pressures from the institutional infrastructure can lead to different types of CSR strategies, it is still not completely known how these two factors can be useful in explaining the substantive or symbolic implementation of CSR and thus in meeting expectations by stakeholders (Scherer and Palazzo, 2011; Matten and Moon, 2008). As Matten and Moon (2008, p. 420) note:

...it remains...open to future research whether different social issues are more effectively and efficiently addressed by explicit than by implicit CSR; how the social outcomes reflect fairness, social inclusion, and equalities of opportunities....

Certain papers explain the weak implementation of CSR as a failure of external monitoring from the institutional environment, thus suggesting that an improvement of the institutional infrastructure can promote the level of CSR

implementation and CSR performance. For instance, by observing the weak implementation of CSR standards or codes of conducts, scholars (Perez-Batres *et al.*, 2012; O'Rourke, 2003; Yu, 2008; Delmas and Montes-Sancho, 2010; Kortelainen, 2008) criticise the weakness of institutional pressures, which fails to enforce the implementation of CSR codes or standards.

Such criticism not only refers to the failure of regulatory pressures (Yu, 2008; Perez-Batres *et al.*, 2012; Kortelainen, 2008; Delmas and Montes-Sancho, 2010), but also concerns a lack of collective engagement of stakeholders in monitoring CSR strategies such as NGOs (O'Rourke, 2003). On the one hand, as coercive pressures from regulations increases, the consideration of risk management and avoidance of punishment may steer firms' attention to CSR implementation (Perez-Batres *et al.*, 2012; Delmas and Montes-Sancho, 2010). On the other hand, the collective engagement of stakeholders is often perceived as helpful in establishing the collective norms, rules and values, which thus produce strong cognitive or normative pressures to impact managers' awareness (Weaver *et al.*, 1999). For example, Gjølborg (2009) discovers that in countries with extensive welfare systems, such as Switzerland, Finland, Norway, Sweden, there is a higher national CSR performance as compared to residual welfare states, like Greece.

In contrast to that emphasis on the institutional infrastructure, other studies stress the role of market mechanisms and competitive drivers in determining the impact

brought by CSR. This support for the role of market drivers emphasises the voluntariness of CSR, by defining CSR as originating from the failure and deficiencies of current regulatory and welfare provision systems. As suggested by Matten and Moon (2008), given strong pressures imposed by the market or the competitive environment, there are large opportunities and incentives for CSR, which thus motivate firms to substantively implement CSR programmes as a means to achieve competitive and differentiation advantages (Porter and Kramer, 2006; Preuss, 2011).

As explored by Stevens, Steensma, Harrison and Cochran (2005), financial executives are more likely to integrate companies' ethics code into strategic decision process, because of the appraisals of market stakeholders (e.g. customers, suppliers and shareholders) and the improvement of the external image of firms. Also, in the study of Christmann and Taylor (2006) exploring the implementation of ISO standards, the level of firms' compliance with standards requirements is significantly subject to the preferences and demands of customers, and the expected sanctions by customers. As such customer pressure increases, the compliance with ISO standards is more likely to affect business interests, which thus limits the likelihood of decoupled CSR programmes. Furthermore, given strong competitive drivers, recent studies suggest that corporate responses may become quicker (Kinderman, 2009), and to certain extent may help improve CSR performance of companies (Jackson and Apostolakou, 2010).

Despite these two different insights, it is still unclear why firms would like to adopt a substantive or symbolic structure as the response to pressure for CSR, regarding the competing logic in shaping CSR. One concern is the conflict existing between the pressures from the market mechanism and from the institutional infrastructure. Although pressure for CSR under certain conditions can bring certain competitive or differentiation advantages on a long-term basis (Porter and Kramer, 2006), such business benefits are often industry-specific or more applicable for large companies (Preuss, 2011). According to Spar and La Mure (2003), pressure for CSR from NGOs is often related to a significant cost of business operations, which to a certain extent causes companies' resistance or symbolic responses to the claims of NGOs. Also, the hostile relationship between competitive drivers and the institutional infrastructure can be further illustrated by the case of outsourcing (Aravind and Christmann, 2011). On the one hand, global CSR initiatives as well as the campaigns of NGOs (e.g. anti-sweatshop) impose strong pressures on the improvement of labour standards within outsourcing factories, which will lead to a rise of labour costs (O'Rourke, 2003; Yu, 2008). On the other hand, international buyers are not willing to share the increased labour costs with those outsourcing companies, but emphasise the factor of price as the dominant determinants in their purchasing decision (Aravind and Christmann, 2011). Between the pressure for CSR and competitive drivers, outsourcing companies increasingly adopt a decoupled implementation of CSR, in order to balance CSR and competitive pressures.

Another concern refers to the intrinsic conflict originating from the expectations by various stakeholder groups. By considering the competing pressures from stakeholders, institutional theory emphasises the role of powerful stakeholders or social actors in structuring firms' strategic responses. As a result, CSR is often affected by strong pressures imposed by primary stakeholders, but the interests of peripheral or secondary stakeholders may be neglected (Clarkson, 1995; Brammer *et al.*, 2012; Perez-Batres *et al.*, 2012). Such competing pressures among stakeholders are clearly captured by the comparative study of Kang and Moon (2011), which discusses CSR characteristics in three types of capitalism. In liberal market economies, where there is strong emphasis on business competition and individualism, the focus of CSR is clearly subject to market stakeholders (e.g. shareholders, customers and suppliers) directly involved in wealth-creation process. However, in coordinated market economies or state-led capitalism, the role of market stakeholders in changing business decision-making is often constrained respectively by the collective engagement of trade unions (e.g. Germany) or the intervention of the state (e.g. South Korea) (Kang and Moon, 2011).

Despite these concerns over the competing pressures in the business context, the importance of company characteristics, such as their strategic orientation, in shaping corporate responses has not been fully developed. The difference in strategic orientation has often been discussed for example to analyse the impact

that CSR has on business performance (e.g. Brik, Rettab and Mellahi, 2011; Wang and Bansal, 2012), or to consider the differences in firms' strategic expectations and approaches to CSR programmes (e.g. Galbreath, 2010a, 2010b; Russo and Perrini, 2010; Liu, Eng and Ko, 2013). However, such CSR literature that considers these differences in company characteristics has not fully addressed two problems. (1) All the papers above investigate CSR and its impact at the organisational level, where there is an absence of discussions of competing pressures in the organisational field. (2) When analysing the impact made by CSR, such literature pays little attention to decoupling phenomena. For instance, although Galbreath (2010a) concludes that the rise of CSR programmes differs between companies with different characteristics of strategic orientation, it is rarely mentioned whether this rise of CSR leads to a better protection of stakeholder interests. Thereby, these papers still leave open whether and how company characteristics influence how companies prioritise the competing expectations by stakeholders and address the conflict between the pressures from the market and the institutional infrastructure.

When addressing such conflict within the business context, companies often struggle to prioritise the demands of different stakeholders for achieving legitimacy while remaining efficiency. This condition raises a need to consider the role of company characteristics, e.g. strategic orientation, in determining corporate responses to the competing pressures for CSR. Apart from contributions to

developing institutional theory, a consideration of company characteristics such as strategic orientation can help clarify the determinants of the impact that CSR has on stakeholder interests.

#### 2.3.3.3 Context of Management Training and Development

In terms of management training, the international CSR agenda has imposed certain pressures pushing firms' attention to responsible treatment of personnel development through training provision. As clearly pointed out by global CSR initiatives such as the Global Reporting Initiative (GRI), the term CSR stresses corporate commitment to employees (Sage, 1999; Wilkinson and Hill, 2001; Fox, 2008) and the provision of "learning and development opportunities" (Spiller, 2000, p. 154). For example, the GRI guidelines specifically emphasise the equality of training opportunities (G4-LA9), lifelong learning supporting employability (G4-LA10) and companies' support for career development regardless of gender or employee categories (G4-LA11).

Given such pressures for management training and development, CSR can be compatible with business imperatives. From a short-term perspective, management training can be useful in attracting (Turban and Greening, 1997; Greening and Turban, 2000; Albinger and Freeman, 2000) and retaining talented employees (Peterson, 2004; Smith *et al.*, 2004; Ng and Burke, 2005; Carmeli *et*



*al.*, 2007; Brammer *et al.*, 2007; Xu and Yang, 2010; Waddock and Graves, 1997), thus suggesting an advantage in HR competition. On a long-term basis, management training and development is an important means to improve firms' ability to offer high-quality customised products (or services), which is essential in dealing with the increasing complexity of business competition as well as for the achievement of long-term competitive advantages (Pettigrew *et al.*, 1988; Keep and Rainbird, 2000; Jones and Hendry, 1992). This long-term imperative of management development accordingly requires long-term efforts of firms to management training (Gooderham *et al.*, 1999; Nattrass and Altomare, 2002; Willard, 2005; Wilcox, 2006; Garavan, 1991), such as the rise of trainees' voice and mentoring support associated with training provisions.

Nonetheless, Keep and Rainbird (2000) caution that many companies focus on the short-term benefits of management training but ignore the long-term considerations, which leads to different levels of implementation of management training programmes. In explaining this phenomenon, the management training literature emphasises the attitude of senior management towards employees (Keep and Rainbird, 2000; Thomson *et al.*, 1997). In an enlightened HR system, for example, the provision of management training is viewed as the key means to bring long-term competitive advantages to companies, e.g. the quality of management and sustainable innovation. Therefore, such organisations are likely to initiate long-term support to help with the development of management skills.

In contrast, where individual actions are determined by “the requirements of an impersonal, technical logic” (Alvesson and Willmott, 1992, p.6), training provision is likely to serve to improve operational capacity (Chin and Benne, 1985; Saari *et al.*, 1988), but rarely considers the demands of management trainees or provides support for the continual learning by individuals.

This draws attention to the importance of company characteristics for discussing the effectiveness of CSR in protecting the needs of management trainees. Conceptually, CSR has the potential to solve ethical issues in the workplace and thus to focus firms’ attention on the interests of management trainees or a wider range of employees (Gond *et al.*, 2011; Roberson, 1999; Hill, 1999; Fenwick and Bierema, 2008). In one sense, CSR stresses a transition of business imperatives from a short-term focus on shareholder benefits to a long-term consideration of win-win solutions. For this shift of organisational goals, a supportive strategic orientation often contributes to formalising long-term approaches to training as the proper behaviour in companies (Gatignon and Xuereb, 1997), which strengthens corporate efforts to provide management training and development. Thus, from a conceptual perspective, an understanding of management training and development is not only based on the business or competitive environment of companies, but also focusses on the extent to which company characteristics can support corporate efforts to address the demands of trainees.

In discussing the impact that pressure for CSR has on firms' approaches to management training, institutional theory emphasises the role of competing pressures in shaping business imperatives as well as corporate responses. These competing pressures can be discussed through two aspects.

(1) As the external CSR pressure increases, stakeholder claims potentially can lead to the adoption of CSR policies and targets as a response to external pressures. This suggests that different levels of CSR pressures may be a crucial factor, determining firms' formally adopted policies and programmes in terms of CSR.

However, a specific concern is the extent to which interests of employees or managers are in the central position of institutional pressures for CSR, as regards to the competing expectations by stakeholders. The research finding of Gond, Igalens, Swaen and Akremi (2011) indicates that the rise of CSR leads to an improvement of employee communication and engagement in a French context, where there is strong and collective engagement of trade unions. However, in other nations (e.g. the UK in Hine and Preuss, 2009 or North America in Fenwick and Bierema, 2008), where the role of trade unions is weaker than in the French context, the pressure, for instance from customers, competitors, investors or government, marginalises the role of personnel development in the expansion of CSR and thus limits firms' responsible treatment of managers or employees. Also,

in labour-intensive industries, such as the garment sector, the central objective of the CSR agenda is around the labour issues, such as minimum salary, workplace safety and child labour, but management training and development is not widely valued as being part of the essential interests of employees (Cooke and He, 2010; Gond *et al.*, 2011).

All of these questions draw attention to the impact that the differences in company characteristics have on corporate efforts to address the needs of employees. This indicates that a rise of pressure for CSR does not automatically lead to the increased consideration of employee demands. Rather, even if CSR is implemented in a formal and integrated way, companies may marginalise the expectations by employees or managers away from what they believe to be the central focus of CSR, given that business strategies often steer corporate attention to CSR away from the needs of employee (see Barrientos and Smith, 2007; Fenwick and Bierema, 2008; Hine and Preuss, 2009).

(2) The conflict between the pressures from the market and the institutional infrastructure needs to be considered, since both CSR and management training are contingently structured by the competitive environment. Several scholars (e.g. Campbell, 2007; Brammer and Millington, 2008) examine the relationship between the competitive context and CSR responses, suggesting CSR pressures may be compatible or conflicting with firms' internal goals. In detail, Campbell's

(2007) study on the competitive environment concludes a U-curve link between competition and CSR responses. Given too much or too little competition, an unhealthy competitive context may limit firms' motivations for CSR engagement. Such a U-curve link is also implied by Brammer and Millington (2008), by noticing that a financial performance that is too good (under too little competition) or too weak (under too much competition) limits corporate social performance.

Meanwhile, the question, whether the competitive environment is healthy, also relates to the extent to which the drivers for management training conflict with business goals. Taking management training as an example, a healthy competitive environment can increase the space or the incentives for the integration of management training with companies' consistent support for continual learning by individuals. This is because training provision has the potential to promote management development and to contribute to the long-term development of companies. Thereby, given a healthy competitive environment, firms' motivations to achieve long-term development may contribute to the establishment of a supportive strategic orientation and thus may drive long-term efforts to provide management training and development (Gooderham *et al.*, 1999; Nattrass and Altomare, 2002; Willard, 2005; Wilcox, 2006; Garavan, 1991).

By contrast, given too much competitive pressure, the primary imperatives of companies may be to survive the competition. In this case, pressures for training

and development seemingly pose a big challenge for firms' resources, such as the energy of top management as well as training funding. Also, given too little competition, companies often occupy a monopolistic position in market, which can limit corporate motivation to achieve a differentiation advantage through management development. More importantly, such monopolistic companies are normally large and bureaucratic, where there is an emphasis on managers' compliance with higher authority rather than managers' innovation and entrepreneurship (Keep and Rainbird, 2000; Thomson *et al.*, 1997). This strong bureaucratic characteristic largely explains why firms pay little attention to the expectations by managers (Hine and Preuss, 2009; Keep and Rainbird, 2000). As a result, pressures for management development can certainly conflict with the internal goals of business, under which management training may be applied as the means to respond to CSR standards or as material rewards motivating managers but is little integrated with firms' long-term engagement (Cooke, 2005; Cooke and He, 2010; Gond *et al.*, 2011).

Accordingly, based on these considerations of two competing pressures (e.g. the competing expectations by different stakeholders and the conflict between market drivers and pressures from the institutional infrastructure), Table 2.1 can be developed, which categorises companies along four conditions. Under strong CSR pressure, e.g. Conditions A and B, it can be argued that external pressure can push companies' attention to and considerations of the interests and needs of

stakeholders, which thus may motivate the formal adoption of CSR policies and targets. Nonetheless, the differences in company characteristics, e.g. in their strategic orientation, may steer the adoption of management training into either a short-term or long-term direction, due to the following reasons.

**Table 2.1 Conditions for the Adoption of Management Training**

	<b>Short-term training approaches</b>	<b>Long-term training approaches</b>
<b>Strong CSR pressure</b>	Condition A: <ul style="list-style-type: none"> <li>● Despite formally adopted CSR policies and targets, an emphasis on achieving legitimacy constrains firms' attention to the needs of management trainees;</li> <li>● An unhealthy competitive environment hampers a strategic orientation of management development;</li> <li>● Pressure for management training conflicts with firms' internal goals.</li> </ul>	Condition B: <ul style="list-style-type: none"> <li>● An emphasis on competitive pressures steers CSR priorities in the direction of benefits for managers, such as personnel development;</li> <li>● A healthy competitive environment drives a supportive strategic orientation for management training and development;</li> <li>● Pressures for management training can be compatible with companies' internal goals.</li> </ul>
<b>Weak CSR pressure</b>	Condition C: <ul style="list-style-type: none"> <li>● CSR may be implemented in an informal or fragmented way;</li> <li>● An unsupportive strategic orientation for management development shapes the approaches to management training on a short-term basis.</li> </ul>	Condition D: <ul style="list-style-type: none"> <li>● CSR may be implemented in an informal or fragmented way;</li> <li>● A supportive strategic orientation drives companies' long-term approaches to management training as a means to achieve competitive advantages.</li> </ul>

(Source: Author)

First, companies' emphasis on protecting employee benefits is subject to the expectations by stakeholders and stakeholder salience, which thus drives firms' attention to personnel development in two different ways, as a comparison between Conditions A and B shows. Thus, where business strategies are highly

driven by the achievement of legitimacy, companies are more likely to offer high CSR priority for the expectations by external stakeholders (e.g. government or the local community), which may threaten long-term efforts to personnel development. By contrast, where the strategies are highly geared towards competition, firms may give high priority to the needs for management development, as this is essential for augmenting their competitive capacities.

Second, a healthy competitive environment is more likely to drive corporate emphasis on CSR and management development and thus supports a strategic orientation of management training, compared to an unhealthy environment (Gooderham *et al.*, 1999; Nattrass and Altomare, 2002; Willard, 2005; Wilcox, 2006; Garavan, 1991). Furthermore, under strong CSR pressures, unsupportive characteristics of corporate strategies, for example where these are highly driven by the demands of external stakeholders, can cause management development to conflict with internal goals. Specifically, in Condition A, CSR demands for personnel development potentially conflict with business imperatives that focus on the achievement of legitimacy by meeting the needs of external stakeholders. As a result of such conflict, firms are more likely to focus on the short-term approaches to management training and to adopt a superficial implementation of management training.

Reversely, supportive characteristics of strategic orientation may be helpful in



reducing the conflict between the needs for management development and the internal goals. This can be illustrated by Condition B, where less conflict between pressures for personnel development and business imperatives may lead to substantive change of management training policies and programmes. Therefore, the differences in company characteristics may drive companies to adopt either short-term or long-term approaches to management training, through its influence on the conflict between the protection of employee benefits and the internal goals.

Under weak CSR pressures for personnel development, CSR may be implemented in an informal and fragmented structure. Thus, Conditions C and D may reflect a condition of ‘business as usual’, where a management training programme is developed merely due to instrumental reasons rather than because of the influence of CSR pressures. In this case, the question - whether company characteristics, e.g. strategic orientation, are supportive of management training and development - determines firms’ different approaches to management training, e.g. the short-term or long-term approaches. Thus, given the differences in company characteristics, companies in Conditions C and D may devote different amounts of attention to the provision of management training as well as the support for continual learning by individuals. As discussed previously, companies that are driven by competition are likely to provide a more supportive environment and engage in more long-term forms of management training provision, than the ones that are driven by the achievement of legitimacy.

In contrast to Conditions A and B (under strong CSR pressure), an absence of external pressure for CSR may cause a dearth of formally adopted CSR policies e.g. in terms of an improvement of trainee interests and firms' responsibility for personnel development. Accordingly, certain CSR demands for management development are certainly neglected by training or personnel professionals. For example, by considering operational efficiency, management training programmes under Conditions C and D may only focus on a specific sub-set of trainees who are viewed as important 'HR stock' for companies, but ignoring the equality of management training opportunities. This would suggest a limited focus of companies' training input, such as training funding, communications on training demands as well as the availability of mentoring support.

More interestingly, if a healthy competitive environment and supportive company characteristics (where business strategies are highly driven by competition) can motivate the long-term engagement of firms in management development, a comparison between firms from in Conditions A and D will representatively illustrate the difference between CSR image and CSR performance----the 'socially responsible' firms may not have a better social performance than those companies with weaker CSR reputation. This phenomenon thus echoes the arguments of Aravind and Christmann (2011).

## **2.4 Context of China and Its Financial Sector**

In discussing the impact that CSR has on the implementation of management training, this thesis specifically considers the context of China and its financial sector, which is underpinned by several reasons. First, a discussion of the context of emerging or developing economies can contribute to the development of current CSR knowledge as well as institutional theory. On the one hand, CSR has a less presence in studies on emerging and developing countries than those on Western countries (Egri and Ralston, 2008), particularly in terms of the impact that CSR has on business practices (Preuss and Barkemeyer, 2011; Scherer and Palazzo, 2011). On the other hand, the context of emerging and developing economies is often characterised by the lack of collective engagement of social actors (Matten and Moon, 2008), resulting from the absence of NGOs and/or the dominant intervention by the state. This issue causes conflict and ambiguity within the institutional environment, thus providing a fertile ground for considering the role of competing pressures in determining decoupling phenomenon. Therefore, a discussion of CSR impact within emerging and developing countries will contribute to the development of CSR knowledge and institutional theory.

Second, this thesis is particularly interested in the discussion of the role of CSR in meeting the needs of management trainees in China, as one of representative examples of emerging economies. As considered by the existing literature, there is

a rise of business competition and CSR in China, associated with the national economic transition. This suggests the importance of the Chinese context in analysing CSR as well as its influence on management training. Moreover, Matten and Moon (2008) have mentioned that in China the state is perceived as the dominant stakeholder, having capacity to affect CSR priorities as well as business practices. This reality certainly raises the possibility of conflict between the demands of stakeholders. However, it is not fully clear how the conflict between the pressures from the Chinese government and other CSR drivers (e.g. the global CSR agenda) shapes corporate responses (Yin and Zhang, 2012). Additionally, the current literature on CSR in China has a relatively small focus on specific industries, such as the outsourcing sector, which further limits the understanding of CSR in emerging or developing countries.

Accordingly, this study, considering CSR priorities in Chinese companies as well as their impact on management training, can extend current understanding of CSR development in emerging economies by (1) identifying the usefulness of CSR in shaping business practices; (2) clarifying how competing pressures embedded in the institutional context shape CSR priorities and the implementation of management training; (3) expanding the current CSR discussion in emerging economies in terms of the sectors that have so far received less attention in the literature.

### ***2.4.1 Rise of Business Competition and CSR in China***

In discussing the development of CSR and management training within China, two general trends are crucial. First, since the ‘reform and open door policy’ and joining the WTO in 2001, there has been a big increase of business competition in China. Second, there is also a significant expansion of CSR in China. For instance, the existing literature suggests both local (Chan, 2005; Sutherland and Whelan, 2009; Yin and Zhang, 2012) and global drivers (Tang and Li, 2009; Xu and Yang, 2010; Yu, 2008; Kortelainen, 2008; Shafer *et al.*, 2007; Yin and Zhang, 2012; Kolk *et al.*, 2008) may stimulate the development of CSR in China. These two aspects of the Chinese business trends are introduced in the following paragraphs.

#### **2.4.1.1 Rise of Business Competition in China**

Economic development in China since 1949 can be divided into two stages: planned economy, and market economy with Chinese characteristic (Zheng and Chen, 2007). During the planned economy, a period of economic isolation from other nations, the central government and SOEs dominated and controlled the Chinese economy. During that period, in addition to their power in the national economy, Chinese SOEs also provided social welfare for employees. For instance, the metaphor of the ‘iron rice bowl’ indicated that once they worked for an SOE, Chinese employees were guaranteed a job and would never lose their positions.

Another aspect of *qiye ban shehui*<sup>2</sup> was that SOEs established their own educational institutions, health care institutions and other facilities, such as restaurants, shops and places of entertainment, in order to guarantee the basic welfare of employees and their families (Liu, 1999).

However, the historical experience derived from the national planned economy showed that the ‘iron rice bowl’ or ‘*qiye ban shehui*’ was inimical to work efficiency and was dragging down the financial performance of SOEs. Therefore, beginning in the early 1980s, many Chinese SOEs underwent significant economic reform, now termed the ‘reform and open door policy’ (Zheng and Chen, 2007). This reform can be “characterized by increased competition and the elimination of mandatory planning but not necessarily by the replacement of state ownership with private ownership, as in a capitalist system” (Zapalska and Edwards, 2001, p.287). In this economic reform, the Chinese government encouraged the development of local private capital and companies as well as foreign companies.

Further, following the membership of the WTO in 2001, the Chinese government encouraged the engagement of foreign capital in the Chinese market and stock exchange by gradually reducing the government protection for Chinese SOEs.

Accordingly, although the government and SOEs still have significant power in

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<sup>2</sup> In Chinese; ‘企业办社会’. According to Lin (2010), the term ‘*qiye ban shehui*’ describes the phenomenon whereby Chinese state-owned enterprises played the role of social services and welfare providers under the Chinese communist economic system.

particular industries, such as the energy and telecoms sectors, the policy of ‘reform and open door’ has clearly led to a rise of business competition in more and more sectors (Zheng and Chen, 2007).

#### 2.4.1.2 Rise of CSR in China

Due to the economic reforms of the 1980s, China has experienced significant development in the national economy over the last 30 years. Nonetheless, such economic growth has not been without problems, leading for example to social inequalities and deteriorating working conditions. To address these social issues, the Chinese government introduced further reforms that emphasised social responsibility and sustainable development. Thus, the Chinese central government declared the ‘harmonious society’ (*goujian hexie shehui*<sup>3</sup>) principle in 2006, stressing “democracy and the rule of law, equity and justice, honesty and fraternity, vigour and vitality, stability and order, and harmony between man and nature” (Xinhua Press Agency, 2006). Following this declaration, there was a series of reforms to national legislation, such as the new Company Law and the new Labour Law introduced in 2006, the ‘Guidelines to the State-Owned Enterprises Directly Under the Central Government on Fulfilling Corporate Social Responsibilities’ (hereafter ‘Guide Opinion’, see Appendix 1) in 2008, and relevant legislation on the CSR disclosure or CSR reporting of Chinese listed companies.

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<sup>3</sup> Original Chinese as ‘构建和谐社会’.

The Guide Opinion legitimates two kinds of corporate imperatives within Chinese SOEs: continual economic growth and companies' obligations to society (Lin, 2010). Woo (2006) interprets this increasing emphasis on CSR in SOEs as a government attempt to reduce the social and environmental concerns and to maintain social stability. As noted by Tanner (2004), Chinese social issues result from the conflict between economic development and government's failure of welfare provision. Therefore, the Chinese government expects companies, especially SOEs, to relieve the existing pressure from social issues. Although it is still inconclusive whether the 'harmonious society' can address social issues in China (See, 2009), this relatively new national principle has some importance for CSR development in China, politically legitimating the status of CSR in the Chinese business world and further driving public consideration of corporations' roles in society (See, 2009; Delury, 2008).

Given the pressures from the Chinese central government, a rise of CSR in China can be observed in the growing adoption of CSR reporting programmes in China (Zhu *et al.*, 2008; Li and Zhang, 2010; Liu and Anbumozhi, 2009) as well as the increasing adoption of CSR regulations and policies at organisational level (Lin, 2010). For example, Sutherland and Whelan (2009) observed the instant and direct responses of SOEs to the CSR demands from the Chinese government, testified by the high frequency of 'buzz words' in firms' reports and internal policies, such as 'harmonious society' and 'scientific development'. Another trend



refers to the increase of firms' engagement with social philanthropy and charitable donation (Lin, 2010; Sutherland and Whelan, 2009; Darigan and Post, 2009), which is often viewed as a key means to seek legitimacy from the local community.

Another key aspect of CSR development in China is the process of globalisation, where global drivers are motivating CSR programmes in China (Tang and Li, 2009; Xu and Yang, 2010). For instance, the impact of international capital on CSR can be observed in partnerships between foreign companies and local institutions, e.g. HP's partnership with NGOs (recycling programmes), Motorola's cooperation with government officials (Motorola University) (Darigan and Post, 2009). Another phenomenon is the case of Chinese outsourcing companies, which have adopted international CSR standards or established codes of conduct in response to pressure from global supply chains (Kortelainen, 2008; Yu, 2008).

In particular, according to the data provided by the Global Reporting Initiative, the number of Chinese companies adopting GRI standards has consistently increased since 2006. In 2006, only three companies had adopted GRI-G3 as the basis of their CSR reporting: China Mobile in the telecoms sector, China Ocean Shipping Company in the logistics sector, and Ford Lio Ho Motor Company in the automotive industry. In 2012, the GRI-G3 or GRI-G4 guidelines have been employed by 88 companies from a variety of sectors, such as financial,

automotive, textiles and clothing, aviation, metal products, and other industries. Since GRI G3/G4 includes attention to training provision and personnel development, this rise in the adoption of GRI standards would suggest a global CSR pressure, which may drive Chinese companies to establish their management training system as part of CSR targets.

#### ***2.4.2 Ambiguity in the Institutional Context of China***

Along with the increase of business competition and CSR in China, there are certain pressures arising from the institutional context, which can drive firms' attention to management training and development. One of most representative examples is that the Chinese government may produce added pressure promoting firms' emphasis on management training. For instance, the Chinese government published the declaration on 'building a harmonious society'<sup>4</sup> in October 2006, clearly suggesting the importance of vocational training and continuing study as the essential strategies to bridge the employee skill gap and improve their employability (Article 3, Clause 3). Meanwhile, in the CSR Guide issued by the State-Owned Assets Supervision and Administration Commission (SASAC), Clause 9 states: "Business administration and capability of control and supervision are enforced, such as minimising operational costs, strengthening risk precaution, increasing investment profit ratio, and enforcing market competitiveness as well". Also, by requiring that "enterprises should provide

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<sup>4</sup> See 'Several Important Resolutions on the Construction of Socialist Harmonious Society by the Central Commission of the Chinese Communist Party', released by the Sixth General Meeting of the Sixteenth Central Commission of the Chinese Communist Party. Sourced from: [http://news.xinhuanet.com/politics/2006-10/18/content\\_5218639.htm](http://news.xinhuanet.com/politics/2006-10/18/content_5218639.htm)

on-duty education and training, as well as equal opportunities of personal development”, Clause 14 explicitly defines training provision as part of the corporate commitment to personnel development.

Thus, according to the details of the Guide by the SASAC, management training on the one hand is defined as a means to improve operational efficiency as well as management quality, which is essential in responding to the complexity of business competition. On the other hand, national CSR policies and statements of the central government or the SASAC legitimate personnel development as one of important components of CSR efforts in terms of employee benefits, which echoes the principle of international CSR initiatives such as the Global Reporting Initiative (GRI) (Sage, 1999; Wilkinson and Hill, 2001; Fox, 2008; Spiller, 2000).

Nonetheless, existing studies on CSR in China have said little about the impact that CSR and competitive pressures have on the implementation of management training. As noticed by Warner (2008) and Cooke and He (2010), despite the significant development of the national economy and the continual growth of CSR, the aspect of training and development is often ignored. This neglect not only refers to a slow development of management training and skills (Warner, 2008), but also points to the lack of CSR discussion of personnel development (Cooke and He, 2010).

#### 2.4.2.1 'Window Dressing' of CSR in China

By pointing to the phenomenon of 'window dressing' in CSR in China, especially in terms of employee interests, some scholars remain cautionary about weaknesses existing in the Chinese institutional environment. According to Prieto-Carron, Lund-Thomsen, Chan, Muro and Bhushan (2006), the weakness of the institutional environment (e.g. a lack of 'collaborative' engagement of stakeholders) is clearly challenging CSR development in emerging or transitional economies, such as China. For instance, Warner (2008) and Cooke and He (2010) report that existing labour laws and regulations in China have failed to clearly define acceptable working conditions and appropriate penalties. Another specific issue is human rights and freedom of association, which is advocated by the CSR concept but which runs counter to existing Chinese legislation (Chan, 2001, 2005). Besides the problems embedded in Chinese legislation, other criticisms stem from a lack of engagement by local social actors, for example, trade unions (Chan and Ross, 2003; Yu, 2008), NGOs and the media (Darigan and Post, 2009), and the limited impact of consumers (Prieto-Carron *et al.*, 2006; Kortelainen, 2008). Such scholars implicitly emphasise the role of global drivers, such as pressures from supply chain or international CSR agenda, in promoting CSR in China, with criticising the weakness of the Chinese institutional environment as the dominant reason for the 'window dressing' effect (Shafer *et al.*, 2007).

Furthermore, more recent studies suggest a strong impact that the Chinese local

context has on CSR development. On the one hand, by focussing on differences in ownership structure, Li and Zhang (2010) indicate different CSR approaches between SOEs and Joint Ventures (JVs), which are listed in Shanghai stock exchange market. Therefore, Li and Zhang (2010) point out that the intervention by the Chinese government can steer CSR in SOEs into the way, by which Chinese SOEs may help government to solve certain social issues. This finding somewhat agrees with Sutherland and Whelan's (2009) observation that the pressure from the Chinese central government can drive a quick response of SOEs. On the other hand, from both conceptual and empirical perspectives, other papers such as Yin and Zhang (2012), Lin (2010) and Darigan and Post (2009) identify a role of Chinese philanthropic culture in motivating firms' engagement with charity and philanthropy. For example, as concluded by Yin and Zhang (2012), under the Chinese tradition of philanthropy, charity donation becomes one of the most popular CSR strategies, which can easily help Chinese companies to achieve the praise of the local community and the local market.

By recognising the weaknesses and strengths of the local context in China, this thesis proposes that there are competing pressures shaping the implementation of management training programmes, which have hardly been mentioned in the existing literature. First, one specific concern refers to the competing expectations by stakeholders. According to discussion of Kang and Moon (2011) in terms of state-led economy, the strong intervention by the Chinese government certainly

limits the role of other stakeholders in determining CSR targets and foci. In China, a limited engagement of stakeholders is not only the lack of independent trade unions, but also points to governmental protection on local companies, especially SOEs.

A similar problem may be posed by the strong influence of a local tradition of philanthropy, which can impose a strong cognitive or normative pressure limiting CSR to charity donation. In this case, charity donations and social philanthropy, which are often perceived as symbolic and superficial, may become the most efficient way to improve prestige and social legitimacy through CSR. Therefore, the strong impact from the local context may hinder the collective engagement of stakeholders as well as the role of the market or competitive mechanisms, which drives CSR targets and foci away from employee interests and management development. This can lead to the phenomenon that firms with high CSR reputation pay little attention to personnel development.

Second, as introduced earlier, current papers discuss the impact of CSR under the conditions of strong global but weak local pressures. More specifically, there is a narrow focus of the existing CSR studies in China, which are interested in explaining the symbolic change resulting from global CSR pressures as well as the weaknesses embedded in the Chinese institutional context. However, little is known about how CSR affects business practices, given the greater pressure from

local stakeholder groups but a comparative decline of the role of global drivers. This would suggest an interesting condition to demonstrate how the weak or powerful stakeholders within the local context are structuring CSR priorities and implementation.

#### 2.4.2.2 The Financial Sector in China

A review of current studies shows that most of the previous investigations of Chinese CSR have been carried out in the context of outsourcing factories, and that other industrial contexts have been overlooked. For example, from the employee benefits perspective, there is significant interest in the working conditions in Chinese outsourcing factories (Chan and Ross, 2003; Chan, 2001; Yu, 2008; Kortelainen, 2008; Cooke and He, 2010). Yu's (2008) investigation of Reebok's outsourcing companies in China points out that pressure from the global supply chain has pushed the outsourcing factories to develop their own codes of conduct, in order to improve working conditions. However, after the establishment of self-regulation for Chinese suppliers, salaries and associated benefits of employees had actually declined. Also, there was little evidence to indicate the improvement of employee participation.

Other scholars such as Kortelainen (2008) have captured similar problems with CSR in China. As a response to CSR demands from foreign buyers, Chinese outsourcing firms adopt various CSR standards (e.g. SA8000) and invite the

external auditors to act as watchdogs for their CSR performance (Kortelainen, 2008). However, management often employs strategies such as fake book-keeping in order to manipulate the perception of working conditions (Kortelainen, 2008). In addition, the research of Cooke and He (2010) suggests that although training and development is often treated as one of the key themes of CSR by the textile companies, the provision of training has often been implemented in a very fragmented way. The findings of these studies on Chinese outsourcing companies can be convincingly summarised as follows: (1) Pressures from global supply chain predominantly drive CSR; and (2) the weaknesses of the Chinese institutional context explain the widespread ‘window dressing’ phenomenon in the adoption of CSR.

In this study, in terms of management training, a focus is placed at the financial sector, which is relatively neglected by the current studies of CSR in China. An importance of discussing management training can be introduced through several aspects as follows.

(1) The financial sector is knowledge-intensive, which is in contrast to the labour-intensive characteristics of the outsourcing context. In this case, it can be argued that financial companies are more likely to focus on the improvement of employees’ or managers’ knowledge, which thus creates certain incentives for the adoption and implementation of management training. By contrast, outsourcing



companies such as from the garment industry are clearly labour-intensive, where basic working skills are often sufficient in maintaining operational efficiency. Therefore, the previous papers on CSR have paid more attention to labour issues, for example minimum salary, working hours and workplace safety, but little to training and development. Accordingly, the difference between knowledge-intensive and labour-intensive characteristics necessitates a discussion of management training in the financial sector.

(2) Outsourcing companies are export-oriented, where the pressures from global supply chain can affect CSR programmes in such kind of firms through isomorphic mechanisms. For instance, boycotts from foreign buyers can impose a coercive pressure driving firms' adoption of CSR certifications or standards (Yu, 2008; Kortelainen, 2008; O'Rourke, 2003). Thus, a consideration of strong global drivers and weaknesses in the local context to certain degree can explain why CSR is implemented in different ways and thus the substantive or symbolic change brought by CSR.

Nonetheless, in the Chinese financial context, companies are more strongly embedded in their local market, indicating that the local context, such as government, the local community and domestic customers, produces strong pressures that affect business decisions. As a result, a discussion of management training in the Chinese financial context can lead to a better explanation of the

interaction between local stakeholder groups than that on export-oriented companies, which further contributes to the understanding of CSR development in emerging economies.

(3) After joining the WTO, the protection by the Chinese government of financial companies has gradually declined, where the Chinese government still has a strong intervention in the banking sector but has allowed a rise of competition in the insurance industry. For example, four big Chinese state-owned banks hold a dominant position in terms of their market share in the banking sector, but more privately owned companies have expanded their share in the insurance industry. This allows a comparison between banks and insurance firms in terms of the differences in the competitive environment and company characteristics. On the one hand, a discussion of CSR and management training programmes within the Chinese banking and insurance sectors is useful for comparing the impact that political intervention and market drivers have on business practices. On the other hand, regarding their differences in the competitive environment and political intervention, the Chinese state-owned banks and insurance companies may develop distinct company characteristics. This can enable this thesis to capture the impact that company characteristics, e.g. strategic orientation, have on corporate responses to external pressures.

Meanwhile, there is a clear boundary between companies listed on the stock

exchange and non-listed companies for distinguishing which companies are exposed to strong (weak) CSR pressures. This is because for the companies listed on the stock exchange, it is essential, even compulsory, to report their CSR performance for the general public. Such a high level of public visibility may push companies to adopt formally CSR reports and policies as responses to external pressures. In contrast, for outsourcing factories, which are privately owned and operated under a loose influence from industry associations and external monitoring, there is a relatively ambiguous boundary in terms of the interactions between stakeholders or between institutional and competitive pressures.

As a consequence, based on these reasons, it can be argued that the financial sector can provide a fertile ground for discussing the impact that CSR has on management training. This is not only due to the importance of management training and development for financial companies, but also because a discussion of the financial sector can potentially clarify the interaction between stakeholders, e.g. from either political or market aspects, as well as how this interaction may shape the implementation of CSR and management training. Thus, a focus on the financial sector can contribute to a better understanding of CSR development and impact in emerging economies.

## **2.5 Summary**

This chapter has made several key points, which can be summarised as follows.

First, although there is some consensus on the basic characteristics of CSR, such as the emphasis on stakeholders' benefits (Garriga and Mele, 2004; Matten and Moon, 2008), the impact that CSR has on business practices is still somewhat inconclusive, as illustrated by the phenomenon of 'window dressing' as well as the often different treatment of external and internal stakeholders.

Second, the existing HRD literature suggests a potential link between the two concepts of CSR and HRD. On the one hand, HRD is often, though narrowly, interpreted as the means for employee engagement in CSR programmes by strengthening work attitudes and organisational commitment. On the other hand, the CSR literature stresses the importance of HRD practices in fulfilling corporate responsibility to personnel development (Bierema and D'Abundo, 2004; Hill, 1999).

Third, given the potential link between CSR and HRD, this thesis is interested in the specific theme of management training programmes. In this context, despite the lack of systematic clarification, the previous papers indicate that CSR may have the potential to affect the implementation of management training initiatives, for example through guaranteeing the equality of training opportunities and through stimulating corporate support for continuing learning by individuals.

Fourth, the explanatory power and extensive development of institutional theory

makes it the appropriate theoretical lens to explain the potential link between CSR and management training provision. By applying the concept of decoupling, the structure of competing institutional pressures can explain the extent to which pressure for CSR leads to differences in firms' approaches to management training and thus determines the implementation of management training and development.

Fifth, the current research draws on a literature review of the business context in China to suggest the importance of the Chinese context and the financial sector in considering the link between management training and CSR. This is not only because China and its financial sector provide fertile ground for the discussion of the adoption of management training provision against the backdrop of the popularity of CSR in China, but a study on Chinese CSR also helps solve the limitations of current understandings of CSR and its impact within emerging economies.

The literature review within the present chapter highlighted two potential gaps in knowledge around institutional theory and CSR. First, despite the recent development of institutional theory as well as the decoupling concept, the conditions under which competing pressures and ambiguity within the institutional environment lead to decoupled responses in companies have not yet been well addressed. Second, although discussing the impact brought about by the

rise of CSR, the existing literature does not give enough consideration to the effectiveness of CSR in changing the implementation of management training, particularly in the context of China. This thesis intends to make contributions by adding to, and advancing, existing knowledge on institutional theory, the characteristics of CSR in Chinese financial companies, and the impact that CSR has on firms' managerial training practices.

Regarding the importance of contextual influence on the topics of CSR and management training, institutional theory is employed as the essential lens to afford an in-depth discussion of the relationship between them. Based on the concepts and theory presented throughout the current chapter, institutional factors have been identified, which help to explain the diversity of the implementation of training provision. In the following chapters, these ideas will be further discussed and explored, supported by qualitative data. Chapter 3, which acts as a link between theoretical insights and empirical evidence, describes the methodology underpinning this research.

## **Chapter 3 Research Methodology**

### **3.1 Purpose and Aims**

Chapter 2 presented a review of the existing literature on CSR, management training and institutional theory, through which several theoretical and empirical gaps have been identified. It thus presented the rationale for a discussion of CSR in China and its impact on the implementation of management training. The current chapter discusses the underlying philosophical assumptions of this PhD thesis, as well as the research methods adopted.

Generally, this research is based on an approach suggested by Laughlin (1995), the so-called ‘middle-range’ theory, which lies in between positivism and interpretivism. Meanwhile, regarding the lack of existing knowledge on the link between CSR and management training in China, this thesis can be characterised as a piece of qualitative and exploratory research, where qualitative research methods are helpful in exploring the empirical details. In particular, this chapter has four aims as follows:

1. Describe the middle-range thinking approach utilised by this thesis;
2. Discuss the overall objectives of this thesis;
3. Introduce the research methods adopted in the current research;
4. Outline how the current research has been carried out.

### 3.2 Research Philosophy

Neuman (2010, p. 2) defines research within the social sciences as “a collection of methods and methodologies that researchers apply systematically to produce scientifically based knowledge about the social world”. Accordingly, for any type of social research, for example business or management research, methodology and methods are the essential elements that distinguish academic research from intuition and opinion (Hackley, 2003). A research methodology guides the overall approach to the research process by defining the belief of how to understand social phenomena (Saunders *et al.*, 2009), ranging from the establishment of a theoretical foundation through to the collection and analysis of empirical data (Hussey and Hussey, 1997). Therefore, a methodology helps to explain how researchers view and interpret empirical phenomena and transfer such interpretations into the process of building up theory (Silverman, 2009). A research method can be seen as a component of the research methodology, and details how the researcher will collect and analyse the data. Therefore, with respect to the interrelationship between methodology and research method, Guba and Lincoln (1994, p.105) suggest that the methodology adopted needs to comply with the format ‘research philosophy—research method’, by stating that “questions of method are secondary to questions of paradigm, which we define as the basic belief system or world view that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental ways”.



In accordance with Guba and Lincoln's (1994) suggestion, the present section begins with an overview of ontology and epistemology, which are two essential factors determining research philosophy (Saunders *et al.*, 2009; Karami *et al.*, 2006; Burrell and Morgan, 1979; Smith and Dainty, 1991). Following this, positivism, interpretivism and the 'middle-range thinking' approach will be described. Through this description of different research philosophies, this thesis argues that a middle-range thinking approach can be useful for implementing this research (Marshall *et al.*, 1991; Peterson, 1985; Hathaway, 1995).

### ***3.2.1 Ontology and Epistemology***

Burrell and Morgan (1979) suggest that two dimensions are essential in determining the methodological framework of social research (see also Saunders *et al.*, 2009; Karami *et al.*, 2006; Smith and Dainty, 1991). These are ontology and epistemology. Ontology determines how researchers view the world, while epistemology details the assumptions of how researchers can access social knowledge through investigating social phenomena. These two positions directly underpin the basic research philosophy and research method chosen as part of the present research strategy.

#### **3.2.1.1 Ontology**

The central point of ontology refers to how researchers view and understand the nature of 'being', or the nature of social reality. Ontology deals with essential

questions, such as whether social reality is external to social actors or is constructed by them, or whether entities exist independently of individual perception. In the light of such questions, different answers set up different research assumptions, for example objective versus subjective views, and thus steer the research in quite different directions.

Purely objective and purely subjective views reflect the two polar extremes of ontology. On the one hand, the purely objective camp assumes that social reality is external to, and exists independently of, social actors. Therefore, individuals are assumed to be born into a pre-existing social world and social forces, where external rules impose pressure on the individual to conform. On the other hand, the purely subjective camp defines social reality as being created and constructed by the perceptions and ordered actions of social actors (Easterby-Smith *et al.*, 2002); thus a continuous process of social interaction constantly determines the construction, deconstruction and subsequent reconstruction of social reality.

Taking organisation and training provision as an example, a purely objective view would treat an organisation as a tangible object, where there are rules and regulations. Through the establishment of such internal rules, an organisation exerts pressure on individual behaviour, stimulating individual conformity. Therefore, following the ideas of the purely objective camp, training provision can be understood as something that an organisation has, and accordingly, it can

be treated as something that can be directly manipulated to produce the benefits desired by the organisation or the managers (Smircich, 1983). In this case, the development of training provision is isolated and external to social actors.

On the other hand, a purely subjective view assumes an organisation as consistently constructed by social actors. Under such an assumption, the rules and regulations set up internally by organisations are less restricted and make a more general statement. Accordingly, under certain conditions, subjectivists highlight the role of individuals actively engaging in the process of social construction. In such a view, training provision is not seen as something tangible that an organisation has. Rather, the development of training programmes is both created and shaped by the external actors and realities, which therefore requires an in-depth discussion in terms of contextual conditions.

#### 3.2.1.2 Epistemology

Epistemology is a second key factor determining the framework of research philosophy. Epistemology reflects how researchers view social phenomena and what they can learn from the world. Therefore, to some extent, the core role of epistemology is to respond to the source of social knowledge, e.g. from a scientific approach (a purely objectivist view) or from an in-depth understanding of individuals' aims, assumptions and behaviours (a purely subjective view).

On the one hand, for the purely objectivist view, only those phenomena and realities confirmed by the senses can be defined as knowledge. This is because the objectivist position assumes social reality as real, tangible objects that are external and therefore exist independently of social actors. Thus, as stated by Remenyi and Williams (1998), the end product of research, from the position of a pure objectivist, is to contribute to law-like generalisations, which can be often observed from scientific research. Importantly, when conducting research, researchers are expected to hold objective views or attitudes, meaning that they are excluded from, or independent of, the process of observation and will not interpret empirical data subjectively (Remenyi and Williams, 1998).

On the other hand, the purely subjective view of epistemology provides an alternative approach to how knowledge is produced. A subjectivist stresses the role of social construction and social interaction in shaping the external reality and phenomena. Following the logic of subjectivists, two points are essential to attain social knowledge. First, the outcome of academic study is subject to the social construction of reality, so researchers need to be aware of the influence of social conditions. Second, under the subjective side of epistemology, the researcher is not excluded from observations, but rather, needs to actively engage in the process of investigation and to subjectively interpret what is observed from such investigation. Therefore, the outcome and understanding of academic research inevitably depends on the prior experience and subjective opinions of researchers

(Blumberg *et al.*, 2005; Burrell and Morgan, 1979; Bernstein, 1983; Willmott, 1990).

### ***3.2.2 Positivism, Interpretivism and Middle-Range Thinking***

In terms of the different assumptions existing between ontology and epistemology, there are different types of research philosophy offering guidelines for the use of research strategies and processes and generating new knowledge (Hathaway, 1995). Two extreme examples of this, as already mentioned, are *positivism* and *interpretivism* (Morgan and Smircich, 1980), which differ significantly in terms of their ontology and epistemology (Morgan and Smircich, 1980; Healy and Perry, 2000; Hathaway, 1995). However, in contrast to these two rather extreme, polar approaches, scholars have recently begun to pay attention to a ‘middle-range thinking’ approach, which can be positioned between purely objectivist and purely subjectivist approaches (Boudon, 1991; Laughlin, 1995; Saunders *et al.*, 2009). The following sections introduce a comparison between positivism and interpretivism, and are followed by an introduction to, and details of, the middle-range thinking approach as used for this thesis.

#### **3.2.2.1 Positivism Versus Interpretivism**

Two mainstream philosophical perspectives, positivism and interpretivism, are widely applied by scholars (Saunders *et al.*, 2009; Karami *et al.*, 2006; Burrell and Morgan, 1979; Smith and Dainty, 1991). Table 3.1 presents the difference

between positivism and interpretivism in terms of ontology and epistemology (Saunders *et al.*, 2009; Karami *et al.*, 2006; Burrell and Morgan, 1979; Smith and Dainty, 1991).

**Table 3.1 Positivism and Interpretivism Compared**

	<b>Positivism</b>	<b>Interpretivism</b>
<b>Ontology</b>	Objectivist	Subjectivist
<b>Epistemology</b>	Objectivist	Subjectivist

(Source: Hathaway, 1995)

For positivism, the underlying assumption is that social reality is external to social actors and is therefore isolated from, and independent of, any social interactions. Also, in terms of social knowledge, positivists believe that: “The [only] thing that anyone can know for certain is one’s own existence and nothing else” (Lynch and Lynch, 1997, p.62). Thus, in terms of both its ontology and epistemology, positivism stresses the view of the objectivist (Giedymin, 1975; Fisher, 2004). As pointed out by Kolakowski (1968, p.178), positivism is often applied in the “thesis of the unity of science”, where researchers intend to generalise law-like theories through observing social phenomena (Kolakowski, 1968; Saunders *et al.*, 2009).

In contrast, interpretivism emphasises the role of social interactions in shaping external reality and phenomena, and requires researchers to explain the ‘being’ through considering the process of social construction (Schutz, 1972). For instance, Evered and Louis (1981, p. 388) state that:

In contrast, inquiry from the inside carries with it the assumption that the researcher can best come to know the reality of an organization by being there, by becoming immersed in the stream of events and activities, by becoming part of the phenomena of study... [this is] fundamental to its belief is that knowledge comes from human experience, which is inherently continuous and non-logical and which may be symbolically representable.

Based on its subjective nature in terms of both ontology and epistemology, interpretivism pays more attention to the implications revealed by empirical information than to the guidelines provided by the prior theoretical framework (Walsham, 1993). With this emphasis on empirical details, interpretivism requires researchers to focus on the relationship between an individual's assumptions, aims and behaviours (Saunders *et al.*, 2009), in order to explore new dimensions of a theoretical framework or new knowledge of social reality (Saunders *et al.*, 2009; Kelly, 2008). A useful strategy is to analyse language and narratives through interviews or a review of secondary documents (Saunders *et al.*, 2009).

Under the different philosophical assumptions of positivism and interpretivism, these two types of research philosophy place a different emphasis on the role of prior theory and empirical details (Laughlin, 1995; Saunders *et al.*, 2009; Kelly, 2008). On the one hand, under positivism, prior theory can provide strong guidelines and support for academic investigation, thus empirical data are often used to test and prove a theoretical hypothesis without the need to explore new knowledge and situations. For instance, Laughlin (1995, p. 66) comments that this objectivist approach "becomes little more than an additional incremental study in

the great general theoretical design which has been unfolding over maybe centuries of time”. On the other hand, interpretivism has the potential to break new ground, but an overemphasis on empirical details and the complexity of social phenomena often make it difficult to generalise empirical evidence to the theoretical level (Saunders *et al.*, 2009; Kelly, 2008). Accordingly, given the limitations of positivism and interpretivism, Laughlin (1995) details the potential for a middle-range thinking approach. Such an approach can contribute to the generalisation of research outcomes by emphasising the importance of both prior theory and empirical details in theory development.

#### 3.2.2.2 Middle-Range Thinking

Laughlin (1995) emphasises the approach of middle-range thinking (see also Boudon, 1991), which lies between positivism and interpretivism. Laughlin argues that, for particular social topics, adopting a purely objective or purely subjective view is too simplistic. Laughlin suggests that there is a valid position between these two polar opposites. This he termed middle-range thinking, highlighting the integration between three interrelated dimensions; *theory*, *methodology* and *change*, all of which need to be considered prior to any empirical investigations. The main benefits brought about by such middle-range thinking are three-fold.

First, the middle-range approach contributes to the generalisation of a practical



phenomenon to the theoretical level. As previously mentioned, the different assumptions of positivism and interpretivism generate debate about the extent to which prior theoretical frameworks are important in guiding and helping ongoing investigations (Laughlin, 1995). Objectivists and subjectivists respectively emphasise a high level and low level of prior theorising in academic study. At the low level, specific data seem to be more influential than prior theory when it comes to developing research conclusions and new knowledge.

In contrast, the middle-range thinking approach falls between these two polar opposites in terms of its theoretical dimensions. This middle position emphasises the importance of both prior theory *and* empirical data. As argued by Laughlin (1995), the middle-range approach broadly accepts the existing theory, and this is termed ‘skeletal’ theory. Laughlin (1995, p. 333) defines the ‘skeletal’ theory as:

The ‘skeleton’ metaphor is intended to paint a picture of incompleteness yet also reasonable stability. It is also intended to register the point that metaphorical ‘flesh’...are important additions leading to definable and important differences in the make-up of the resulting ‘whole being’.

Within this type of ‘skeletal’ theory, empirical data can be regarded as the key supplement for developing or updating theory, and thus can become meaningful. The middle-range approach does not, therefore, conflict with generalisation, but it certainly contributes to updating existing theory by integrating and enriching empirical details.

Second, middle-range thinking provides useful guidelines to the choice of research method. Within the underlying assumption of the ‘skeletal’ theory, the middle-range approach advocates the role of prior theory for defining the research method employed, and the role of methods for investigating theory through empirical details. This two-way relation can directly address the gap between theory and research method (Laughlin, 1995; Saunders *et al.*, 2009), and can also clarify the role of the researcher when collecting and analysing data (a middle position between homothetic and ideographic approaches) (Broadbent and Laughlin, 1997).

Third, the middle-range thinking approach remains open to the possibility of theory development in terms of the desirability of a change in situation. For example, Laughlin (1995) identifies two types of change positions on theory development: *low* and *high*. A ‘low’ change position refers to the intention to maintain the *status quo*. Conversely, a ‘high’ change position seeks to change the theoretical framework under all conditions and the generalisation with critical perspectives. However, the middle-range approach lies at a point between these two, meaning that it intends to maintain the *status quo* at a broad level, while keeping an open-minded attitude for seeking change in particular conditions.

In particular, a middle-range thinking approach is useful for the current discussion, which applies institutional theory to analyse the impact that CSR has on the

implementation of management training. A great deal of scholars have recognised the explanatory power of institutional theory, which does not only refer to the usefulness of isomorphic mechanisms in explaining the similarity of corporate practices (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Scott, 2004) but also the role of competing pressures in determining firms' various strategic responses (Knight, 1992; Beckert, 1999; Scott, 2008; Levy and Scully, 2007; Lounsbury, 2008). As a result, regarding its long history as well as wide application in social science, institutional theory has reasonable stability.

Nonetheless, under certain conditions, the competing pressures and ambiguity within the institutional environment cannot fully explain decoupling phenomena, thus causing a debate on the role of conflict in determining coupled/decoupled structure. This issue is in particular to CSR studies as well as the effectiveness of CSR in emerging countries and the context of financial sector. To fill this gap, the existing literature, as discussed in Chapter 2, emphasises further research at organisational level. In doing so, this thesis focusses on differences in company characteristics, e.g. strategic orientation, which may affect management evaluations of the ambiguity and conflict existing in the institutional environment. In other words, the general direction of this research is to clarify the conditions, under which competing pressures can or cannot explain decoupling phenomena. As stressed by Boudon (1991, p. 522), "the validity of the MRT (Middle-Range Theory) behind the interpretation of a social phenomenon is what makes this

interpretation strong or weak”. As a result, by explaining the impact that CSR has on management training through institutional lens, this thesis complies with the core philosophy of middle-ranging thinking, which emphasises the role of empirical data (CSR and management training; the context of financial sector in China) in clarifying how prior theory (institutional theory) works and in further developing existing knowledge.

Under such a middle-range thinking approach, the prior theory (institutional theory) emphasises the role of competing pressures in explaining the strategic response of companies, e.g. either the conflict between market and institutional drivers or the competing pressures emanating from different stakeholder groups. Beyond that, this research considers differences in organisational characteristics (e.g. strategic orientation) as an emergent factor, which can further clarify how senior management evaluates the competing pressures for CSR and thus adopts training programmes in protecting the interests of management trainees. According to Onwuegbuzie and Teddlie (2003) and Onwuegbuzie and Leech (2005), in such an exploratory research identifying the emergent themes and factors, the middle-range thinking approach is very useful in developing the explanatory power of prior theory (institutional theory).

### **3.3 Research Objective**

This thesis is inspired by an important but often overlooked question – the impact that CSR has on the implementation of management training in China. As Chapter 2 suggests, the existing literature has built up a conceptual link between CSR and management training, and with regard to CSR has emphasised equality of management training opportunities and corporate support for the individual's ongoing learning. However, there is a lack of clarification of the conditions, under which a rise of CSR can be effective to change the implementation of management training programmes.

In order to answer this question, a review of the existing literature highlights the role of CSR priorities, under which the management may arrive at different evaluations of the ambiguity and the competing pressures existing in the business context, thus leading to the diversity of corporate strategies. Accordingly, three specific questions will be very important for this research: (1) CSR priorities of case companies; (2) the institutional context for CSR and management training; (3) how management training initiatives are implemented in responding to CSR pressures.

As middle-range thinking suggests, while empirical details are important in answering each of these questions, prior theory in terms of institutionalism can directly contribute to the explanation of how and why CSR and management

training provision are adopted and shaped in particular ways. Therefore, institutional theory as the ‘skeletal’ theory offers the foundation and determines specific research objectives for investigating the link between CSR and management training in the Chinese business context.

### ***3.3.1 Exploratory Research***

Scholars such as Onwuegbuzie and Teddlie (2003) and Onwuegbuzie and Leech (2005) have characterised all academic research as either exploratory or confirmatory research. An exploratory research aims to identify emergent themes or factors, which are important for achieving new explanations of social phenomena or for developing new perspectives on existing theory. In contrast, a confirmatory research intends to test extant theory or confirm the replicability of emergent themes. The different objectives between exploratory and confirmatory research often drive researchers to adopt different research methods (Onwuegbuzie and Leech, 2005).

The present research can be characterised as exploratory in view of the lack of social knowledge about the influence that CSR has on the adoption of management training provision. There are two aspects to this lack of knowledge. The first is the role of organisational characteristics, e.g. strategic orientation, is often overlooked in the explanations of the link between CSR and management training. To address this research gap, this thesis explores the importance of

company characteristics in shaping corporate responses to competing pressures within the institutional environment, and thus in determining CSR effectiveness in furthering the needs of managers. This exploratory investigation considers company characteristics, for example strategic orientation, as the emergent factor that helps further develop the explanatory power of institutional theory in CSR studies. The second aspect is that little research has been carried out on this link between CSR and management training in the context of China. The exploratory nature of the present research emphasises the role of contextual factors in shaping and affecting corporate practices, such as local versus global drivers, or the market versus institutional drivers. In doing so, this research can identify emergent themes, which may be useful for explaining the link between CSR and management training in the Chinese business context.

### ***3.3.2 Middle Position Between Inductive and Deductive Approaches***

The research employs middle-range thinking to focus on the theoretical foundation developed from the existing literature with support from empirical investigations. The final outcome will therefore be derived from two principal sources: existing knowledge from the literature, and the implications of empirical data. Accordingly, the research project lies somewhere between deductive and inductive approaches. In a deductive approach, knowledge and theory are largely produced by deductive discussions of prior theory, with supplementary data in support (Mintzberg, 1979; Saunders *et al.*, 2009). In contrast, an inductive

approach emphasises the acquisition of knowledge as coming mainly from empirical investigations, with theoretical predictions having a minimal effect (Baker, 2002; Eisenhardt, 1989; Strauss and Corbin, 1998; Pettigrew, 2000). To a large extent, this use of the middle position not only highlights the role of theoretical guidelines in clarifying research directions, but also the richness of data that can contribute to stimulating holistic investigations and critical consideration of existing social knowledge and phenomena.

### **3.4 Research Methods**

Drawing on the different positions of ontological and epistemological assumptions, research methods can be chosen from two broad categories: qualitative and quantitative strategies. To a large extent, the choice of research method resonates with the core assumption of the research philosophy and the expected goal (Saunders *et al.*, 2009; Tashakkori and Teddlie, 2003). Accordingly, this section describes the choice of research methods in the middle-range thinking context, beginning with a general overview of the nature and characteristics of qualitative and quantitative research methods and an explanation of why the qualitative research method is appropriate for use in the present research.

#### ***3.4.1 Qualitative Method***

A qualitative research approach focusses on the influence of social settings and thus interprets how such setting can shape individual and organisational



behaviours (Taylor and Bogdan, 1984; Denzin and Lincoln, 2003). Thus, using a qualitative approach, researchers can establish the link between individual (or organisational) perceptions and behaviours. In practice, Van Maanen (1979, p. 520) states that “the label qualitative methods has no precise meaning in any of the social sciences...and is at best an umbrella term covering an array of interpretive techniques”. The aims of these interpretive techniques are to describe, code (or decode) and translate the meanings behind social phenomena and events occurring within organisations.

The qualitative research method is characterised by two key aspects. First, it places strong emphasis on empirical details, on the basis of which new insights can be obtained and theoretical concepts developed. Thus, a qualitative strategy is often used in exploratory research, which emphasises holistic discussions of the reality of social interactions (Mintzberg, 1983; Miles, 1979), and explains how and why practical phenomena are produced rather than just describing what such phenomena actually are (Taylor and Bogdan, 1984).

A further characteristic of qualitative research is its flexibility in terms of how researchers undertake their empirical investigations. Although there are some basic guidelines associated with the considerations of literature reviews and research methodology, they do not propose strict rules or standards, unlike the more rigorously standardised methods of quantitative methodology (Taylor and

Bogdan, 1984; Leavy, 1994). Thereby, the primary aim of empirical investigations using qualitative research methods is to describe what really occurs within organisations, which provides researchers with access to unforeseen relationship and emerging problems. Covaleski and Dirsmith (1990, p. 544) assess this function of ‘doing description’ as follows:

They provide rich descriptions of the social world, most particularly the meanings attached to actions and events in the language of its principal actors; facilitate exploring unforeseen relationships; and reduce researcher-induced retrospective distortion and unsupported inferential leaps.

Nonetheless, the nature of subjectivist research, to some extent, challenges the generalisability of qualitative findings, even though the qualitative description contributes to the holistic considerations of the research (Saunders *et al.*, 2009; Mintzberg, 1979; Sanchez-Jankowski, 2002; Taylor and Bogdan, 1984; Ritchie and Spencer, 2002). This issue associated with qualitative research can be clearly illustrated by the way researchers interpret the qualitative data. As pointed out by Taylor and Bogdan (1984) and Mintzberg (1979), the fit between data and individuals’ actual words or behaviours is largely determined by the subjective interpretation of the data based on the understanding of and expectations by the researchers, which may thus determine the quality and validity of any research findings. Therefore, the use of a qualitative approach is more meaningful when specific conditions or perspectives are under consideration, rather than for broader, more generalised truths or facts (Saunders *et al.*, 2009; Mintzberg, 1979).

### ***3.4.2 Quantitative Method***

In contrast, a quantitative research approach provides an alternative method for empirical investigations within academic research. Originating from the natural sciences, it was later adopted and is now widely used by the social sciences (Morgan and Smircich, 1980). Quantitative research stresses the causal relations existing between two or more variables, with these being suggested by the prior theoretical framework (Denzin and Lincoln, 2003). Thus, Morgan and Smircich (1980) hold that the quantitative strategy is often employed by the positivist school, which emphasises both the guiding role of prior theory and the method of attaining knowledge through “manipulating data through sophisticated quantitative approaches, such as multivariate statistical analysis” (p.498).

In practice, the quantitative research method emphasises the use of standardised measures, which enable the researcher to fit varying aspects or individual experiences into a limited set of the proposed categories (Patton, 2002). Therefore, the research outcomes produced by the quantitative method can be described as succinctly presenting a set of easily generalisable findings based on investigations using a large number of cases. This contrasts with the qualitative strategy, where the detailed information comes from a limited set of cases but provides a richness of understanding of specific situations and conditions. Such distinctions are often referred to as the ‘depth versus breadth’ argument.

### ***3.4.3 The Importance of the Qualitative Approach for This Study***

The overview presented in the previous sections shows that qualitative and quantitative researches have different uses and implications, according to sample size (small versus large) and the level of theoretical findings (specific and situational discussion versus causal relations at broad generalised level). As several papers (e.g. Denzin and Lincoln, 2003; Patton, 2002; Silverman, 2009) suggest, the choice between qualitative and quantitative approaches is largely determined by the nature of the research objectives and the relevant philosophical assumptions.

Given that (1) CSR in China is at present little understood, and (2) the link between CSR and management training is also little explored, it was decided that a qualitative approach would be an applicable method to use for this thesis having regard to the exploratory nature of the research. The thesis uses a qualitative strategy to seek rich and detailed information on how companies implement both CSR and management training programmes in response to institutional pressures. This strategy can contribute to the holistic understanding of the nature of CSR as well as its impact on management training. The quantitative approach, such as questionnaires consisting of rating scales, on the other hand, is of little help when richness of empirical details is required, as noted by Mintzberg (1979). Therefore, the exploratory nature and objectives of this research motivate the adoption of qualitative research methods, which help offer an initial in-depth understanding of

the relationship between CSR and management training initiatives within the context of China.

### **3.5 Case Study Method**

As discussed in the previous section, as an exploratory research project utilising a qualitative approach, this thesis is interested in the richness of the empirical data, in line with the assertion of Mintzberg (1979, p. 587):

While systematic data create the foundation for our theories, it is the anecdotal data that enable us to do the building. Theory building seems to require rich descriptions, the richness that comes from anecdote.

With regard to the availability of qualitative data, a case study method is employed as the main strategy to organise and present empirical data for this thesis. The following sub-sections detail the four principal reasons for the decision to use a case-study method.

#### ***3.5.1 Importance of the Case Method***

First, the case-study approach has been shown to be particularly useful for exploratory research (Yin, 2003; Ghauri, 2004; Robson, 1993; Scholz and Tietje, 2002; Hammersley and Gomm, 2000). As suggested by both Yin (2003) and Ghauri (2004), the case-study approach in comparative management studies is strongly recommended in situations where a recent phenomenon is still insufficiently understood due to a lack of data. An example of this is the scarcity

of research on CSR within China and the link between CSR and management training initiatives.

Second, in a case study, researchers are required to emphasise how contextual aspects affect social phenomena and reality (Yin, 2003; Hartley, 2004), and thus to explain how and why social phenomena are constructed (Yin, 2003). As noted by Eisenhardt (1989, p. 534), a case-study method is vital for “understanding the dynamics present within single settings”. This aspect of the case-study method is particularly consistent with the implications of institutional theory as the theoretical lens.

Third, the case-study method is a useful tool for bridging the gap between the prior theoretical framework and the existence of empirical phenomena, which can be viewed as an essential step for exploring new theories or new perspectives of existing theories (Eisenhardt, 1989). In a case-study method, both prior theory and empirical details can contribute to the development of research findings (Bartunek, 1988; Cameron and Quinn, 1988), which is intrinsically consistent with the assumption of the middle-range thinking approach. The existing theory provides essential guidelines for the construction of theoretical frameworks and the processes of sampling or case selection; empirical details can be viewed as the key supplement to produce holistic discussions of situational aspects, enriching the details of the skeletal theory.

Finally, research findings produced by case-study methods, with their emphasis on empirical phenomena and contextual aspects, can provide in-depth implications for the everyday practices of companies, providing meaningful implications for practitioners (Gummesson, 2000). Taking these four reasons into account, it is suggested that the case-study method may be the most appropriate strategy for the current research project as it is qualitative, exploratory and middle-range thinking in nature.

### ***3.5.2 Multiple Techniques Within a Case Study***

Apart from the reasons supporting the importance of case-study method for this research (shown above), some scholars suggest employing multiple data collection techniques within each individual case study (Scholz and Tietje, 2002; Van Maanen, 1988; Yin, 2003; Eisenhardt, 1989). This can make a significant contribution to the research, either by building the testable and verifiable hypotheses or by offering an in-depth and detailed description of the specific conditions of a particular reality. When information is collected from multiple data sources simultaneously, the richness of qualitative data offers evidence that is significantly stronger, and can therefore help to build the relationship between theory and phenomenon and reinforce the internal validity of academic research (Eisenhardt, 1989). This can also serve to limit the negative influence of the researcher's subjective interpretation of data, thereby stimulating the holistic and systematic discussion.

Regarding the different nature or targets of academic research, specific data collection techniques may broadly involve both qualitative and quantitative methods, for example interviews, document analysis, observations, surveys, questionnaires or experiments (Scholz and Tietje, 2002; Eisenhardt, 1989). In this thesis, two methods have been employed to collect data within each case-study company. These were the semi-structured interview, and reviews of secondary documents such as information or reports published by companies together with internal documents on management training programmes if available. The details of these two techniques are described in the following section. The use of multiple research techniques is an appropriate method for keeping the empirical data descriptive and explanatory (Yin, 2003). The richness of descriptive information helps clarify the occurrences surrounding management training and CSR. Moreover, the attitudes of interviewees provide key implications that explain how and why such initiatives (e.g. CSR and training) are operated and managed on a daily basis.



## **3.6 Research Design**

This section outlines the application of the case-study method utilised in this PhD research. The sample selection, data collection and data analysis processes are introduced; potential issues of social desirability bias and research ethics that have arisen during data collection are also considered.

### ***3.6.1 Sampling Process***

Some mainstream approaches to sampling stress the randomness of the sampling strategy or the requirements for large sample size (Glaser and Strauss, 1967; Pettigrew, 1987, 1990), both of which are regarded as essential to produce unbiased and therefore generalisable findings. However, since middle-range thinking emphasises the importance of skeletal theory, another sample selection strategy has been developed based on prior theory guidelines (Eisenhardt, 1989; Skocpol and Margaret, 1980; Seawright and Gerring, 2008). Therefore, rather than selecting a sample based on randomisation or from a large number of cases, academic research can also focus on smaller-scale companies to provide a closer fit with the prior theory framework.

The present research, which focusses on the link between CSR and management training, follows a theoretical sampling strategy. This decision has been motivated by several empirical gaps in the CSR literature. First, within the CSR literature, there is limited knowledge on the nature and impact of CSR in developing or

emerging economies (Matten and Moon, 2008; Jamali and Neville, 2011). Second, considering the strong but repressive power of central government in China, the reality of the Chinese business conditions provides specific contextual factors for CSR (Scherer and Palazzo, 2011), which contribute to clarifying the impact of the Chinese government on stimulating CSR through the announcement of the national policy of ‘Building a Harmonious Society’ in 2006 (Delury, 2008; Lam, 2009; See, 2009; Woo, 2006; Ip, 2009).

Third, although previous studies have been interested in discussing CSR in China (Kortelainen, 2008; Ding *et al.*, 2002; Darigan and Post, 2009; Moon and Shen, 2010; Ngai, 2005), little consideration has been given to the management training and development aspects. Fourth, most existing CSR investigations in China focus on the outsourcing sector, with scant attention to other industries. This limits the achievement of a comprehensive understanding of CSR in China.

Moreover, the present research focusses on the Chinese financial sector. One reason for this choice is that the labour-intensive and environment-related sectors are overrepresented in the existing literature on Chinese CSR (Yu, 2008; O’Rourke, 2003, Ngai, 2005; Kortelainen, 2008), with the financial sector being somewhat overlooked. Also, despite the rise of business competition in China, the intervention from the state still remains strong in certain sectors and for certain SOEs (e.g. the Chinese state-owned banks). This can enable this research to

capture the impact that differences in organisational characteristics, for instance strategic orientation, have on business strategies. Additionally, when considering the extensive training investment of international financial companies such as HSBC or Citi Group, a discussion of management training can provide meaningful insights for training and HR professionals. For these reasons, the present research has selected case-study companies from the Chinese financial sector.

Several specific criteria were important for the selection of the companies studied in this thesis. First, due to the focus on the impact that CSR has on the adoption of management training provision, the companies' reputation for CSR was an essential criterion used for case selection, based principally on information from the Index for CSR development in China and the Fortune China CSR Top 100 ranking.<sup>5</sup> On the one hand, the decoupling concept suggests a distinction between CSR image and the reality of CSR practices. Therefore, in this discussion of the effectiveness of CSR in protecting the interests of management trainees, it was necessary to select companies with different levels of CSR reputation. On the other hand, CSR is often motivated by social, political or functional pressures. Thus, it can be argued that CSR reputation is relevant depending on the level of external pressure for CSR, which means that high CSR pressure may motivate firms to improve their CSR reputation and image. Meanwhile, by reviewing

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<sup>5</sup> The Index for CSR development in China and the Fortune China CSR Top 100 ranking only list Chinese companies with a good reputation for CSR. Thus, as listed by these two indices, Companies A, B, C, D and G can be defined as having a better reputation for CSR than the other four.

information from the Index for CSR development in China and the Fortune China CSR Top 100 ranking, all financial companies with high CSR reputation can be characterised as being larger companies, as operating in overseas market and as listed on the Chinese stock market. Such characteristics suggest financial companies with high CSR reputation seemingly face high pressures produced by local and global contexts, and the constraints imposed by the stock market.

Second, differences in the competitive environment may lead to a different relationship between CSR and management training. Thus, this thesis intended to select case companies from both the Chinese banking and insurance industries. In the Chinese banking sector, due to the economic power of state-owned banks, the Chinese government adopted a specific protection on Chinese state-owned banks, which led to a monopoly of state-owned banks as well as the decline of business competition. For example, by researching firms' annual reports or official websites, Table 3.2 presents 2013 data on Total Deposits for five banks, suggesting the huge market share held by Chinese state-owned banks. In this table, China Minsheng Bank is the biggest Chinese bank that is owned by private capital. However, in comparison to the four biggest state-owned banks, China Minsheng Bank indeed has a significant disadvantage in terms of its market share.

By contrast, in the insurance sector, such protection from government seems comparatively limited, which accordingly produced a high level of business

competition e.g. in terms of market share. Table 3.3 shows the amount of premium income for 2013 obtained by the 5 largest companies in the Chinese life insurance market. As presented in this table, China Life Insurance has the biggest premium income (387 billion RMB), but the four privately owned companies clearly control a quite big share of the life insurance market too (the sum of the premium income in these four companies is 604 billion RMB). This situation is in contrast to the Chinese banking sector.

**Table 3.2 Amounts of Total Deposits for the Chinese Banks**

Banks	Ownership structure	Total Deposits (billion RMB)
Industrial and Commercial Bank of China	State-owned bank	13950
China Construction Bank	State-owned bank	12220
Agricultural Bank of China	State-owned bank	11810
Bank of China	State-owned bank	10100
China Minsheng Bank	Privately owned bank	2150

(Source: Annual reports of companies)

**Table 3.3 2013 Premium Income of the Largest Chinese Insurance Firms**

Life Insurance Companies	Ownership structure	Premium Income (billion RMB)
China Life Insurance	State-owned company	387
Ping'an Insurance	Joint-venture	261
China Pacific Insurance	Joint-venture	177
New China Life Insurance	Joint-venture	104
Taikang Insurance	Joint-venture	62

(Source: Annual reports of companies)

Third, this research emphasises the role of ownership structure in shaping CSR priorities and programmes. As concluded by Li and Zhang (2010), difference in ownership structure may determine the distinct CSR strategies of SOEs and JVs, with regard to the importance of governmental capital in influencing business

decision in SOEs through isomorphic mechanisms. Thus, ownership structure may be a crucial factor affecting stakeholder salience and thus CSR priorities.

**Table 3.4 Planned Sample Frame**

	<b>Banking sector</b>	<b>Insurance sector</b>
<b>Strong CSR reputation</b>	Group 1: State-owned (3) vs. privately owned (3) companies	Group 3: State-owned (3) vs. privately owned (3) companies
<b>Weak CSR reputation</b>	Group 2: State-owned (2) vs. privately owned (2) companies	Group 4: State-owned (2) vs. privately owned (2) companies

(Source: Author)

Based on these specific criteria, this research planned a sample frame of 20 companies. In this planned sample frame (shown in Table 3.4), all case companies can be categorised into one of four groups, according to their CSR reputation and their industrial sector. Ideally, within each industry group, there should have been two types of companies, according to the different ownership structures, i.e. state-owned and privately owned companies. Equally, there should have been two types of companies in terms of CSR reputation, i.e. companies with strong and with weak reputation. Within Groups 1 and 3, it was planned to find 3 state-owned companies as well as 3 privately owned companies – all with a strong CSR reputation. Meanwhile, in Groups 2 and 4, the number for each type of ownership structure was 2 – again all with a weak CSR reputation. Therefore, there were a total of 20 companies in this planned sample frame.

Three specific reasons can explain why it was planned to find 2 or 3 case companies within each sub-group. First, this research adopted a qualitative

research method, to achieve an in-depth discussion of the link between CSR and management training. As the literature (Eisenhardt, 1989; Skocpol and Margaret, 1980; Seawright and Gerring, 2008) suggests, this needs a small number of case companies, rather than a large sample frame.

Second, the qualitative data of this research were collected from different sources (e.g. semi-structured interviews and the official information of case companies), and by multiple interviews within each company. This adoption of different data sources and multiple interviews was a key factor driving a reduction of the number of case companies (Lee *et al.*, 2002; Ritchie *et al.*, 2003; Mason, 2010), although it may be useful to investigate multiple companies in each business context to enrich qualitative data (Eisenhardt, 1989). Thereby, for this thesis, it was considered that 2 or 3 companies may be sufficient for each sub-group.

Third, the case companies with strong CSR reputation often are larger companies, where business operations, CSR programmes and training systems may be more complex than in the smaller ones. In solving such complexity, it may be critical to research more case companies than the counterparts with weak CSR reputation. This consideration explains why the numbers of companies within Groups 1 and 3 were larger than those within Groups 2 and 4.

**Table 3.5 Actual Sample Frame**

	<b>Banking sector</b>	<b>Insurance sector</b>
<b>Strong CSR reputation</b>	Companies B, C and D	Companies A and G
<b>Weak CSR reputation</b>	Company E	Companies F, H and I

(Source: Author)

However, as shown in Table 3.5, the actual numbers of case companies declined from 20 to 9. Two reasons caused such a decline of the number of case companies. First, the difference in numbers between planned and actual sample frame was caused by limited permission given by case companies. This was particularly the case for JV or privately owned banks. Although several JV banks have been contacted through email or phone calls, this research was granted no permission to conduct interviews within this kind of bank. Second, the active engagement and support from companies and interviewees was another reason leading to a decline of the number of case companies. In certain groups, e.g. Group 3, case companies and the interviewed managers have offered great support for this research, such as time for interviews as well as their willingness to share firms' documents. Given such support, a great deal of qualitative data have been collected, which were sufficient to discuss the role of company characteristics, e.g. strategic orientation, in determining corporate responses to institutional pressures. Therefore, with respect to the balance between time and outcomes, this investigation on this Group 3 has stopped after researching Companies A and G, which reduced the numbers of case companies. As a result, these two reasons led to the difference in numbers between planned and actual sample frames. The details of nine actual case companies are shown in Table 3.6.



By reviewing the information of these nine case companies, several key insights can be concluded. First, all nine case companies can be placed in the typology of four conditions as shown in Table 3.6, according to the differences in CSR reputation/the level of external pressure for CSR and the competitive environment. Thus, this research has the potential to clarify the role of competing pressures from the institutional context in shaping CSR priorities as well as its effectiveness in solving stakeholder interests.

**Table 3.6 Background of Case Companies<sup>6</sup>**

Company	Ownership structure	CSR reputation	Organisational size <sup>7</sup>	Overseas operations	Stock market	Industrial sector
<b>A</b>	SOEs	High	Larger	Hong Kong	Shanghai, Hong Kong, New York	Insurance company
<b>B</b>				Widely global operations in various regions or nations	Shanghai, Hong Kong	Banks
<b>C</b>						
<b>D</b>						
<b>E</b>		Low	Smaller	Domestic	N/A	
<b>F</b>	JVs	Low	Smaller	Domestic	N/A	Insurance companies
<b>G</b>		High	Larger	Hong Kong	Shanghai, Hong Kong	
<b>H</b>		Low	Smaller	Domestic	N/A	
<b>I</b>						

(Source: Author)

Second, specifically in terms of the insurance sector, five companies, i.e.

<sup>6</sup> Data are sourced from the Fortune China, companies' official reports and the information published on their official websites.

<sup>7</sup> Organisational size is measured by the index of the number of total assets, the number of employees, and whether companies are listed on stock markets.

Companies A, F, H, G, and I, to a certain degree, represent the general picture of the Chinese insurance industry. The companies of larger size and with good CSR reputation are an SOE and a JV, respectively. By contrast, the companies of smaller size or with weak CSR reputation are JVs, owned and run by a mixed structure of ownership. Therefore, specifically in terms of the Chinese insurance industry, a discussion of the implementation of CSR and management training within these five firms can provide a generalisable explanation of how competing pressures structure firms' strategic responses to CSR as well as affect the role of CSR in protecting the interests of management trainees.

The third insight refers to a potential limitation of this research in explaining the impact that CSR has on management training in China. With regard to the absence of JV banks, this study cannot conduct a comparison of corporate practices between state-owned banks and JV banks. This problem, to some extent, limits the generalisability of research finding in terms of the Chinese banking sector, which clearly calls for further study. In particular, due to the absence of the Chinese JV banks, this thesis cannot detail the implementation of CSR programmes and management training in JV banks. However, as will be discussed in Chapters 4, 5 and 6, the research findings can illustrate how Chinese firms strategically respond to the competing expectations by different stakeholders, given differences in the external pressures for CSR and in organisational characteristics, e.g. strategic orientation. The qualitative data collected from nine

case companies thus provide substantive evidence for examining the role of company characteristics in shaping corporate responses to institutional pressures.

In addition to an investigation in these nine companies, this research has also conducted a field study in the Chinese banking association and the Chinese insurance association, under the permission granted from these associations. This focus on industry associations in the Chinese financial sector was motivated by a frequently mentioned importance of such industry associations as explored through semi-structure interviews, which will be introduced in the following section. Meanwhile, by considering the role of the Chinese banking or insurance associations, this research aimed to develop an understanding of the role of trade unions and industry associations in promoting Chinese CSR, which may be a good supplement for current discussions of the role of institutional drivers in influencing business practices and decisions.

### ***3.6.2 Data Collection***

Two techniques were used to collect data: face-to-face interviews and reviews of secondary documents such as web-page information. The interviews were all carried out between November 2012 and May 2013. All interviews were face-to-face, semi-structured interviews, in line with suggestions by Saunders, Lewis and Thornhill (2009, p. 243-244):

The researcher will have a list of themes and questions to be covered, although these may vary from interview to interview. This means that

you may omit some questions in particular interviews, given a specific organizational context which is encountered in relation to the research topic. The order of questions may also be altered depending on the flow of conversation. On the other hand, additional questions may be required to explore your research question and objectives given the nature of events within particular organizations. The nature of the questions and the ensuing discussion mean that data will be recorded by note taking or perhaps by tape recording the conversation.

Therefore, the nature of semi-structured interviews can ensure that the responses of interviewees are generally related to the core targets of the particular research project, without limiting the dynamics and the opportunities of exploring new perspectives and situational insights as they arise as a result of the questions and answers. Such flexibility fits well with the nature of this research, emphasising both the richness of qualitative data and the consistency embedded in such data. Therefore, as shown in Appendix 4, interview questions have been designed in a semi-structured way, which will be detailed in following sections.

In total, 38 interviews were conducted across nine case companies, as detailed in Table 3.7. Of these, 36 lasted between 45 and 90 minutes, one lasted 30 minutes, and one lasted 120 minutes. All interviews were held in the respective companies during normal office hours. Rather than being a conscious decision to use this number of interviewees, this number was arrived at as it was found that the new conceptual insights gained from each subsequent interview reduced significantly as the number of interviewees approached low to mid-thirties. This is termed ‘theoretical saturation’ (Glaser and Strauss, 1967).

**Table 3.7 Information on Interviewees**

	Numbers of respondents in each company								
	A	B	C	D	E	F	G	H	I
Total number	6	4	4	3	4	3	6	4	4
<b>Numbers of respondents from different management levels</b>									
Junior management (16)	2	2	2	1	2	1	2	2	2
Middle and senior management (22)	4	2	2	2	2	2	4	2	2
<b>Gender of respondents</b>									
Female (13)	2	0	2	1	1	1	2	2	2
Male (25)	4	4	2	2	3	2	4	2	2
<b>Numbers of respondents in different departments or functions</b>									
Sales or related departments (18)	3	2	1	2	2	1	3	2	2
HR and training departments (20)	3	2	3	1	2	2	3	2	2
<b>Education level of respondents</b>									
No experience with high education (5)	1	0	0	0	1	0	1	1	1
Bachelor degree or above (33)	5	4	4	3	3	3	5	3	3
<b>Age of respondents</b>									
20-29 (3)	1	0	1	0	0	0	0	1	0
30-39 (12)	2	1	1	1	2	1	2	0	2
40-49 (16)	2	2	1	1	1	2	3	3	1
50-59 (7)	1	1	1	1	1	0	1	0	1
<b>Nationality of respondents</b>									
Chinese (38)	6	4	4	3	4	3	6	4	4
Other nationality (0)	0	0	0	0	0	0	0	0	0
<b>Length of working tenure</b>									
Less than 5 years (0)	0	0	0	0	0	0	0	0	0
5-10 years (11)	1	1	1	0	4	0	1	1	2
11-15 years (17)	3	1	1	2	0	3	3	2	2
More than 15 years (10)	2	2	2	1	0	0	2	1	0

(Source: Author)

It should be mentioned that not all of these interviewees were randomly selected. Given that the objectives of this research are to investigate management training in China, a number of managers from junior, middle and senior levels were recruited as the interviewees for this project, and were selected based on their willingness to participate following email or telephone contact. The initial contact by email contained a formal interview invitation letter, but if companies failed to

respond to the email, a follow-up phone call was made. The name and contact information of those participants selected for contact were obtained either from the information detailed on the companies' official websites, or with the help of alumni of Royal Holloway, University of London. In addition, due to the difficulty in arranging face-to-face interviews, a 'snowball strategy' was employed as a method of gaining access to participants. Using this strategy, those participants who had already been recruited were asked at the end of their interview if they knew of any other managers who might be willing to participate. These new participants could be from within the same organisation or at a different organisation.

Generally, individuals from the senior and middle management levels were largely responsible for the initiation, preparation and operation of training and CSR programmes. Thus, they were extremely familiar with the key triggers and motivations behind their organisational initiatives. By contrast, junior-level interviewees were among the key stakeholders in any training programme, as they were generally on the receiving end of the programmes. Also, managers from HR or training department may follow different considerations and hold different perceptions from those from sales or sales-related departments. Therefore, multiple managers from different management levels or from different departments have been interviewed so as to obtain different perspectives and generate holistic insights in terms of organisational practices of CSR and training

provision. This can be reflected from the data in Table 3.7, indicating the number of interviewees from different management levels (or from different functions) was roughly equal.

As shown in Table 3.7, the number of respondents from each company roughly ranged from 3 to 6, suggesting there was not too big or too small a focus on each case company. Specifically, 6 interviewees came from Company A or Company G. In these two companies, training department and human resource department were separate, which thus motivated the researcher to conduct more interviews. Also, because considerable experience on CSR and management training was an important criterion for recruiting interviewees, all interviewees had more than 5 years' experience in the case companies. Thus, as shown in the category of working tenure, none of interviewees had a shorter working tenure than 5 years. This figure of working tenure may further affect the age range of interviewees. As all interviewees had a working experience of more than 5 years, 27 out of 38 interviewees had more than 10 years' experience. The age of most of interviewees was above 30, but a limited set of interviewees was younger than 30.

In Table 3.7, the most unbalanced distribution of interviewees could be observed from the categories such as nationality, education and gender. In 38 interviews, all of interviewees were Chinese and all interviews were carried out through speaking Chinese Mandarin. It is a very ordinary phenomenon in the Chinese

financial sector. According to the daily observation of the researcher, during the whole period of fieldwork, the researcher had never met any foreign employees or managers in these Chinese financial companies. Therefore, despite the lack of foreign management trainees, this was still a representative sample. Furthermore, 33 out of 38 respondents have achieved at least Bachelor degree, only 5 interviewees have not experienced higher education. This echoes the fact that financial companies in China often have demanding criteria for recruiting. According to Greening and Turban (2000), well-educated managers may pay greater attention to CSR and the provision of learning and training opportunity than managers without experiencing higher education. Thus, a discussion of CSR in financial sector may be applicable to other knowledge-intensive industries, rather than the labour-intensive counterpart (where recruiting criteria may be lower than knowledge-intensive sector). Finally, there was different number of female (13) and male (25) interviewees. A particular difference was that 19 out of 22 interviewed middle and senior managers were male, but only 3 were female. This seems representative for China. For example, the labour law in China requires the retirement age of female employees is 50, but 60 for male. A shorter period of career path certainly limits the possibility that female managers can have fair opportunities to be promoted to middle and senior management as male ones. Therefore, to certain extent, this unbalance is an ordinary phenomenon in China.

Before each interview began, the interviewees were advised that their interview



would be recorded to allow the researcher to conduct data analysis on the transcripts. 34 of 38 participants gave their consent for their interviews to be recorded. However, all interviewees were advised that they were free to request the audio recording be stopped should they wish. The reason for recording the interviews was to ensure the accuracy and clarity of the interview during data analysis, and to allow the researcher to focus on the interview rather than taking detailed notes. This allowed the interview to flow more naturally, much like a conversation. This style of interview relaxed the interviewee and could create an environment of trust, encouraging more natural and honest responses from interviewees (Nason and Golding, 1998; Cassell and Symon, 2004).

Within each interview, the interviewer guided the general direction of the interview, consistent with the overall goals of the interviews. As shown in the discussions detailed in Chapter 2, this research project focussed on four key themes, namely (1) CSR priorities and activities, (2) key drivers for CSR; (3) implementation of management training, (4) role of CSR in the implementation of management training, which further determined the content of interview questions (as shown in Appendix 4—Interview Guide).

When interviewing managers from different functions, such as sales or HR function, the same structure of interview questions has been utilised. This decision was largely driven by the general aims of this research. As introduced in previous

chapters, this thesis explores managers' understanding and perception on CSR or management training. By interviewing managers from different functions, the researcher intended to obtain managers' opinions from different perspectives, in order to achieve a comprehensive understanding of corporate reality. For example, it was important to consider whether individuals from different functions had good knowledge on CSR programmes, or had equal opportunities to benefit from firms' training support. All such questions suggested the extent to which the legitimacy provided through CSR was distinct from the implementation of CSR programmes (Weaver *et al.*, 1999). As a result, the same set of interview questions was used in interviewing managers from different departments.

In particular, each interview started with a self-introduction on the interviewer and the general purpose of this research, as well as with some basic questions, such as personal information of interviewees. After that, a set of questions was asked to identify CSR priorities, representative CSR activities and the extent to which employee interest is emphasised by CSR. The interview questions focussed on stakeholder status in promoting the adoption of CSR programmes as well as in driving firms' attention to the aspect of employee interest. In doing so, this research intended to develop a holistic insight into the compatibility and conflict embedded in stakeholder pressures, which would be useful for explaining CSR priorities and corporate emphasis on employee benefits.

Moreover, other questions were asked to understand the implementation of management training programmes. Beginning with a general description of firms' efforts in terms of management training and development, the interview questions concentrated on how stakeholders engaged in developing and implementing management training, the major or typical challenges in implementing management training, and the impact that CSR policies have on implementing management training. Through such enquiry, this research identified the key reasons underpinning the development of management training, and thus was able to evaluate the extent to which CSR has shaped the implementation of management training. In addition, at the end of each interview, closing questions were important for allowing interviewees to freely express their comments on the whole interview.

When conducting these interviews, a practical problem was that interviewees sometimes provided the relatively ambiguous responses, or even some answers that easily could have caused a misunderstanding between interviewer and interviewee (e.g. social desirability bias as introduced in the next section). Recognising such practical problems, two strategies have been adopted for reducing the bias or misunderstanding during interviews. First, in each interview, the researcher tried to make sure interviewees fully understood the meaning of each concept or each interview question. For example, the concept of 'stakeholder' was often perceived by interviewees as being the same as the concept of

‘beneficiary’, thus interviewees may talk about the contribution of case companies to the whole society but little about which stakeholder groups specifically affect corporate strategies. This phenomenon required the researcher to explain or clarify each academic concept, such as ‘stakeholder’ or ‘CSR’.

Secondly, within each interview, this research asked some probing questions following each main question (marked as PROBE questions in Appendix 4—Interview Guide), with the content of these probing questions being determined by the actual responses of interviewees to the core questions. For instance, after a general introduction to CSR programmes from interviewees, certain probing questions were asked in order to (1) generate further details on the scope of such CSR programmes as well as the details of implementation, and thus (2) verify the qualitative data provided by interviewees. Accordingly, in this research, the benefits of these probing questions were either to promote interviewees’ description and responses, or to obtain clarification from interviewees through specific examples and illustrations.

Nevertheless, it should be noticed that probing questions were applied in a relatively flexible way, which meant that different interviewees might answer different probing questions or during certain interviews, some probing questions were not asked. This was because the usage of probing question was directly subject to the responses of interviewees to the main interview questions. In certain

cases, for example, where interviewees already provided comprehensive and detailed answers, the probing questions seemed no longer necessary.

In addition to keeping an eye on the details of interview questions, during each interview the researcher paid close attention to the emergence of new phenomena or interesting insights. Following each interview, any new perspectives or phenomena were identified, and changes made to the structure of subsequent interviews based on these earlier findings. This approach rendered the present research project highly compatible with the middle-range approach as it laid emphasis both on theoretical guidelines on the broad direction of interviews and on the constant motivation to seek in-depth and exploratory details.

For example, as explored through the first four interviews, the role of the China banking and insurance associations in promoting CSR has been often mentioned, which was somehow different from the current knowledge on collective engagement of stakeholders in China. This insight motivated this research to conduct further two interviews in national banking and insurance associations, in addition to the selected case companies. In these two interviews, both lasting approximately 60 minutes, interviewees were invited to explain the role of the banking and insurance associations at industrial level and to describe relations within their industries, besides the general interview questions about CSR and management training in the Chinese financial sector. Also, certain interviewees

from Company B (as a state-owned bank) identified social criticism on the excessive employee welfare in the Chinese banking sector as a major constraint on protecting employee interests through CSR. Then, during the further interviews, such constraint from social criticism has been particularly considered when exploring stakeholder status in developing CSR and management training.

Finally, in addition to the data collected by interview, a detailed set of information was also gathered by reviewing secondary documents. Some key documents relating to organisational background, CSR and training initiatives have been reviewed as part of the preparation for semi-structured interviews. To a large extent, such reviews of organisational background, existing CSR activities and training initiatives undertaken can be useful in producing tailored consideration of the condition of each individual case company, and in shortening the introductory session of each interview. Other internal documents that have not been made public were also provided by a number of the interviewees. Such documents might include detailed plans for specific training initiatives. These supplementary internal documents offer objective and descriptive information on organisational reality, thus potentially strengthening the reliability and creditability of qualitative data.

### ***3.6.3 Social Desirability Bias and Research Ethics***

Cassell and Symon (2004) and Nason and Golding (1998) suggest that reflexivity

can be viewed as a critical element in good qualitative research, which contributes to a collaboration of meanings of CSR and management training. Thus, face-to-face interviews need to remain semi-structured and reflexive, as detailed in the previous section.

With regard to the importance of reflexivity, the present research is concerned with the effectiveness of interview questions, hence remaining reflexive in terms of question style. For instance, in the first four interviews on the topic of CSR, interviewees provided evidence for their ethical and responsible considerations in terms of the broad stakeholders. However, these CSR insights may largely come from a more personal perception or knowledge of CSR, causing something of a disparity between interviewee responses and corporate practice. This issue can be defined as social desirability bias (Weaver *et al.*, 1999), where interview respondents feel a great need to illustrate their responsible behaviour (personal and professional) by providing biased evidence, which may significantly affect the quality and validity of interview data.

In order to limit the negative influence of social desirability bias, two strategies were adopted by this research. The first was to improve the accuracy of language used for interview questions. For instance, instead of the question ‘how do you define the concept of CSR?’, this research asked ‘which kinds of organisational activities do you think are most consistent with the underlying CSR approach of

your company?'. When defining the CSR concept, interviewees often described CSR in a normative or ethical way, such as an emphasis on ethical decision-making. However, by asking further questions, the interviewer perceived such a normative or ethical description was often disconnected from firms' reality, but was largely subject to interviewees' willingness to express their personal knowledge. This certainly caused social desirability bias. Therefore, a change of words can limit the scope of interviewee responses at the level of corporate reality, rather than personal viewpoints. Second, associated with this change in interview question style, the probing questions are essential to obtain additional information that is supplementary to the responses from interviewees. For example, following their introduction of specific CSR projects, the interviewees were asked about the continuation, length or frequency of those projects, in order to be sure of the extent to which CSR programmes were consistently implemented.

Along with reflexivity, the researcher should also show concern for any ethical issues that may occur during data collection. The present research emphasises two specific problems in connection with research ethics. The first ethical consideration is the potential invasion of the personal privacy of interviewees (Neuman, 2010). When conducting interviews, researchers often try to create a comfortable atmosphere, which is necessary to establish mutual trust and to stimulate the honest responses of interviewees. However, researchers need to guarantee confidentiality in terms of the content of the interview, for example,



under certain conditions the honest responses of interviewees involves information relating to personal privacy, or information higher authorities within companies do not wish to be known by the outside. Second, during interviews, some interviewees were enthusiastic in their support for this research, and thus were willing to share some internal documents. Although interviewees did not explicitly state the sensitivity of such documents, this thesis suggests such documents should remain confidential, in order to avoid any issues about commercial sensitiveness.

In order to address these ethical considerations and to avoid possible negative outcomes, good communication and preparation before each interview was essential. A short introduction to the interview was sent to participants in advance by email or telephone, in which the researcher clarified the nature of this research and the interview questions. For instance, before each interview, the researcher clarified that the publication of empirical information necessarily requires permission from the providers of the information. Also, the researcher clearly stated that ‘there is no right or wrong answer’, or ‘I am looking for personal perception and experience, but not for exploring scandals within companies’.

Before each interview, sample interview questions were sent to interviewees, with a note specifying that ‘you will be interviewed in a semi-structured way, and therefore questions may be changed during interviews. However, our interview

will follow the general directions and guidelines as detailed in this list.’ Using directions and guidelines in this way can ensure some degree of standardisation in terms of interview topics (Welman and Kruger, 2001), which helps to limit any potential misunderstandings during the interviews. Additionally, interviews were only recorded where consent had been given by interviewees. Of the 38 interviewees, only four refused to give permission for the interviews to be recorded, and in these cases detailed notes were taken throughout the interview instead.

#### ***3.6.4 Data Analysis***

Data analysis refers to a process where the raw data are reorganised and categorised (Denzin and Lincoln, 2003). Through the interpretation of qualitative data, researchers can link the observed phenomenon to the theoretical framework (Spiggle, 1994; Langlely, 1999; Mintzberg, 1979), which further contributes to theory development (Silverman, 2001; Gerson and Horowitz, 2002).

This section introduces how this study interpreted the data collected through an empirical investigation that was conducted in China. While two methods of data collection were employed (interviews and secondary documents), the majority of the data were collected through the use of semi-structured interviews. All interviews were transcribed by a professional transcription service in China, and

then the transcriptions were checked by the researcher in order to ensure that they were identical to the audio recordings.

Several scholars (e.g. Eisenhardt, 1989; Silverman, 2001, 2009; Langley, 1999; Miles and Huberman, 1984; Gerson and Horowitz, 2002) suggest that when collecting qualitative data, small portions of the data are quickly analysed so as to produce an initial picture of categories, and this initial analysis is followed by a more detailed analysis based on the findings of the initial analysis. Thus, as suggested by Miles and Huberman (1984) and Eisenhardt (1989), data interpretation generally follows a process of ‘information reduction – information display – comparison – conclusion’. This strategy is particularly helpful for research employing the qualitative methods of case study and interviews, which may produce a large volume of qualitative and descriptive data (Gerson and Horowitz, 2002).

According to these guidelines, a combination of within-case and cross-case analysis may be useful for data interpretation (Eisenhardt, 1989). ‘Within-case’ analysis typically highlights the details of each case. Although these details may be purely descriptive, they can still be vital for generating insights on specific questions (Pettigrew, 1987, 1990), because they help to deal with the large volumes of data collected during the early stages of analysis. Once the initial picture is produced using this within-case analysis, a ‘cross-case’ analysis is

conducted to investigate the potential similarities and differences that may exist between each of the case companies (Kahneman and Tversky, 1973; Miles and Huberman, 1984; Eisenhardt, 1989; Nisbett and Ross, 1980). Such between-case comparisons not only stimulate the holistic and critical considerations of research (Nisbett and Ross, 1980; Miles and Huberman, 1984), but are also relevant to an exploration of the impact of contextual factors (Eisenhardt, 1989). Accordingly, this research argues that the path from within-case to cross-case analysis provides useful guidelines for considering the link between CSR and training provision through an institutional lens.

Since all interviews were conducted in Chinese, two possible strategies could be employed for data analysis. The interviews could either be first translated and then analysed, or they could be analysed and then translated. Given the large amount of data collected from all 38 interviews, it seemed superfluous to undertake a full translation of each individual transcript, given that some information included in the interviews is not relevant to our topics. Therefore, the latter strategy was adopted – analysing the data first, followed by translation. It should be noted that although the results of data coding and thematic categorisation, as the substantive elements for this research, were translated into English, this translation did not follow the principle of word-to-word translation, but rather focussed on the translation of the core meanings, which would be more helpful in clarifying the perception of the interviewees.

During data analysis, each interview transcript was read several times, each time with a different focus. In the first stage, the initial coding of themes was produced manually. The term ‘theme’ can be used to capture core meanings within any qualitative data that are specifically relevant to the research question (Braun and Clarke, 2006; Miles and Huberman, 1984). Once this initial process of thematic coding was completed, the data were then subjected to a second, more intensive data coding process, where data management software (Microsoft Office Excel) was used to extract a set of key themes from coding categories. Any similarities, differences or contradictions between each theme can be identified and resolved where necessary. This coding process can potentially contribute to the building up of the narratives in terms of how and why case companies develop CSR and training programmes, and how contextual factors affect corporate behaviours.

The research concentrated on information related to the managers’ perceptions of the development of CSR and management training initiatives. Based on interviewee responses, the coding process helped in building up the narratives of how case companies develop and implement their CSR and management training programmes. This means that the responses were organised and categorised under different themes, rather than simply listing every possibility mentioned by each interviewee (Bebbington *et al.*, 2009; O’Dwyer, 2002; Huberman *et al.*, 1994). This categorisation can help develop a comprehensive and holistic understanding of business practices under different contextual conditions.

Nevertheless, it is important to note that the responses of interviewees may be influenced by a variety of factors, including personal interest in the subject of CSR and management training (Easterby-Smith *et al.*, 2002) and social desirability bias (Weaver *et al.*, 1999). To a large extent, such factors may challenge the quality and availability of interview data, causing potential biases in terms of research findings. In order to limit such potential problems, this thesis also sought to collect relevant CSR and training provision documents from each case company. These secondary data could be viewed as key supplements for use in the case of any deficiencies in the interviewees' knowledge of CSR or training, or in the case of such primary data not being disclosed during the interviews. Through the supplementary secondary data, this thesis hopes to limit any potential biases that may occur during the empirical investigation.

### **3.7 Summary**

This chapter has described the research philosophy and research methods in detail; its main content can be summarised as follows. First, by discussing the two mainstream paradigms for research philosophy, namely positivism and interpretivism, the research inclined towards the middle-range thinking approach, which emphasises integration between theory, method and change within each piece of academic research (Laughlin, 1995). Middle-range theory is particularly meaningful for this thesis, in terms of the development of institutional theory. This is because middle-range theory is useful in exploring the reasons that make

the interpretation and explanation of an empirical phenomenon either strong or weak (Boudon, 1991; Laughlin, 1995). Therefore, in this research investigating the effectiveness of CSR in affecting management training, the middle-range thinking approach provides insightful philosophy for developing current explanations of decoupling phenomena.

Second, as regards the gap between CSR and HRD literature, this research has been defined as exploratory, in that it explores the potential impact of CSR on management training in the Chinese context. Furthermore, this study uses the underlying assumptions of the middle-range approach, to emphasise the importance of prior theory as well as the implications of empirical details. Thus, differing from both purely objectivist and purely subjectivist positions, this research lies somewhere between inductive and deductive philosophies.

Third, this chapter suggested that the adoption of a qualitative research method helps explore the little-known link between CSR and training and explain such a link through the institutional lens (Saunders *et al.*, 2009). Furthermore, of all the available qualitative research techniques, the case-study method is particularly important for this research, because the link between CSR and training provision is still poorly understood (Yin, 2003; Ghauri, 2004).

Fourth, in order to ensure the validity and reliability of the data within this

research, the data collection embedded in the case approach was carried out by using multiple qualitative techniques. First, 38 semi-structured interviews were conducted within the case companies, with two additional interviews in the China banking and insurance associations. The data focus on the description of organisational reality on a daily basis, the explanation of organisational programmes, and personal perception of the outcomes of these initiatives. Second, secondary documentary data, such as information published by firms on their official websites, were collected and used. By reviewing this secondary documentation as the key supplement to the primary data collected from the interviews, this current research can achieve a comprehensive understanding of the organisational reality. Nonetheless, it is worth noting that along with the process of data collection, there have been some issues of social desirability bias and research ethics. Such potential problems served to remind the researcher to keep an open mind during interviews, and to protect the confidentiality of data and personal privacy.

Finally, this chapter stressed the importance of using an approach to data analysis that is consistent with previous work (Eisenhardt, 1989; Silverman, 2001; Langley, 1999; Miles and Huberman, 1984; Gerson and Horowitz, 2002). The existing literature discusses the importance of beginning the data analysis by analysing a small portion of empirical data initially before moving on to a more intensive analysis. Accordingly, the data analysis in the present research began with an



initial coding of themes (Braun and Clarke, 2006; Miles and Huberman, 1984), which contributes to the general picture of the reality of each case company. Following this initial coding, a more detailed intensive coding was conducted to produce an in-depth understanding of the reality of CSR and training programmes within each case company, and then to make comparisons across case companies.

In summary, the underlying philosophy of the middle-range approach provides the basic guidelines used for this research, which concentrates on the relation between CSR and management training provision. In keeping with this philosophy, this research utilised case method and semi-structured interviews to generate a holistic and systematic understanding of CSR in China, and the impact that CSR may have on management training programmes. Chapter 4 analyses the data collected in the empirical investigation, with a particular focus on CSR, and describes the nature of CSR within the Chinese financial sector, explaining how contextual factors can shape the meaning and understanding of CSR in China.

## **Chapter 4 CSR in China**

### **4.1 Purpose and Aims**

The data chapters of this thesis, Chapters 4 and 5, begin with a discussion of CSR programmes adopted by Chinese companies, which essentially supports the completion of the overall research targets in terms of the impact that CSR has on the adoption of management training provision. The aims of this chapter are as follows:

1. To consider the conditions under which companies may formalise CSR reporting.
2. To explain how case companies respond to CSR pressures with social welfare provision.
3. To describe the activities of case companies that are designed to improve the interests of employees.
4. To identify the contextual factors for CSR development in China.

To achieve these aims, the institutional framework is employed as the analytical lens to discuss how contextual factors are motivating and shaping the ways in which CSR initiatives are developed and implemented.

Accordingly, this chapter will be divided into two sections. Section 4.2 explores how Chinese companies respond to external pressure for CSR by describing the existing CSR practices adopted by the case companies. Such discussions can

provide the essential evidence to illustrate how the institutional context in China shapes and affects the CSR activities within the case companies. This consideration of CSR practices specifically focusses on three dimensions: the CSR reports or statements issued by case companies; corporate engagement in providing social welfare; and firms' support for training and lifelong learning activities. Section 4.3 discusses the contextual factors in China generating the relevant pressure for CSR responses by Chinese companies.

## **4.2 CSR Practices Adopted by Case Companies**

This section discusses the CSR practices adopted by the case companies, through which this research intends to present how external pressure can shape and affect the relevant CSR initiatives. Although the existing literature suggests an extensive range of CSR programmes, this thesis focusses on three particular aspects. First, there is a focus on the formalisation of CSR reporting methods. Second, this thesis analyses how Chinese companies engage in social philanthropy and in socially responsible and green credit programmes. Third, this section discusses how companies contribute to employee career paths by providing training opportunities and long-term support for staff development.

The reason for these very narrow foci is that in investigating other CSR programmes, all case companies often take a very superficial approach to CSR practices. For instance, in terms of customers, case companies emphasise either

the quality of customer service or gift schemes to encourage customer loyalty,<sup>8</sup> none of which are very relevant to the term CSR. Also, in terms of environment or supply chain management, due to the industrial characteristics of financial companies, few adopt the relevant CSR programmes.

#### ***4.2.1 CSR Disclosure***

The first dimension of CSR practices refers to whether or not CSR disclosure or reports are formalised within Chinese companies. This dimension is important because of its relevance to the stability of CSR activities as well as the extent to which those CSR activities can be monitored and evaluated by the general public (e.g. Deegan, 2002; Perrini and Tencati, 2006; Willis, 2003). An investigation of CSR reporting strategies shows that, despite all nine case companies disclosing their CSR achievements, there are three significant differences: engagement of external auditors; content of reported CSR information; and the consistency of CSR reports.

Five out of nine case companies (the larger companies A, B, C, D and G)<sup>9</sup> have published annual CSR reports since 2007, using GRI standards as their basic CSR reporting guidelines. All five companies employ independent third-party organisations such as accountancy service providers PWC, KPMG, Ernst & Young and Deloitte, to evaluate and audit CSR performance. This engagement of

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<sup>8</sup> This fact is reflected from both interview data and the content of CSR reports published by case companies.

<sup>9</sup> Companies A and G are larger insurance companies; Companies B, C and D are larger state-owned banks.

an external independent organisation can to a certain degree ensure the objectivity and reliability of the CSR information disclosed by case companies. The CSR reports from those five case companies are developed based on a structure guided by GRI standards, covering eight aspects, such as strategy and analysis, organisational profile, report parameters, structure of corporate governance, economic performance, environmental performance, social performance, and financial services sector supplement.

The first four aspects involve basic questions, such as basic company information, how companies are managed, CSR programme targets and the details of the indicator evaluating CSR performance. GRI standards expect disclosure of these four aspects to enable companies to deliver clear and transparent information on how CSR is evaluated and implemented, and the extent to which corporate governance is carried out in a transparent way. In addition to corporate structure and governance information, CSR performance is evaluated through four other specific dimensions: economic performance, environmental performance, social performance and ‘financial services sector supplement’. Using these dimensions, companies describe their CSR performance with respect to labour standards (LA clauses), the protection of human rights (HR clauses), their product responsibility (PR clauses) and the impact that their business activities have on economic, social and environmental aspects (EC, EN, FS and SO clauses).

Another feature of the CSR reports of these five case companies is that a company often makes a comparison between the current CSR report and previous ones. For instance, as shown in Tables 4.1 and 4.2, Company B emphasises its contribution to environmental protection through providing green credit and loans. In its 2011 CSR reports (see Table 4.1), this company compared its performance in 2011 with those in the previous two years. The 2012 report (see Table 4.2) contained a similar comparison. This type of comparison is frequently made by other companies (Companies A, C, D and G), and employed in other CSR contexts relating to companies' social and economic performance. These comparisons enable companies to deliver two key pieces of information: one is how CSR performance gradually improves, and the other is that companies pay consistent attention to particular CSR dimensions. To a certain degree, this reflects the consistency of corporate emphasis on CSR, as least on some of its dimensions.

**Table 4.1 Amount of Green Credit of Company B in 2011**

Environmental performance	2011	2010	2009
Amount of green credit (million RMB)	249400	192112	105322

(Source: CSR reports of Company B)

**Table 4.2 Amount of Green Credit of Company B in 2012**

Environmental performance	2012	2011	2010
Amount of green credit (million RMB)	227480	249400	192112

(Source: CSR reports of Company B)

In contrast, in the remaining case companies (the smaller companies E, F, H and I)<sup>10</sup>, CSR information is reported or disclosed in a very flexible way. Company E

<sup>10</sup> Companies F, H and I are smaller insurance companies; Company E is a smaller state-owned bank.

begins to release its CSR reports from 2012 through the media, so they are neither listed on its official website nor subjected to the auditing of third-party organisations. Company E lists its CSR performance under five headings: (1) the company's contribution to building up the banking network and banking services in rural areas of China; (2) of its green credit, which is regarded as essential to promoting environment-friendly sectors; (3) socially responsible loans stimulating the development of SMEs and agriculture in China; (4) corporate engagement in social philanthropy; and (5) corporate treatment of employees, such as the provision of skills training and employee welfare.

Company F does not publish its CSR reports. However, relevant information with corporate engagement in social philanthropy and charity donation is found by searching keyword 'CSR' or 'responsibility' on the company's official website. Company H released its CSR report only for 2009, which was published on the company's official website. In this report, CSR performance involved three particular aspects: legal compliance of corporate activities; charity donations; and corporate engagement in volunteering projects. Although its CSR report is not published, Company I regularly discloses its charitable information from 2007 to 2010. The information has a unique emphasis on philanthropy, which includes not only corporate donations to disadvantaged groups, but also the implementation of volunteering projects.

A review of the CSR reporting methods of the smaller companies (E, F, H and I) provides several noteworthy features. The first one is that the CSR information reported by these four case companies is relatively different from the GRI standards, in that Companies E, F, H and I are predominantly concerned with philanthropy or donations but ignore other dimensions of CSR performance. Second, there is no clue to suggest the involvement of an external auditor, but the CSR achievement or performance reported is largely developed by the internal statistics of companies. The third observation is the lack of consistency of CSR reporting, due to the fact that Companies E and H have only published one CSR report, and the evidence that Company I has only reported philanthropic information from 2007 to 2010.

#### 4.2.1.1 Comparison of CSR Reporting Methods

The CSR reporting methods adopted by all nine case companies are summarised in Table 4.3. Based on these data, a plausible conclusion is that all nine case companies pay a certain amount of attention to disclosing information on their CSR performance and their achievement through implementing CSR programmes. This fact suggests an increase of corporate emphasis on reporting and disclosing corporate contributions to relevant stakeholder groups. However, along with this increased attention to CSR disclosure, case companies present different reporting methods regarding the engagement of external auditors, the structure of the reported CSR information and the consistency of CSR reports.



**Table 4.3 Comparison of CSR Reporting Methods**

Company	External auditing and assurance	Structure of reported CSR information	Consistency of CSR reports
A	Yes	Compliance with GRI standards	High
B	Yes	Compliance with GRI standards	High
C	Yes	Compliance with GRI standards	High
D	Yes	Compliance with GRI standards	High
E	No	A variety of CSR aspects, but some dimensions of CSR performance have been overlooked.	Low
F	No	Emphasis on philanthropy	Low
G	Yes	Compliance with GRI standards	High
H	No	Emphasis on philanthropy	Low
I	No	Emphasis on philanthropy	Low

(Source: Author)

The summary in Table 4.3 shows that, regardless of differences in ownership structure or industrial characteristics, organisational size is a key factor in explaining the extent to which companies are likely to formalise CSR disclosure.

Of the nine case companies, the five where CSR reporting is carried out in accordance with the GRI guidelines can be defined as larger companies (Companies A, B, C, D and G). This categorisation of ‘larger company’ is based on three criteria. First, the leading position of these companies is an indication of their advantageous position in the Chinese financial market (see also Chapter 3). For instance, Companies B, C and D are three of the big four state-owned banks in China. Also, Companies A and G are the top two in the Chinese insurance sector. Second, five of these case companies are listed on the Shanghai stock exchange, further confirming their influential power. Finally, these five case companies have experienced considerable development in the overseas financial

markets. For example, Company G has established a branch in Hong Kong, and entered the Hong Kong stock exchange after being listed in the Shanghai stock exchange. Company A also has an overseas branch in Hong Kong and has entered the New York stock exchange. In addition, the high level of internationalisation of the three larger state-owned banks is illustrated by the establishment of various overseas branches in Asia, Europe, North America and Africa. This level of global integration suggests the large scale of these five companies.

In contrast, the remaining four companies, E, F, H and I, can be categorised as smaller firms based on their absence from the stock exchange and their lack of global integration. In the case of these smaller ones, CSR reporting is implemented in a fragmented and unstructured way, with problems in reporting methods including the lack of formalised structure, the absence of independent auditing and the inconsistency of CSR information.

#### 4.2.1.2 Isomorphic Pressure for CSR Disclosure

There are two forms of isomorphic pressure for CSR reporting adopted by case companies, which reflect the larger and the smaller companies respectively. The larger companies (A, B, C, D and G) formalise their CSR reporting by adopting the GRI guidelines. CSR reporting in the smaller ones (E, F, H and I) is implemented in a fragmented and unstructured way. According to the perceptions

of interview respondents, these two types of isomorphic forms can be explained by the influence of institutional pressure on business practices, and this will be detailed in the following paragraphs.

First, in the case of larger companies, the formalisation of CSR reporting is clearly driven by coercive pressure from stock market legislation, which requires CSR disclosure from larger financial companies. Since 2006, the Chinese central government has established ‘building a harmonious society (*goujian hexie shehui*)’<sup>11</sup> as one of the national targets. Under these national policy reforms, the central government modified the corresponding regulations in order to promote CSR in the business world in China, introducing mandatory requirements on CSR disclosure for companies that are listed on Chinese stock exchanges (for example in Shanghai and Shenzhen). The role of this local legislation in driving CSR disclosure was noted by some interviewees:

This regulatory framework mandatorily set up a new challenge for our business operation, and a new job target for the management. We spent lots of time on learning the concept of CSR and the requirements of CSR disclosure. (Company D, Interviewee DM1)

The government and the relevant regulation set up the rules for our game. Therefore, we have to comply with the statements of legislations in order to secure our business operations within China. This [legal compliance] is the minimum standard of business activities. This is why we adopted our reporting style into complying with the GRI standards. (Company G, Interviewee GM2)

The adoption of CSR disclosure is associated with the requirement embedded in the stock exchange market. As we are listed on the

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<sup>11</sup> Original Chinese: 构建和谐社会.

Shanghai stock exchange, our business practice has to be transparent for the general public. So there is specific legislation on reporting our CSR performance and achievement. (Company A, Interviewee AM3)

These interviewee responses reflect the fact that in China, CSR disclosure and reporting are clearly required by the stock market legislation that was introduced in 2007. This suggests a coercive isomorphic pressure that drives companies listed on the Chinese stock exchange to publish and disclose their CSR information. This coercive pressure has pushed the four larger state-owned companies, A, B, C and D, to publish annual CSR reports from 2007 onwards in response to the regulatory reform on CSR disclosure.

In addition to those four state-owned companies, from 2007 onwards, Company G, as a larger joint venture (JV) company in the insurance sector, began to publish its own CSR reports, although this company published ‘corporate citizenship’ reports prior to the new stock market requirements. Interviewee GM4 explained this activity as follows:

The relevant regulations set up the rules for our game. Therefore, we have to comply with the legislation in order to secure our business operations. Under legal pressure for CSR disclosure, we have to develop particular CSR reports, which can meet the stock exchange requirements. (Company G, Interviewee GM4)

Interviewee GM1 also detailed the distinction between CSR reports and corporate citizenship reports:

The old ones (corporate citizenship reports) presented our philanthropic projects, without the engagement of external auditing. But in a CSR

report, we have to focus on more CSR aspects and cooperate with the external watchdogs or auditors. So the legislation from the stock exchange is actually the key driver to push us to formalise our CSR reports or targets. (Company G, Interviewee GM1)

As well as pressure from local legislation, other interviewees also suggested that adopting GRI standards as the basis of their CSR reporting has contributed to reducing international trading barriers:

...In London, New York, or other major cities, we have lots of overseas branches. There are foreign employees, foreign customers and foreign regulators. It does not make sense to just talk about Chinese standards or Chinese policy on CSR. So this is why we adopted international standards. [The adoption of] such GRI standards can reduce our management risks, and secure our entry to overseas markets. (Company B, Interviewee BM1)

For the CSR report, it is essential to adopt the relevant international standards or the internationally accepted strategies. Such adoption would reduce the barriers for our entry, because such international principles or standards can provide an easily understandable pattern. (Company D, Interviewee DM1)

We would like to define our company [Company C] as an internationalised company, with regard to our overseas branches. So in this type of company, we have to follow international standards to disclose our CSR information, which is clearly promoted by international stock exchange. Without it, there will be lots of criticism of Chinese companies, which is not what we hope. (Company C, Interviewee CM2)

The GRI standard to a certain degree is a kind of trading barrier, which has been set up by overseas markets. If you want to enter foreign markets, then you have to follow this. At this moment, this is very important for Chinese companies. We have recently entered the Asian, European and American markets; the adoption of CSR standards and the achievement of CSR reputation can help us promptly achieve legitimacy in the host countries. Without it, our global integration cannot be successful. (Company A, Interviewee AM3)

According to these responses, the adoption of GRI standards is often perceived as

a useful means to reduce barriers to the global integration of Chinese companies or to limit the operational risks associated with social criticism. This pressure from overseas markets imposes another kind of coercive pressure on the CSR reporting system of Chinese companies. As interviewees suggested, CSR standards and reputation often determine the successful achievement of social legitimacy in the host countries. In order to avoid economic losses and increased operational risks, those five larger companies (Companies A, B, C, D and G) adopt the GRI framework as the basis of their CSR reporting system.

Moreover, other interviewees also expressed their own opinions of the role of local legislation and overseas markets in driving the formalisation of CSR disclosure:

But in principle, I think there is little difference between the nature of Chinese legislation and GRI standards. As suggested by the Chinese legislation on CSR disclosure, the regulator also recommends companies to follow the guideline of GRI. (Company B, Interviewee BM1)

Between local and global pressures for CSR disclosure, I think there is compatibility. The local pressures are more importantly stimulating Chinese companies and managers to pay attention to CSR. But the global pressure brings us a lot of technical details on how to implement and report your own CSR programmes. (Company A, Interviewee AM3)

These responses contribute to clarifying the role of local and global drivers in shaping corporate practices of CSR disclosure. On the one hand, as all of the five larger firms are listed on the Chinese stock exchange, coercive pressure from local

legislation is the most important factor, triggering the formalisation of CSR reports. On the other hand, the pressure from overseas markets drives corporate attention to GRI standards, which is thus employed as the framework for CSR reports. Therefore, the local pressures from legislation can be viewed as the first and primary driver for the formalisation of CSR reports, but global pressures from the market seem useful in shaping the details and content of CSR disclosure. This argument suggests the importance of legal pressures in driving the formalised CSR reporting methods in larger companies.

In the case of the other four companies (Companies E, F, H and I), as the smaller ones, CSR reporting or disclosure is not driven by coercive pressure, but is motivated by cognitive pressure. In such smaller companies, CSR reporting is often interpreted as a means to signal corporate considerations of social welfare and thus to achieve social legitimacy, which has been developed on a voluntary basis. This perception was clearly expressed by many interviewees. For example:

CSR reporting is like the way we can communicate with the external, such as customers or the local community. Through this communication, we would like to emphasise what we did for the whole community and our contribution for society. This is important for the achievement of legitimacy. So such reporting can reflect our voluntariness in terms of communicating with the external. (Company I, Interviewee IM1)

Through CSR disclosure, we voluntarily present the key achievement of our CSR programmes, such as our charitable work or the amount of donations. After all, all of these are relevant for the achievement of social legitimacy and the improvement of corporate reputation. (Company E, Interviewee EM1)

I perceive disclosing CSR information as a kind of self-introduction at organisational level, or as the tool to deliver the information of our responses to social issues. In such CSR disclosure, we would like to focus on information about our charitable projects, which is useful in building up our external prestige. (Company F, Interviewee FM2)

These responses can be summarised in two points. First, the adoption of CSR reporting or disclosure is often interpreted as the key means to signal corporate engagement in social welfare and thus to improve external prestige. Second, the content of reported CSR information is directly determined by the autonomy of companies, which pays a great deal of attention to charitable aspects.

Behind this corporate focus on CSR disclosure, three types of stakeholders are pushing firms to report CSR information. Some interviewees believed the role of government and its legislation is an important driver:

As we can see from the actions of government after 2007, there was a lot of regulatory reform on CSR disclosure for larger companies. I perceive such governmental action can provide a good direction for us, enabling us to disclose our philanthropic achievements on a voluntary basis. (Company F, Interviewee FM2)

Based on the emphasis of government, we believe CSR disclosure will be a general tendency in the Chinese business world. This is why we are beginning to plan our CSR reporting. (Company E, Interviewee EM2)

There is legislation on CSR reporting, but it is not for us, since we are not listed on the stock exchange. So in CSR reporting, I would not say there is any coercive pressure. For me, the requirement from stock exchange just provides some guideline directions for our business operations. (Company I, Interviewee IM1)

Our CSR reporting is voluntary, not coercively required by laws. We do this, because from the emphasis of government, we believe it will be a trend for Chinese companies of smaller size to publish some CSR



information in the future. So before this trend, we need to do some preparation. So I would view government focus on CSR disclosure as offering a good direction. (Company E, Interviewee EM1)

Other interviewees emphasised the role of industry associations in promoting CSR disclosure by companies. In Company H, which published their CSR information in 2009, interviewees such as HM1 and HM2 clearly stated the influence brought by the China Insurance Association (CIA):

At the beginning of 2009, the CIA had some contact with us, they told us the CIA would like to edit a book in terms of CSR in the Chinese insurance sector. So the CIA hoped for us to publish some CSR information. It is not mandatory, but if most of the insurance companies contributed to this book, then we need to follow suit. Otherwise, the general public may believe Company H is a special case of an irresponsible company. (Company H, Interviewee HM1)

For me, I perceived a key driver for our CSR reporting may come from the efforts of the CIA. Around 2009, this association promoted CSR reporting in the Chinese insurance sector, and then we followed suit. (Company H, Interviewee HM2)

Also, in Company E, particular interviewees perceived there is some influence that the China Banking Association (CBA) has on CSR disclosure:

I heard lots of things on CSR reporting from a variety of meetings. This is not only from the internal meetings of our company, but also from meetings held by the CBA...I have attended a few meetings led by the CBA, during which the leaders of the CBA delivered governmental emphasis on CSR disclosure and expressed their expectations on CSR reporting. This pressure from the CBA pushed us to report some information on CSR or charitable work. (Company E, Interviewee EM2)

Another stakeholder is foreign partners, motivating CSR disclosure in joint ventures such as Companies F and I. For instance, Company I published

‘philanthropic reports’ on its official website from 2007 to 2010. Interviewee IM2 explained this disclosure as being driven by the engagement of foreign partner:

A key reason is our foreign partner suggested us to report relevant information on CSR or philanthropy as the ways to respond to governmental emphasis on CSR, because they perceived this was an important way to limit the potential risks. So from 2007, we tried to develop the philanthropic reports. Based on the experience from 2007 to 2010, we found that most of attention of the general public had been paid to the CSR performance of the larger companies, rather than what we did. So after 2010, we stopped this disclosure. (Company I, Interviewee IM2)

In Company F, Interviewee FM1 offered a similar response, suggesting the role of a foreign partner in promoting the disclosure of philanthropic information:

This disclosure resonated with the suggestions of our foreign partners. If you like, you can search the website of our foreign partners, where there is lots of news or briefings on CSR or their charitable projects. In our company [Company F], the head office imitated this method, so that we could actively communicate with the general public. (Company F, Interviewee FM1)

All these responses describe the fact that three types of stakeholders have relevant impact on promoting corporate attention to disclosing information on CSR or charitable projects. Specifically, these stakeholders are the central government in China, the industry associations (such as the CIA and the CBA), and foreign partners in the case of JVs. As interviewees explained, these stakeholder groups are more likely to promote CSR disclosure by offering their suggestions, but there are few clues to the existence of coercive pressure. The engagement of these stakeholders creates cognitive pressure stimulating the disclosure of CSR information.

This pressure drives the smaller companies (E, F, H and I) to pay a lot of attention to some specific aspects of CSR, such as charitable work, but resisting the adoption of a formalised and systematic method of CSR reporting. As interviewees believed, this is largely because a formalisation of CSR reporting methods may harm business interests and thus corporate performance:

CSR is indeed associated with external pressures or social concerns. This means we have to make a prompt and flexible response to the expectations by the key external stakeholders. Thus, I prefer to watch the demands from society, learn from the leading ones, and consider what we can offer. This would help us find a middle position between social demands and corporate targets. In contrast, I would not like to formalise CSR targets. (Company I, Interviewee IM1)

As a company that has been running only for five years, you cannot expect too many things. If we pay more attention to CSR activities [like the larger companies], it injures our organisational development. So I think rather than the formalisation of CSR targets, our primary target should be self-development, which is more realistic. (Company E, Interviewee EM1)

A formalised policy or strategy may cut off potential opportunities and create risks for us, because such formalised CSR policy or target may put you under pressure from watchdogs and from social criticism. So I perceive the benefit of flexible strategy refers to the reduction of potential risk. (Company F, Interviewee FM2)

When you publish something in a formalised way, you have to complete what you have published. In our case, a formalisation of CSR reporting will definitely place a greater burden on us. So at this moment, I do not think we have the capacity to deal with more aspects of CSR other than charitable work. (Company H, Interviewee HM1)

Interviewees raised their own concerns over the potential risks of formalised CSR disclosure in terms of business operations. Such risks include increased costs (Interviewees HM1, EM1), external criticism and monitoring (Interviewee FM2),

and the inflexibility of corporate responses (Interviewee IM1). The uncertainty and potential risk cause these smaller firms (E, F, H and I) to resist adopting a formalised reform of their current business operation, and therefore to employ a flexible strategy. The activities adopted by larger companies would hence become the benchmark for the smaller ones, which helps find the best way to respond to the external pressure. As suggested by Interviewee EM2:

In terms of CSR, we have communicated with the larger banks, e.g. Company D. From such communications, we can learn something from their CSR programmes. After all, these larger banks are our benchmark, because they have more knowledge of the demands of the market and central government. (Company E, Interviewee EM2)

This suggests a mimetic mechanism, whereby companies facing uncertainty are likely to mimic the strategies of others in order to reduce the potential risks.

#### ***4.2.2 CSR Activities Providing Social Welfare***

In discussing CSR practices for the relevant stakeholders, interviewees frequently mentioned corporate engagement in the provision of social welfare through CSR programmes. Using the empirical data gathered from interviews, this research categorises the key CSR activities on the provision of social welfare into two groups: philanthropic campaigns, and socially responsible credit and loans. According to the majority of interviewees, an emphasis on charitable donation becomes a frequently mentioned CSR practice, because the interview respondents believed charitable donation can significantly help improve the living standards of

disadvantaged groups. In addition, the four state-owned banks (B, C, D and E) actively engage in the provision of social welfare through developing such programmes as socially responsible financing and green credit. By this type of CSR programme, the interviewees argued that the state-owned banks have the capacity to stimulate economic transition in China or the development of environmentally friendly industry, which can help with social and environmental issues. The remainder of this section will detail how case companies engage in the provision of social welfare through CSR activities.

#### 4.2.2.1 Philanthropic Campaigns

A wide range of interviewees defined corporate engagement in social philanthropy and charitable donation as a typical CSR activity in China, and one that is viewed as the essential means to support disadvantaged groups and help resolve social issues. As suggested by some interviewees:

For CSR, I guess philanthropy or donation is the buzz-word which we often mention. This is a very basic level of CSR, but it can easily and directly address the problems of disadvantaged groups. For instance, after the Wenchuan earthquake in 2008, people in Wenchuan indeed needed money or other resources to reconstruct their community. So in this case, donation may be the best way to help them. (Company G, Interviewee GM3)

I perceive CSR is mainly relevant to support and help others by donation or charitable giving. After all, for disadvantaged groups, for people who have experienced earthquakes, or for people living in rural China, funding support should be the most important for them. (Company A, Interviewee AS1)

The above responses from two interviewees represent the attitudes of the majority of interviewees, who often saw philanthropic campaigns as one of the most common CSR programmes. Another empirical observation is that all nine case companies actively engage in relevant charitable activities, for which there is extensive evidence.

In Company A, the head office established its private charitable foundation in June 2007. Up to 2012, through this foundation, Company A donated a total of 110 million RMB to society. In 2012 alone, there were around 10 million RMB, which has been donated to a variety of philanthropic projects, such as Hope Project<sup>12</sup> and the reconstruction of Wenchuan and Yushu.<sup>13</sup> Meanwhile, a series of volunteering projects have been carried out by each local branch of Company A, such as the blood donating, promoting financial knowledge in university or for the general public, and volunteering support for Hope Project.

A similar story of charitable donations and volunteering projects can be also observed from the other eight case companies. For instance, in 2012, Company B donated 44.6 million RMB to and spent a total of 217,350 volunteer hours on charitable projects. Also, in Company D, besides its donations of 21.1 million RMB, there have been 258,097 participants in a set of volunteering projects.

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<sup>12</sup> Hope Project is a Chinese public service project, aiming to bring schools into poverty-stricken rural areas of China and to help the children in these areas to complete elementary school education.

<sup>13</sup> Wenchuan and Yushu are the names of two cities in China. There were big earthquakes in Wenchuan (in 2008) and Yushu (in 2010).

Meanwhile, donations and the number of volunteering programmes in Companies B and D keep increasing year on year compared with data from 2010 and 2011.

Company C has long-term<sup>14</sup> cooperation with institutions such as China Education Development Foundation, China Women's Development Foundation, China Foundation for Poverty Alleviation, local welfare institutions in 16 provinces and autonomous regions, Tsinghua University and China Youth Development Foundation. The company provides annual funding to support education and welfare among disadvantaged groups such as female workers in the rural areas of China.

In Company G, some philanthropic programmes are implemented on a consistent basis. For instance, blood donating has been carried out for the past 12 years. Since 1988, Company G has sponsored 106 schools in rural China in response to Hope Project. From 2007 to 2012, 5 million RMB has been donated in scholarships supporting primary-school, middle-school and university students. In addition, the number of volunteering hours<sup>15</sup> is voluntarily established as the key index for evaluating the social performance of Company G.

Smaller case companies, such as Companies E, F, H and I, are enthusiastic about engaging with charitable projects. All four firms have reported their donations

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<sup>14</sup> The period of these cooperating projects ranges from 5 years to permanent.

<sup>15</sup> In 2012, volunteering hours reached 35,000, an increase of 13% in comparison to 2011.

following natural disasters or the engagement in Hope Project on their official websites. Meanwhile, these smaller companies' volunteering record can be established by searching for social philanthropy information; all four companies implement the relevant philanthropic programmes every year.

The information above all illustrates the fact that the nine case companies have a consistent engagement in charitable work, although the amount of donations and the number of volunteering programmes differ between case companies. This suggests that within this narrow aspect of CSR, companies pay a lot of attention to the implementation of charitable programmes and the term 'social philanthropy' becomes a fashionable CSR activity in Chinese financial companies.

#### 4.2.2.2 Isomorphic Pressure for Philanthropic Campaigns

Judging by the popularity of engagement in philanthropic campaigns, there are isomorphic forms of corporate activity in terms of social donations and volunteering programmes. Behind this trend of philanthropic campaigns in China, the interview respondents argued that there are different pressures pushing companies to engage in social philanthropy. Some interviewees believed that social traditions in China drive corporate engagement in philanthropy:

In China, a support for disadvantaged groups has a long tradition. This tradition not only refers to the individual level, but also to the corporate level. For a company like ours, a shortage of philanthropy or donation can cause huge criticism from social actors such as media. So to a certain degree, beyond consideration for disadvantaged groups, social



philanthropy can be useful in reducing our operational risks. (Company A, Interviewee AM4)

Philanthropy is a resonance with the tradition in China, which emphasises our support to others. Without it, there may be criticism from the public. (Company I, Interviewee IM2)

...The primary responsibility may refer to our support for individuals from disadvantaged groups. I think it is not only part of CSR, but also coherent with our social tradition and social expectation. (Company H, Interviewee HS2)

To a certain degree, CSR is not a new concept for China, because prior to this term we have already done similar things, like philanthropy or donations. As you can see, central government mentioned the word CSR from 2007, but before that we already engaged in Hope Project or donated lots of things to Western China. So from this perspective, I perceive social tradition in China is a good driver for CSR. (Company I, Interviewee IM1)

Within this social tradition in China, interviewees observed or perceived the widespread existence of social expectation of corporate philanthropy. For instance, the majority of interviewees pointed out that there is an expectation from a variety of stakeholders of corporate engagement in philanthropy:

...[as] I perceive philanthropy, it is something that is widely expected by the whole of society. As well as local and central governments, the media, civil society or others are always expecting returns from companies. (Company G, Interviewee GM1)

When talking about disadvantaged groups or social issues, I perceive everyone believes companies have to give something back to society, for example the local community or governmental bodies. All of them expect firms to do something for social issues. (Company F, Interviewee FS1)

For me, if everyone expects you to do something, then you definitely should follow suit. This is the case of philanthropy, which is widely expected by the whole of society. (Company H, Interviewee HM2)

Besides pressure from the general public, some interviewees believed there is pressure from government expecting corporate efforts to address social issues through social philanthropy:

Another driver comes from the political leaders. For instance, around 2010, Premier Wen Jia Bao often emphasised the lack of government funding for helping the disadvantaged groups. Premier Wen hoped to engage private funding for the provision of social welfare. Accordingly, through implementing philanthropic projects, I think we can meet the expectation of government. As a return, some of our philanthropic programmes have indeed been praised by government. (Company A, Interviewee AM3)

I think a key aspect of CSR refers to the charitable donations to society and disadvantaged groups. That is what we should do, regarding the demands from different aspects such as government. After all, by engaging in philanthropy, we relieve the burden of government. (Company E, Interviewee ES1)

It is necessary to mention the importance of governments, including both central and local governments. For Company G, as the leading one in insurance companies, I guess all governmental bodies expect us to do something for the whole community or pay back to society. For management, this expectation of government is very important, because it is about the achievement of social legitimacy. Thus, that is the reason why we develop volunteering or philanthropic programmes. (Company G, Interviewee GM2)

The establishment of our private charity funding and the implementation of philanthropic programmes also echo the concerns of Premier Wen Jia Bao in 2010, who encouraged corporate engagement in social philanthropy to alleviating government burdens. The establishment of such funding can be helpful in accessing legitimacy and obtaining praise from government. (Company A, Interviewee AM4)

Of course, central government or local governments hope companies will engage in social philanthropy or charity, which can help address social issues. Especially for us, one of the leading insurance companies, a lack of engagement in CSR may threaten the achievement of social legitimacy. (Company G, Interviewee GM1)

Interviewees viewed corporate engagement in philanthropic activities as a key criterion, by which the general public evaluates the good or bad characteristics of organisations:

...A basic assumption in our project of providing aid to leukemia children was that social philanthropy has always existed within Chinese society. The values of kindness, charity or helping others are always labelled as the good characteristics of individuals or companies. (Company A, Interviewee AM4)

As a leading company in the Chinese banking sector, we always pay close attention to social events or disasters. We try to initiate philanthropic activities early, since a delay may cause criticism from society or media. (Company C, Interviewee CM2)

In the business environment in China, philanthropy hardly makes a big improvement to your reputation, but without it we would certainly receive criticism from the public or media. For instance, customers may perceive you do not have sufficient funding, which may result in declining customer trust. (Company F, Interviewee FM2)

These interviewee responses suggest that the expectation by the general public in terms of philanthropy creates a continuous process to be adopted by organisations.

For all case companies, firms' donations or philanthropic activities are perceived as compliance with social virtues and social expectations. Accordingly, without such philanthropic initiatives, companies will likely face potential criticisms from society, which may bring with it an associated risk of negative impact on business operations. Moreover, philanthropic practices are often defined as 'what should be done' by companies and the substantive element of CSR. This suggests that the engagement in philanthropic campaigns is clearly becoming a taken-for-granted

practice, which can motivate firms to engage in charitable donations and volunteering projects through a normative isomorphic mechanism.

Nonetheless, corporate performance in philanthropic campaigns is often employed as a way of improving corporate reputation because of the general public's expectations. Specifically, companies like to publish the amount of their donations through the media in order to show their contribution to the local community:

For me, I think that CSR is about our reputation, just like a kind of advertisement. In principle, I think CSR should be based upon our moral considerations, upon our personal commitment to companies or to society. But currently, when developing philanthropic or charity project, companies are motivated by certain business targets. Through publicising by media channels, charity or philanthropy can indeed improve business reputation. This is not a particular case, but rather is common in terms of China's CSR. (Company F, Interviewee FM1)

This link between philanthropy and corporate reputation was observed by some interviewees during the Wenchuan earthquake in 2008:

Following the Wenchuan earthquake, most companies announced the amount of their donation. All these amounts were published on the Internet, and you can see a discussion by the general public in terms of corporate donation. The companies donating the largest amount are often defined as the heroes, but those whose donations were not generous are often criticised. Accordingly, lots of companies made a second and even third donation, in order to maintain corporate prestige. (Company B, Interviewee BM1)

During that time, lots of companies published the amount of their donations on their official websites, and received praise from the general public. Then, we need to catch up with them, because we do not want to project a negative image. (Company H, Interviewee HM2)

As observed by Interviewees BM1 and HM2, the taken-for-granted value of social philanthropy is often used by companies as the means to strengthen external prestige and reputation. This suggests corporate engagement in social philanthropy is not motivated by moral considerations, but is often driven by the instrumental targets of companies.

#### 4.2.2.3 Socially Responsible Credit or Financing

In addition to donations or philanthropy, the state-owned banks (B, C, D and E) provide further support for social welfare by implementing socially responsible credit. For instance, the 2012 CSR report of Company D categorised the role of socially responsible financing in supporting the implementation of national projects under seven themes: ‘Boosting the Real Economy, Supporting Emerging Industries, Promoting Regional Coordination, Supporting Small and Medium Enterprises, Reinforcing Agriculture, Countryside and Farmers (**Sannong**) Services, Serving the Construction of Low-Income Housing, Supporting the National Economy’. Meanwhile, the ‘green credit or financing’ programmes are also formalised as one of the important CSR targets of Company D. Similar themes can be seen in the interviewees’ responses as well as the CSR information within other state-owned banks (e.g. Companies B, C and E).

Within such programmes of socially responsible financing, interviewees

suggested the buzz words of ‘green’ or ‘sustainable development’ become the new criteria for the banks’ evaluation of loan applications:

In the Chinese financial sector, Company B takes a leading position in terms of initiatives of socially responsible investing and environmentally responsible financing. Our company is one of the earliest banks to employ a green or sustainable index to evaluate applications for business loans. (Company B, Interviewee BS2)

We employ some key indices to evaluate the extent to which borrowers can contribute to the environment, deciding whether priority will be given to such borrowers. In detail, we normally have some specific guidelines for our evaluation, e.g. something like electronic vehicles or the R&D for emergent energy technology. (Company C, Interviewee CS1)

In adopting socially responsible financing and credit programmes, all state-owned banks (B, C, D and E) develop self-regulations as the voluntary constraints to control credit provision for the industries labelled as ‘high pollution, high energy consumption and excess capacity’. For instance, Company D establishes self-regulation as ‘Notice on Strengthening the Prevention and Control of Credit Risk of Enterprises Discharging Heavy Metals’. In Company C, there are self-regulations such as ‘Guidance Opinions on Energy Conservation and Emission Reduction Credit for Company C’, ‘Major Adjustments to Credit Policies and Structure’, and ‘Notice on Enhancing Differentiated Credit Approval for Large-to-Medium Sized Corporate Clients’. ‘Industry (Green) Credit Policy of the Bank’ and ‘Green Credit Policy’ are also established respectively by Companies B and E.

Along with the establishment of these CSR policies in terms of green credit and socially responsible financing, these state-owned banks reserve loans for the development of the green economy sector and the implementation of national projects (such as the development of SMEs, the development of agriculture, the construction of low-income housing and promoting regional coordination) as the key indicators for evaluating corporate social performance.

Taking the case of green credit as an example, these four state-owned banks (B, C, D and E) emphasise an increase in loans to the environmentally friendly and energy-saving sector, but control credit access for the industries regarded as ‘high pollution, high energy consumption and excess capacity’. Accordingly, in 2012, the amount of green credit in Company B was 227 billion RMB, an increase of 8.74% compared with that in 2011. In contrast, loans for the industries described as ‘high pollution, high energy consumption and excess capacity’ decreased by 1.82%. The same story also happened in other banks e.g. Companies C, D and E. This suggests the buzz words of ‘green’ or ‘sustainable development’ have the significant impact on the banks’ evaluation of loan applications.

#### 4.2.2.4 Isomorphic Pressure for Socially Responsible Credit or Financing

In discussing the drivers for the adoption of socially responsible investing and environmentally responsible financing programmes, interviewees indicated that

they are motivated by the influence of government. This government impact is not only reflected in the requirements established by central government, but also in a direct supervision by governmental bodies for the Chinese state-owned banks.

There are particular regulations motivating the adoption of responsible and green credit policy within the state-owned banks. For instance, the China Banking Regulatory Commission (CBRC) has issued ‘Notice of the CBRC on Issuing the Green Credit Guidelines’ (Appendix 2) and ‘Guidelines on Banks’ Credit Businesses to Small Enterprises’ (Appendix 3) on 2007. Through such regulations, the CBRC expects state-owned banks to promote the development of small business as well as sustainability by adopting responsible and green financing programmes. The interviewees from four state-owned banks clearly perceived the pressure from government in pushing corporate engagement in addressing social and environmental issues:

State-owned banks cannot focus on economic growth and maximum profits, although being profitable is the nature of the modern company. As one of the major state-owned banks, we have to take on more obligations for the requirements of government...Actually there should be various perspectives [of CSR], e.g. the availability of credit needs to support industrial or regional development and the green industry, in order to resonate with national policy. (Company C, Interviewee CM1)

The change of our criteria (for financing and investing) is strictly driven by central government. For example, there was a specific political document that required this adoption of sustainable financing. (Company E, Interviewee ES2)

Following the statement ‘building a harmonious society’, we received documents and proposals from the relevant government bodies, for



example the China Banking Regulatory Commission, which clearly suggested the importance of the reform of financing methods and what we should do. Although this document was entitled ‘guidelines’ or ‘recommendations’, I do not think anyone may say no to that. So we had to follow suit. (Company D, Interviewee DS1)

Besides regulatory reforms, interviewees mentioned the role of the CBRC as the watchdog directly monitoring the business practices of banks in China:

The amount of our socially responsible financing and green credit is directly monitored by the CBRC, which is the watchdog in the Chinese banking sector. (Company C, Interviewee CM2)

I perceive the CBRC is important, because we have to report our progress of socially responsible financing to the CBRC. (Company B, Interviewee BS2)

Another important stakeholder of green credit is the monitoring body in the Chinese banking sector, e.g. the CBRC. It is the stakeholder. (Company E, Interviewee ES1)

These viewpoints expressed by interviewees indicate the engagement of the CBRC, as the watchdog in the Chinese banking sector, in promoting socially responsible financing and green credit.

Regarding the role of legislation as well as government bodies such as the CBRC, coercive pressure drives the development of socially responsible financing and green credit programmes. Central government, through relevant legislation, specifically sets up the requirements for those banks’ engagement in sustainability by changing their financing and loan methods. In the meantime, the CBRC, as a government body, is playing the role of watchdog to monitor this corporate engagement. This means central government is directly intervening in the

corporate practices of state-owned banks, in terms of their financing and loan criteria.

Nevertheless, in contrast to the case of the state-owned banks (B, C, D and E), the Chinese central government or the government bodies put little pressure on insurance companies, not even on state-owned insurance company such as Company A. This difference can be explained by industrial characteristics, as business loans and financing is one of the traditional business areas of banks rather than that of insurance firms. For example, as suggested by one interviewee:

It is not a big challenge to deal with such programmes [responsible and green credit]. After all, we are familiar with them. (Company E, Interviewee EM2)

By contrast, in the insurance industry, financing and business loans is strictly beyond the scope of the insurance business, thus it is not surprising that central government rarely imposes any pressure for the engagement of insurance companies in programmes such as responsible and green credit. This difference in industrial legacy explains why coercive pressures push state-owned banks rather than insurance companies to respond to.

### ***4.2.3 CSR Activities for Employees***

This section demonstrates how Chinese companies respond to the interests of their employees as the internal stakeholder through CSR programmes. When talking

about corporate responsible activities for employees, interviewees indicated various perspectives of corporate consideration of employee benefits. All the perspectives reported by interviewees can be categorised into three groups: employees' salary and welfare, legal compliance of labour issues, and support for career development.

A theme frequently mentioned by respondents is employee salary and welfare. These interviewees agreed that salary and welfare is the most fundamental issue for employees, and has the closest relationship with their living standards. Therefore, as detailed by Interviewee EM1:

The first obligation to the employee refers to the aspect of salary and welfare. This should be important for all staff. Also, it is crucial for the company. Currently, in my working area, there are so many job opportunities, potentially causing the issue of labour turnover. If we cannot guarantee personal welfare or salary, it is hard for us to reduce the turnover rate. (Company E, Interviewee EM1)

As this interviewee suggested, an emphasis on employees' welfare and salary benefits refers to economic considerations for both companies and individuals. Another recurring CSR theme involves employees in corporate attention to compliance with the relevant legislation on employment. For instance, as perceived by Interviewee AM2:

One of our obligations in employee issues should be legal compliance. For instance, in terms of labour contract, working hours or workplace safety, we have to follow the requirements of the relevant legislation such as labour law. This is the most foundational level of CSR. (Company A, Interviewee AM2)

However, this emphasis on economic and legal perspectives conceptually is viewed as fundamental to operational demands but of little importance to the voluntariness of CSR programmes (McWilliams and Siegel, 2001). Accordingly, although such legal and economic perspectives were frequently mentioned by interviewees, corporate activities in terms of maintaining individual income and welfare and ensuring legal compliance will not form part of this current discussion of CSR practices for employees.

Furthermore, this thesis mostly concentrates on how case companies provide relevant support for the career path and development of individuals. As mentioned by interviewees, such support for employees involves a variety of corporate activities. For example:

For career path and development, corporate support could refer to different processes. For instance, in our HR system, four processes recruiting (Xuanren),<sup>16</sup> developing (Yuren),<sup>17</sup> making use of the personnel (Yongren)<sup>18</sup> and retaining people (Liuren)<sup>19</sup> are the most relevant. In every process, we have employed KPI to evaluate the performance of managers or HR. Support from this HR system can create the sustainable development of individual employment capacity. (Company G, Interviewee GM1)

In recent years, we have made some efforts that can benefit the career path of employees. For instance, we have progressively reformed different aspects of our HR system, such as recruitment or training methods. Through the integration of all of these reforms, we hope to do something useful for the future careers of employees. (Company A, Interviewee AM2)

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<sup>16</sup> In Chinese 选人.

<sup>17</sup> In Chinese 育人.

<sup>18</sup> In Chinese 用人.

<sup>19</sup> In Chinese 留人.

Judging from these interviewee responses, corporate support for employees' career path and development does not refer to any single policy or practice, but requires firms' effort to reform different types of HR activities. This largely resonates with the principles of GRI. For example, in terms of personnel development, GRI standards require the availability of corporate support for lifelong learning by individuals as well as the provision of corporate support for the career path and development of employees.

Therefore, with respect to the principles of GRI and the data gathered by semi-structured interviews, this thesis discusses CSR activities for employees through two specific aspects: how case companies provide training opportunities; and how companies support continuing learning by individuals. These two aspects will be detailed in the following sections.

#### 4.2.3.1 Equality of Training Opportunities

The first aspect of corporate support for personnel development is the implementation of training programmes. In contrast to a unique emphasis on the link between training and working efficiency, the CSR concept requires the equality of training opportunities. This means regardless of gender, age or position, companies are encouraged to offer equal training opportunities to all employees.

Five out of the nine case companies (the larger companies A, B, C, D and G) consider this equality of training opportunity. In these five companies, a set of figures relating to training programmes, such as the number of programmes, the number of participants and the average training time for each employee, is formalised as the key criteria for evaluating corporate contribution to the training aspect. These figures are clearly disclosed in the CSR reports of those five case companies, as the indicators of corporate emphasis on the fairness of training opportunities. Taking the 2012 CSR reports of five companies as an example, this thesis summarises the key information on equality of training opportunity in the following paragraphs.

Corporate emphasis on the equality of training opportunity can be observed from the case of larger insurance companies. In Company A, the number of participants in training programmes was around 3.5 million in 2012, with the average training hours per person being 27.03. Around 90% of employees had the opportunity to attend training sessions, which was significantly higher than the coverage rate of training in 2010 (73%). Moreover, in 2012, Company G implemented 1,202 training programmes, compared with 938 programmes in 2011. The number of training participants was 1.55 million, which was clearly higher than the 2011 figure (1,017,544) and 2010 (1,017,244). In addition, the average amount of training time for every employee was 13.8 hours, double the time in 2011 (6 hours).

The larger state-owned banks (B, C and D) also report efforts to guarantee that management trainees have equal opportunities to participate in training programmes. For instance, there were 58,844 training sessions held by Company B during 2012. In total, around 2.2 million people participated in training sessions. The average number of training days per persons was 8. Also, in Company C, around 1 billion RMB was spent on the implementation of 43,220 training sessions in 2012. During the same year, 2.3 million training participants were involved in different training programmes. And each employee spent 8.6 days on participating in training sessions. Finally, in 2012, Company D developed 36,000 training sessions, in which around 2.8 million training participants were involved. The average training days per person were 10.6 days, higher than in 2011 (8.2 days) and 2010 (8.2 days). A plausible conclusion to be drawn from all the information is that these five case companies pay appropriate attention to protecting the equality of training opportunities in response to the CSR trend in China.

#### 4.2.3.2 Isomorphic Pressure for the Equality of Training Opportunities

Some interviewees expressed the view that this kind of CSR activity is echoing the SASAC's requirement on the 'equal opportunities for employee training':

In the SASAC's Guide Opinion for CSR, there is a specific statement on the equal opportunity of training and learning. So as an SOE, we have to respond to this statement through the implementation of our training programmes. (Company D, Interviewee DS1)

Equality of training opportunity is driven by the SASAC, which suggests large SOEs like our company have to focus on the availability of training programmes for junior managers and the general staff. (Company B, Interviewee BM2)

Along with the SASAC statement, the monitoring by government bodies, such as the CBRC and the China Insurance Regulatory Commission (CIRC), was also mentioned by interviewees:

We have to comply with the content of GRI and disclose what we have done to protect the fairness in training and workplace. All of these will be monitored by the CBRC. (Company C, Interviewee CS1)

I guess the watchdogs, such as the CBRC, put big pressure on the implementation of training programmes. I mean if we only focus on training for senior or middle managers, the CBRC may give us a penalty or warning. (Company B, Interviewee BS1)

Actually, the CIRC pays great attention to these figures in terms of our training programmes. The reason is that the CIRC as the government body is directly in charge of the extent to which our company has responded to the SASAC guidelines. (Company A, Interviewee AM3)

All these responses came from interviewees in the larger SOEs, such as Companies A, B, C and D. From their descriptions, it can be concluded that the statements of the SASAC and monitoring by government bodies apply coercive pressure pushing these larger SOEs to respond to the CSR pressures in terms of equality of training opportunities.

In addition to the role of the SASAC, the CBRC and the CIRC, pressure from the China Securities Regulatory Commission (CSRC), a supervision department in the stock market, was mentioned by interviewees as useful in driving corporate



attention to the equality of training opportunities. Given the legislation on CSR disclosure, interviewees argued that a failure to meet the GRI standards causes companies to be penalised by the China Securities Regulatory Commission (CSRC):

Because all the CSR information is employed as the response to the requirements of Shanghai stock exchange, so we have to pay attention to compliance with the GRI guidelines, in order to make sure our activities, such as training programmes, meet the GRI standards. This helps avoid the penalty from the CSRC. (Company G, Interviewee GM2)

I guess equality of training opportunity is a response to the requirements of the stock exchange in China...My concern is that if we have not met the GRI standards, a penalty will be charged by central government or the CSRC. (Company G, Interviewee GS2)

These responses suggest coercive pressure from the CSRC as another watchdog existing on the Chinese stock exchange. In order to avoid its penalties, case companies emphasise their compliance with the GRI standards.

Another pressure stemming from the stock exchange is that publishing information on equal employee training opportunities is seen as essential for attracting investors:

We published CSR information for investors in the stock exchange. Through this kind of information [equal training opportunity], we would like to build up our prestige and to attract those investors. (Company A, Interviewee AM2)

For my understanding, more and more investors would like to use CSR performance as the criteria to evaluate the potential and performance of companies. So we emphasise our contribution to equal training

opportunities as the means to attract investors. (Company G, Interviewee GM3)

Another benefit of the formalisation of equal training opportunity is that through this kind of CSR activity, we may achieve more funding from Chinese or foreign stock exchange. (Company G, Interviewee GS1)

This emphasis on the availability of funding and investors from the stock market suggests an isomorphic pressure in terms of business competition on the sources of funding. Under this pressure, the formalisation of equal training opportunity is adopted as the means to improve external prestige and attract the attention of investors.

Finally, another pressure for the formalisation of equal training opportunity is a normative isomorphic pressure, whereby interviewees suggested that provision of equal opportunity is what companies should do according to the GRI guidelines.

This normative isomorphic pressure was only mentioned by two specific interviewees:

In GRI standards, there are specific requirements on the fairness of training opportunity. So if we developed our CSR policies upon the GRI guideline, then we should follow the principles and norms of GRI. (Company G, Interviewee GM1)

The average training times or the numbers of training participants are clearly emphasised by the principles of GRI. So I perceive that is what we should do, rather than being pushed by the external. (Company C, Interviewee CS2)

A review of all interviewee responses shows that three types of isomorphic pressure are driving the formalisation of equal training opportunities. First,

coercive pressure stems from the role of legislation and government bodies. The legislation refers to both the Guide Opinion for CSR from the SASAC and the legislation on CSR disclosure existing in the stock exchange. Meanwhile, the government bodies, such as the CBRC, the CIRC and the CSRC, are playing the role of watchdogs in monitoring the practices of financial companies. Second, a mimetic pressure means the term ‘equal training opportunities’ is applied as the way to attract the attention of investors. Third, a minority of interviewees perceived a normative isomorphic pressure, emphasising that companies should comply with the principle of equal training opportunity as suggested by GRI standards.

#### 4.2.3.3 Corporate Support for Continuing Learning

When considering how companies support or benefit the career path of employees, some interviewees argued that companies are responsible for providing essential support for the lifelong learning by individuals. Such support for the continuing learning is particularly formalised by Companies A and G, two leading insurance companies in China.

Within these two companies, a system of ‘internal supervisor’ is established, under which the branch or departmental managers are required to provide mentoring support for the learning of their subordinates. This mechanism is

clearly emphasised by the CSR reports of Companies A and G as a corporate contribution to staff development. For example, in Company G, once the junior managers finish specific training sessions or programmes, their department managers will be responsible for helping trainees apply the learnt knowledge in practice, and for making relevant clarification to the training content. As detailed by Interviewee GM1:

Under the internal supervisor system, company or department managers need to provide essential guidance in terms of training sections, not only for training knowledge, but also involved in the application of this knowledge, by which the supervisors need to share their experience with the trainees. (Company G, Interviewee GM1)

A similar policy called ‘supervisor mechanism’ is also built up by Company A, to the effect that in each department, the middle managers or the senior staff are responsible for providing guidelines and mentoring support for the learning by individuals. For instance, middle managers are required to provide mentoring support for the learning by junior managers. Also, the long-serving staff need to offer guidelines and support for the learning by new staff. All of this kind of support has to be implemented in the form of one-to-one teaching or supervision.

Furthermore, given the establishment of the ‘internal supervisor’ mechanism, Companies A and G formalise the contribution of ‘supervisors’ to continuing learning as a new criterion for evaluating the job performance of those ‘supervisors’. For example, Company A requires that 30% of the income of department managers is determined by the job performance and personnel

development of the junior managers in their department. Similarly, in Company G, this proportion is 25%.

Along with the ‘internal supervisor’ system, constant and consistent individual participation in training and learning is also encouraged by HR or training policies, which further reflects corporate responsibility to motivate the lifelong learning by individuals. In Company A, each manager or staff member is required to participate in certain training sessions every year, which are evaluated by training credit. The middle managers need to achieve 30 points, and 40 points for the junior managers or the general staff. Such training credits can be obtained by participation in internal training (1 point for 1 training hour), or study towards professional qualifications (e.g. 25 points for the achievement of a Master’s degree). An individual who fails to meet this training hours target will not have the opportunity of promotion.

In Company G, individual participation in training is designed and implemented in a standard way. Interviewee GM4 from Company G commented: “our training programme is legitimated as a kind of job target, rather than as a non-essential benefit for employees”. The training policies of Company G clearly state which kinds of training programmes are required for individuals according to the different positions and job levels.

For example, for new staff, a set of training sessions like orientation training, job skill training and legal compliance training is formally described in HR policies. Then, in year one, year two and year three, staff need to participate in different training sessions. For example in the HR department, new staff in year one need to attend the session on ‘The Foundation of HR Management’ and to participate in ‘Advanced Knowledge of HR Management’ in year three, which are clearly laid down by the training policy. Also, before being promoted, individuals are required to participate in certain training programmes, operated by the corporate private university of Company G. Through this general picture of employee training in Company G, this thesis suggests Company G intends to formalise individual continual participation in training sessions through the standardised design of training programmes.

In summary, from the case of Companies A and G, there are two particular HR or training policies, indicating corporate support for ongoing learning by individuals. First, through ‘internal supervisors’, case companies expect to provide mentoring support for individuals’ learning. Second, judging from the requirements of HR or training policies, Companies A and G intend to strengthen individual emphasis and participation in lifelong learning.

#### 4.2.3.4 Isomorphic Pressure for Corporate Support for Continual Learning

As well as the strategies and policies on employee training and learning, the

interviewees from Companies A and G (larger insurance companies) clearly stated that CSR activities in terms of corporate support for continual learning not only benefit the personnel development of employees, but also the long-term competitive advantages to companies, such as improving competitive capacity and attracting talent. In Company G:

Our corporate target is to become the leading insurance company in global scope. This would require our input in the development of employees' knowledge and skills, in order to deal with international competition. (Company G, Interviewee GM2)

I would say the biggest benefit brought by our attention to continual learning and mature training systems is the availability of talented employees. Through my communication with the staff in my department, most people are proud of our training support. (Company G, Interviewee GS2)

A similar emphasis on such long-term competitive advantages was mentioned by interviewees from Company A:

Through responsible treatment of employee development and their continual learning, we hope to maintain a good corporate relation with employees, which is important for retention rates. Also, CSR activities like training opportunity or supervisor mechanism are used as the means to advertise ourselves, in order to attract the talented. (Company A, Interviewee AM2)

I would like to say the benefit of corporate support for training is the long term, rather than the short term. By strengthening continual learning, we intend to build up a learning organisation, which can achieve sustainable development. (Company A, Interviewee AM3)

Therefore, as these interviewees suggested, the achievement of long-term competitive advantage and excellent human resource is the main reason explaining why companies emphasise continual learning by individuals.

Beyond this emphasis on competition, peer pressure was frequently mentioned by interviewees as a key driver triggering the availability of mentoring support. In Company G, the success of global peers is viewed as important in driving its support for the continual learning by individuals. As Interviewee GM4 detailed:

The experience of our foreign partners has shed light on our engagement in continual learning. We have lots of discussions of the activities of these foreign partners. They actually benefited from the integration between their mentoring mechanism and CSR systems, such as CSR reputation and employee skills. This successful experience gave us good guidelines as to what we need to do. (Company G, Interviewee GM4)

As well as this influence from foreign partners, other global peers are also driving the formalisation of CSR activities for employee learning:

We have lots of discussion of the HR activities adopted by HP, Microsoft or Google. By discussing the cases of such big names, we identified corporate emphasis and engagement in continual learning of employees as the most important aspect of their success. This not only involves the sustainable development of their competitive capacity, but also refers to their CSR reputation. This is one of the drivers motivating the reform of our training methods. (Company G, Interviewee GM1)

In addition to peer pressure from foreign partners and MNCs, in the case of Company A, the impact of local peers is also identified, drawing attention to employee learning. As described by Interviewees AM1 and AM2, the major disadvantage of Company A, compared with Company G (another leading insurance company in China), is specifically in terms of the quality of the human resource, for example the skills and knowledge of employees. Consequently, Company A emphasises the ongoing learning by employees as the means of



addressing the competition with local insurance companies. For instance:

From 2009, senior management has set Company G as our benchmark, and has required me [the manager of the training department] to learn from the training methods adopted by Company G. Having investigated, I thought their support for continual learning was what we need to learn. So after that, we drafted a supervision system policy. (Company A, Interviewee AM1)

I perceive our training programmes to some extent stemmed from what Company G did. Actually, in the past three or four years, we have often watched the activities of Company G, and tried to respond to. As you mentioned, a good case is our supervisor mechanism and the emphasis on individual engagement in training. I have to say the practice of Company G has enlightened our activities. (Company A, Interviewee AS1)

According to the narratives expressed by interviewees, peer pressure generally motivates Companies A and G to formalise corporate support for continuing learning of employees, to seek a long-term competitive advantage. In this situation, the successful experience of foreign partners, MNCs and local companies leads to a mimetic isomorphism driving the adoption of the ‘internal supervisor’ mechanism and the policies on individual participation in training.

In contrast to the cases of Companies A and G, the other seven companies (Companies B, C, D, E, F, H and I) do not formalise corporate support for ongoing learning. Among these seven, the state-owned banks such as Companies B, C, D and E present an interesting case to indicate that CSR as driven by government may be not useful in protecting the interests of employees. In these four state-owned banks, interview respondents perceived the CSR pressure

claiming corporate support for the continuing learning by individuals. For example, some interviewees mentioned the statement of the SASAC on corporate support for ongoing occupational learning by individuals:

The SASAC's guideline for CSR clearly states corporate responsibility for the continual learning of employees. (Company B, Interviewee BM2)

There is indeed some CSR statement on employee training and learning from government or legislation. The typical example is the guideline of the SASAC. (Company E, Interviewee ES2)

However, other interviewees argued that this expectation by the SASAC is scarcely integrated into the everyday practices of state-owned banks, predominantly for two reasons. First, most interviewees from the state-owned banks (B, C, D and E) suggested the guidelines from the SASAC do not state clear requirements on the training methods of state-owned banks:

To be honest, after reading that guide opinion, I have obtained little idea more than government emphasis on CSR. For example, I have no idea what kind of CSR activities for employee learning we need to catch up on. Also, I do not know the penalties for irresponsible SOEs. So I think central government has lots of work to improve it. (Company D, Interviewee DM2)

My concern is if you read this Guide Opinion for CSR, there is little mention of penalties or the detailed requirements for corporate practices. Without these, I do not think it has any influence on business activities. (Company B, Interviewee BS1)

The regulation from the SASAC sounds like a guide to CSR or government opinions on CSR. I would not say it gave detailed expectations on corporate engagement in the continual learning by individuals. (Company E, Interviewee EM2)

I do not think this guide can lead to a big improvement in our training

methods. More importantly, we need more discussions with government and supplementary legislation, because we need more detail of what they expect. (Company C, Interviewee CM2)

These responses concern the vagueness of the guide opinions from the SASAC, suggesting although there is government emphasis on responsible support for employee training, little detail is offered.

Second, another specific institutional constraint on corporate support for continual learning is the criticism from the general public. The criticism of the high level of salary and benefits package within these banks (B, C, D and E) was often mentioned by interviewees:

In recent years, we have rarely mentioned our obligations to our employees, for example income or welfare, because of the resistance that exists in society. If you browse some websites, numerous people are talking about the welfare of our employees, and are criticising the high level of our income. Thus, for CSR, we just avoid paying too much attention to employees, in case of the rise of external criticism. (Company B, Interviewee BM1)

A perception of the general public is that the state-owned banks should give more to the local community or disadvantaged groups, rather than our employees. The reason is that the general public criticise our employees' welfare benefits. Therefore, to be honest, we take a quite cautionary attitude towards our CSR activities for employees. (Company D, Interviewee DS1)

Interviewees who were aware of these criticisms in society argued that for the state-owned banks minimal engagement with personnel development reduces the operational risks. As Interviewee CM1 stated:

I would not do too much in terms of employee training and development.

Continual learning and training are good for companies and are what companies should engage in, but not in the case of Chinese state-owned banks. This is because there may be other criticism. We would not like to take such risks. (Company C, Interviewee CM1)

Judging from our previous experience, every HR reform in state-owned banks will be criticised by the general public, because we use government funding to improve the benefits of employees rather than external stakeholders. This is the reason why we do not say much about how to support continuing learning. We have to avoid external criticism, in order to build up our prestige and reduce the potential risks. (Company E, Interviewee EM1)

These responses are typical of the interviewees from the state-owned banks (B, C, D and E), whose comments can be summarised as follows. First, state-owned banks are concerned that a further reform of CSR policies for personnel development may lead to criticism from the general public. Second, the potential risks of societal criticism generate a certain amount of resistance among these four state-owned banks to the appropriate support for ongoing learning by individuals.

### **4.3 Contextual Factors and Corporate Responses to CSR**

It is clear from the above that pressures from the institutional environment have a significant influence on the development and implementation of CSR programmes. This section will further explore how contextual factors can shape and affect the adoption of CSR activities within case companies.

Contextual factors drawn from the empirical evidence already presented can be categorised on two levels: institutional and organisational. At institutional level, this thesis identifies four distinct areas that have a significant influence on CSR

practices within Chinese companies. These factors are the role of legislation, the pressure from the Chinese central government, peer influence, and the expectations by the general public in China. At organisational level, the empirical evidence suggests two specific factors, organisational size and industrial legacy, are influential in implementing CSR activities. These two levels of contextual factors can provide the essential lens to explain how companies respond to the pressure for CSR. Below there will be an analysis of the role of contextual factors in affecting CSR within case companies, followed by a further discussion of how case companies respond to CSR pressures.

### ***4.3.1 Institutional Influence***

At institutional level, several isomorphic pressures contribute to the development of CSR within case companies. According to the data shown in Section 4.2, four particular aspects can be identified based on the responses from interviewees: legislation, central government, peers, and social norms. These four factors will be considered in detail in the following sections.

#### **4.3.1.1 Pressure From Legislation**

In terms of corporate responsibility for society, the majority of interview respondents discussed the role of legislation in promoting CSR activities within case companies. There are two aspects to the role of legislation. First, the

legislation on CSR disclosure and on responsible or green credit coercively drives the formalisation of CSR programmes. Second, other interviewees argued that the current legislation on CSR provides good guidelines for the implementation of CSR activities, indicating a normative isomorphic pressure.

The first example of the coercive pressure emanating from legislation is the legislation on CSR reporting and disclosure, which was mentioned by several interviewees. Along with legal reforms in the Chinese stock exchange and pressure from international stock exchanges, interviewees from the larger companies perceived the coercive pressures as pushing firms to disclose their CSR performance. Under such coercive pressure, five larger case companies (Companies A, B, C, D and G) adopt the relevant changes to their CSR reporting methods. For instance, Companies A, B, C, D and G began to publish annual CSR reports from 2007 onwards, based on the GRI guidelines.

Another example of the coercive pressures from legislation is the case of responsible and green credit policies. For example, following the Opinions for Green Credit Policy, four state-owned banks (B, C, D and E) adopt self-regulations on socially responsible and green credit policy, and formalise their performance on responsible and green credit programmes as one of the key indices for evaluating CSR implementation.

A third example of the coercive power of legislation is the particular case of how the ‘Guide Opinion for CSR’ developed by the SASAC focusses corporate attention on equality of training opportunities. Interviewees from larger SOEs emphasised that the focus on ‘equal training opportunities’ complies with the SASAC’s expectations.

In addition to these three examples, other interviewees perceived normative isomorphic pressure from legislation. This is reflected in the CSR reporting methods adopted by the smaller firms. In this case, the CSR reporting legislation is not forced on Companies E, F, H and I, but some interviewees still believed these regulatory reforms to the stock exchange provide essential guidelines and direction for corporate practice.

This normative pressure is also illustrated by the ‘The Guide Opinion for CSR’, developed by the SASAC, which emphasises that SOEs should take responsibility for the whole community. Although it stimulates ‘equal training opportunities’, this Guide Opinion from the SASAC often fails to put coercive pressure on state-owned banks to drive them to support continual learning by individuals. Interviewees such as DM2, BS1, EM2 and CM2 were concerned that the guide opinion from the SASAC does not clearly state the relevant requirements and expectations regarding the continual learning by individuals. A minority of interviewees like BM2 and ES2 felt that the SASAC puts normative pressure on

corporate attention to supporting lifelong learning, but without terms such as ‘enforcement’ or ‘coercive power’.

In summary, legislation on CSR can put different types of isomorphic pressure on business practices. Regulations on CSR disclosure and requirements regarding green credit, respectively, can impose coercive pressures on the CSR activities of larger companies and state-owned banks. The role of the ‘Guide Opinion for CSR’, on the other hand, can lead to a rise in normative, rather than coercive pressure.

#### 4.3.1.2 Pressure From Central Government

A number of interviewees considered the impact of regulatory reform and emphasised the need to engage in CSR programmes in response to pressure from central government and government bodies. Interviewees felt that, in the context of ‘building a harmonious society’, the government expects case companies to forego business profits, to address social and environmental issues.

First, case companies experience the cognitive pressure from government. A good example of this cognitive pressure is corporate engagement in the provision of social welfare. For instance, as some interviewees mentioned, central government or political leaders in China have clearly expressed their expectations on firms’ support for social philanthropy, as the key means to alleviate the government’s



burdens. Although the Chinese central government has not issued any specific requirements or made any coercive requirements regarding corporate engagement in social philanthropy, companies are likely to interpret the cognitive pressure from government as a useful guideline providing direction for their CSR programmes. Some interviewees recognised the importance of responding to government demands, in order to achieve a ‘licence to operate’ and the recognition from government:

Although there is a lack of regulations or legislation, we have to closely watch the actions of government. After all, there is strong intervention from government in the banking sector. So it is helpful in reducing our operational risks to respond to the demands from government. (Company E, Interviewee EM1)

China has its own rules, where government influence is very important. So our company, as a JV, emphasises localisation, or the achievement of legitimacy under local conditions. Our CSR programmes have to resonate with the actions or demands of government, as the key means of obtaining business licence. (Company I, Interviewee IM1)

These responses represent the interviewees’ views most clearly, and suggest that a response to government pressures is the essential strategy for the achievement of social legitimacy and the reduction of operational risks.

Second, under certain circumstances, interviewees perceived government intervention as coercive pressure. This is demonstrated particularly by the fact that government bodies such as the CBRC, the CIRC and the CSRC directly monitor the CSR activities of case companies, such as the implementation of responsible and green financing, CSR disclosure of larger case companies, and the provision

of equal training opportunities. Among all these cases, ‘avoiding being penalised by government bodies’ becomes the key stimulus for corporate engagement in CSR programmes. Accordingly, in addition to their role of regulator, the Chinese government and government bodies produce either cognitive or coercive pressure through their political intervention, therefore motivating firms’ adoption of CSR practices as a way to achieve social legitimacy as well as avoid penalties from government.

#### 4.3.1.3 The Role of Peers

Peer pressure is another key driver leading to isomorphic forms of CSR practices within case companies. As financial products become replicable, the interviewees recognised the importance of CSR as a key means to maintain corporate relations with relevant stakeholders and to improve their external image, which in turn contributes to the achievement of competitive or differentiation advantages. By emphasising this link between CSR and business competition, interviewees suggested two aspects of peer pressure.

First, case companies would like to mimic the successful experience of their peers in respect of CSR programmes. A good example of this mimetic mechanism is how foreign partners motivate Companies F and I to publish information on charitable programmes. Interviewee IM1 from Company I believed that the successful experience of its foreign partners motivated the company to disclose its

contribution to philanthropic programmes. A similar story is observed in the case of Company F. Given the good reputation of its foreign partners through CSR disclosure, Company F published its philanthropic information as a way to improve the company's external image.

Another example is the CSR practices regarding employees' continual learning adopted by Companies A and G (as larger insurance companies). By mimicking the successful experience of the well-known MNCs, Company G has identified that a consistent support for continuing learning by individuals can help achieve long-term competitive advantages, and attract and retain talented employees. According to this case, there is a mimetic isomorphic pressure that stimulates corporate engagement in continual learning by employees.

Furthermore, the successful experience of Company G, in terms of human resource development, has motivated Company A to copy the training methods adopted by Company G. By mimicking the 'internal supervisor' system as well as HR policies strengthening individual participation in training, Company A has identified Company G as its own benchmark. The competition between Companies A and G, therefore, suggests pressure from Company G as a local peer that puts competitive pressure on the response of Company A.

Second, by adopting CSR practices, case companies treat CSR as a way to

achieve differentiation, enabling the companies to stand out from their competitors. This kind of peer pressure is demonstrated by companies' desires to publish their information on 'equality of training opportunities'. In this case, the term 'equality of training opportunities' is seen as helpful in improving corporate image and attracting stock market investors.

Another example is the case of firms' engagement in social donations following the Wenchuan earthquake in 2008. Companies were willing to report the amount of their donations on this occasion, thus signaling their contribution to the disadvantaged groups and building their 'responsible' image. Moreover, this charitable activity has put further pressure on other companies, stimulating their charitable donations.

In summary, all these examples suggest there is peer pressure leading mimetic isomorphism of CSR practices adopted by companies. By mimicking the experiences of their peers or competitors, companies can use CSR programmes as a way of either catching up with the peer practices, or creating a 'responsible' image that helps them stand out from others.

#### 4.3.1.4 The Expectations by the General Public

In CSR development within the Chinese case companies, social expectations were identified as one of the most important and influential stakeholder groups by the

majority of interviewees. Pressure from these social expectations drives corporate engagement in social philanthropy and charitable donations. Most of the interviewees suggested that their involvement in charitable work is not only forced on them by the general public, but is also in keeping with social traditions of philanthropy in China, suggesting a normative isomorphic mechanism.

Nonetheless, some interviewees were concerned that the strong influence of the general public may steer Chinese CSR in a dangerous direction. For example, as pointed out by Interviewee AM3:

For me, CSR in China has developed in a very unbalanced way. Most companies pay attention to social philanthropy, because it can easily improve corporate prestige for the general public. By contrast, very few companies would like to do anything in terms of other aspects of CSR. (Company A, Interviewee AM3)

A similar view was expressed by other interviewees, suggesting that strong pressure from the general public leads to an overemphasis on corporate philanthropy and thus a superficial adoption of CSR:

I can understand the feelings of the general public. People always hope companies can donate more things. However, we have to think about whether donation and philanthropy can represent the concept of CSR. For me, the answer is no. To a large extent, donation is a very superficial adoption of CSR. (Company I, Interviewee IM1)

Actually, what the general public demands is just donation. This is very simple and superficial. So for me, I perceive the strong role of the general public is not a very good thing for CSR, because their influence may increasingly push companies to engage in philanthropy rather than other programmes. (Company G, Interviewee GM1)

So although the expectations by the general public put strong isomorphic pressure on corporate involvement in philanthropic activity, this can, to a significant extent, steer CSR development in a very unbalanced and superficial way.

Another problem of the strong influence brought by the general public is that in the case of state-owned banks (B, C, D and E) social expectations actually limit corporate engagement when it comes to firms' support for ongoing learning by individuals. Responses from Interviewees BM1 and DS1 show that the general public in China is signaling that state-owned banks should use their resources to help the local community or disadvantaged groups, rather than to protect the interests of employees. There is also a certain amount of criticism from the general public of the generous salary and benefits packages enjoyed by staff in the state-owned banks. Interviewees perceived a conflict between social expectation and the interests of employees:

Employee interest is a very hard question in state-owned banks. Our corporate decision is not only determined by government or the senior management, but is also subject to the attitudes of the general public. In many cases, there is a conflict between the demands from the general public and from employees. (Company C, Interviewee CS1)

A problem is that we are facing different demands from the public and employees. The former hopes the company will pay more back to society, rather than to those on the inside stakeholder. But the latter expect increased income, benefits or training opportunities. Therefore, there is a conflict between them, because our resources are always limited. (Company E, Interviewee ES1)

Interviewees CM1 and EM1 suggested that the state-owned banks are not willing

to make substantive changes to their training methods, in order to reduce the potential criticisms and operational risks.

Empirical evidence on the public expectations regarding CSR indicates that the social expectations are strong drivers motivating corporate engagement in charitable activities and donations. However, such pressure from the general public is to some extent steering CSR development in China in an undesirable direction, in which companies overemphasise philanthropy at the expense of other aspects of CSR. One particular negative influence brought by the general public refers to the role of social criticism in constraining the support from state-owned banks for personnel development.

#### 4.3.1.5 Other Stakeholder Groups

With two exceptions, interviewees made little mention of other stakeholder groups. The first exception is that two out of 38 interviewees – Interviewee GM1 from Company G, and Interviewee CS2 from Company C – mentioned normative pressure from GRI (as NGOs). They believed that the corporate emphasis on equality of training opportunities results from firms' compliance with the norms and principles of the GRI framework. In contrast to this kind of normative viewpoint, other interviewees (e.g. Interviewees GM2, GS2, CS1, CM1, CM2, GM3 and GS1) within Companies G and C pointed to the influence that coercive or mimetic isomorphic pressures have on equality of training opportunity. With

respect to this dominant emphasis on coercive or mimetic isomorphism, there is little reason to conclude that the normative pressure from the GRI guidelines can be a strong driver for corporate responses.

The second exception is that interviewees from Companies E (Interviewee EM2) and H (Interviewees HM1 and HM2) mentioned the role of industry associations such as the CBA and the CIA in promoting the disclosure of CSR or philanthropic information. In this case, interviewees suggested their firms' contact with the CBA or the CIA is a key driver of disclosure of CSR activities.

Two interviewees (Interviewees IA1, IA2) from the CBA and the CIA were in a position to clarify the nature of the pressure from industry associations. The CIA is taking the lead in keeping companies informed of the CIRC requirements:

Around 2008 or 2009, the CIRC expected us to stimulate the development of CSR disclosure in insurance sector. So we were delivering this expectation by the CIRC to companies. This is why during that time, we often discussed CSR reporting with companies. (China Insurance Association, Interviewee IA1)

A similar answer came from Interviewee IA2:

In China, the CBA has a dependent relation with government and government bodies. We help government or the CBRC implement some programmes, and our practices have to be reported to the CBRC for example...In promoting CSR reporting, we were actually doing as requested by the CBRC and government. (China Banking Association, Interviewee IA2)

It can be concluded, from the responses of Interviewees IA1 and IA2, that the role



of industry associations in Chinese financial companies is largely to inform the business world of the government's expectations. Thus, the roles of the CBA and the CIA in promoting CSR disclosure can be interpreted as assisting the government's intervention in the financial sector.

### ***4.3.2 Organisational Context***

It appears that two specific organisational factors can explain the difference in CSR activities adopted by case companies (summarised in Table 4.4). There is a significant difference between the practices of larger and smaller companies, with respect to CSR reporting methods and equality of training opportunity. Also, state-owned banks (B, C, D and E) and insurance companies (A, F, G, H and I) show some differences in their CSR programmes; for example the banks are more involved in social welfare provision through socially responsible financing and green credit, and some insurance companies (e.g. Companies A and G) make more efforts to support continuing learning.

As shown in Table 4.4, the exception is corporate engagement in social philanthropy, where regardless of differences in size, industrial legacy and ownership structure, all case companies show strong commitment to charitable donation and volunteering activities. This is due to strong influences from various social actors, such as the general public and government. An emphasis on social

philanthropy to some extent becomes widely accepted by financial companies. Therefore, corporate emphasis on philanthropy does not vary according to organisational characteristics.

**Table 4.4 Comparison Between Case Companies**

		<b>B, C, D</b>	<b>A, G</b>	<b>E</b>	<b>F, H, I</b>
<b>Organisational size</b>		Larger	Larger	Smaller	Smaller
<b>Industrial characteristics</b>		Banking	Insurance	Banking	Insurance
<b>CSR reporting</b>	<b>Formalised reporting methods</b>	Yes	Yes		
	<b>Weak</b>			Yes	Yes
<b>Provision of social welfare</b>	<b>Philanthropy</b>	Donation; volunteering programmes			
	<b>Green credit</b>	Yes	N/A	Yes	N/A
<b>Employees</b>	<b>Equality of training opportunity</b>	Yes	Yes	N/A	N/A
	<b>Formalised support for continual learning</b>	N/A	Policy of 'internal supervisor'; HR policy encouraging individual participation in training	N/A	N/A

(Source: Author)

#### 4.3.2.1 Organisational Size

CSR practices of larger and smaller companies are shaped by different isomorphic mechanisms. Within the larger case companies, A, B, C, D and G, there is coercive isomorphism in terms of the formalisation of CSR reports or policies. Coercive pressure from the stock exchange creates an isomorphic form of CSR reporting methods. Each of these five companies regularly discloses their CSR information and performance by publishing annual CSR reports, strictly based on

GRI requirements as well as being audited and monitored by third-party organisations. The Chinese government's CSR disclosure legislation is often perceived as the dominant pressure driving the formalisation of CSR reporting mechanisms. The adoption of CSR reporting systems is viewed as an essential step in reducing barriers to global expansion for these case companies.

Another isomorphic form is the formalisation by larger companies of the term 'equality of training opportunity' as one of their efforts to protect employee interests. These five larger case companies are clearly motivated by coercive pressure from the SASAC legislation as well as from monitoring by government bodies such as the CBRC, the CIRC and the CSRC. There is also peer pressure, making equality of training opportunities be viewed as the way to attract stock market investors.

In contrast, in the case of the smaller ones, such as Companies E, F, H and I, the disclosure of CSR or philanthropic information is driven by mimetic or normative pressures. These pressures may come from central government, industry associations or foreign partners. Some interviewees suggested that regulatory reforms and government expectations delivered by industry associations produce a normative pressure on the adoption of CSR reporting. Meanwhile, case companies report their CSR information by copying the experience of their foreign partners, so that a mimetic isomorphic pressure motivates the disclosure of

CSR or philanthropic information. Therefore, unlike in the larger ones, it can be concluded that CSR reporting methods in the smaller firms are driven by normative or mimetic isomorphic pressures.

Under these normative or mimetic pressures, Companies E, F, H and I adopt a very fragmented style of CSR reporting. An explanation for this phenomenon is that these smaller companies treat formalised CSR policies and reports as involving some burdens, such as increased costs and managerial risks. All these four firms prefer to use reporting of their charitable projects to maintain their image but are reluctant to make further improvements to their CSR reporting.

Another difference between larger and smaller companies is that the latter ones do not formalise 'equality of training opportunity'. All the interviewees from the smaller firms commented that few pressures are thought to be relevant to equality of training opportunities. Thus, to a large extent, training programmes are not seen as relevant to external pressure for CSR, but are undertaken due to the consideration of the improvement of efficiency. This point will be discussed in detail in Chapter 5.

#### 4.3.2.2 Industrial Legacy

Another key organisational factor is the difference in industrial legacy, suggesting that banks and insurance companies adopt different strategies to implement CSR

programmes. The differences in CSR practices can be illustrated by corporate emphasis on providing social welfare and on continuing learning by individuals.

In China, the central government has significant control over the practices of the state-owned banks, particularly due to the fact that these banks can allocate monetary resources through loans and financing activities. Thus, the state-owned banks are often required to help the central government regulate the domestic financial market and to implement national policy. Today, such traditions still exist and have an impact on corporate behaviour, as indicated by the responses of all the interviewees from this type of bank. Under this strong political intervention, four state-owned banks studied in this thesis, Companies B, C, D and E, develop responsible financing and green credit programmes, designed to help the transition of the national economy and to address environmental issues. In this programme, coercive pressures from legislation and the monitoring of the CBRC drive these four state-owned banks to establish self-regulations on responsible and green credit, and to report their performance to the CBRC.

Furthermore, in the case of state-owned banks (B, C, D and E), some interviewees felt pressure from the SASAC in terms of corporate support for continuing learning by individuals. However, this pressure has little to do with the corporate activities of the four state-owned banks. Interviewees perceived that regulation by the SASAC, in view of the vagueness of its Guide Opinion, cannot exercise a

strong influence over the practices of state-owned banks. In the case of Companies B, C, D and E, the criticism from the general public further constrains corporate engagement in employee training and development. Such criticism is reported only in the field of state-owned banks, where the general public is dissatisfied with the high levels of salary and benefits of the staff in state-owned banks. The effect of this social criticism is to make the four state-owned banks resist formalising support for continuing learning by employees.

By contrast, the insurance companies have different industrial characteristics from the state-owned banks in China, due to the lack of intervention from the central government. There is little evidence to suggest that government or government bodies have specific requirements for CSR implementation in insurance companies, unlike in state-owned banks. This leads to the phenomenon that many of the Chinese insurance companies actually have a narrow focus on social philanthropy.

Moreover, in insurance companies, specifically in terms of the larger ones (Companies A and G), peer pressure has a significant influence on CSR programmes protecting employee benefits. Given corporate intentions to seek competitive advantages through developing human resources, peer pressures from global peers and local competitors clearly motivate Companies A and G to provide essential support for lifelong learning by individuals by establishing an

‘internal supervisor’ system as well as integrating employee participation in training and learning with HR policies.

### ***4.3.3 Strategic Responses to CSR Pressures***

The empirical evidence on corporate responses to external pressures for CSR suggests that Chinese companies and managers often interpret CSR in an instrumental fashion. This conclusion can be supported by two particular phenomena. One is that the buzz words, like ‘reputation’, ‘reduction of operational risks’, ‘avoiding penalties from government and legislation’ and ‘competitive advantages’, are frequently mentioned as the motives for firms to adopt CSR practices. Few interviewees were aware of moral considerations promoting the implementation of CSR programmes. The second phenomenon is that the adoption of CSR activities in China does not resolve the entire range of stakeholder concerns, in contrast to the Kantian conception of stakeholders (Freeman, 1984). Rather, CSR practice is applied as a tool to manage stakeholders, who are regarded as buffers insulating case companies from external criticism and pressures, according to Jones (1995) and Mitchell, Agle and Wood (1997). This is reflected in the fact that the CSR programmes adopted by Chinese financial companies have a narrow focus on employees and the provision of social welfare, but neglect other stakeholder groups such as customers.

Along with this instrumental type of CSR, the nine case companies present a variety of responses to the institutional pressures for CSR. Firstly, isomorphic pressure drives firms' compliance with institutional arrangements. The coercive pressure from legislation and political intervention drives case companies to take a passive approach to the expectation by government, illustrated by the CSR reporting methods in larger companies (A, B, C, D and G), green credit policies in state-owned banks (B, C, D and E), and the 'equality of training opportunity' in larger companies (A, B, C, D and G). In these cases, legislation makes statements on corporate activities, and government bodies are acting as watchdogs. Under this coercive pressure, companies have to use a coupled structure to echo the expectations by government and to avoid being penalised.

Under strong competitive pressure, case companies such as the larger insurance companies (A and G) formalise their support for the continuing learning by individuals. In this case, by recognising the successful experience of their peers, Companies A and G identify firms' responsibility for lifelong learning by individuals as a useful strategy for achieving long-term competitive advantage and strengthening their corporate image. It is clearly this peer pressure that drives the mimicking strategies adopted by Companies A and G.

The significant influence that normative isomorphic pressure has on CSR adoption is visible in the case of corporate involvement in social philanthropy.



With regard to pressure from different stakeholders, such as the general public or government, for all nine case companies, social philanthropy or charitable donation becomes a social norm that is taken for granted. In this case, strong normative pressure drives the isomorphic form of charitable programmes.

Other examples suggest companies respond strategically to the pressure for CSR. An interesting phenomenon is that, given certain pressure from the SASAC, the state-owned banks (B, C, D and E) do not engage much in the process of continuing learning by individuals. The reasons for this lack of corporate support are twofold. On the one hand, the vagueness of the SASAC's statement causes the dearth of monitoring by government bodies, so that the guide opinion of the SASAC fails to put strong pressure on companies. On the other hand, by perceiving the rise of social criticism, the managers of the state-owned banks are not willing to make a substantive change in stimulating continuing learning by individuals. Accordingly, companies use a resistance strategy (Oliver, 1991) to protect their instrumental benefits from the adoption of CSR.

Moreover, although there are certain normative or cognitive pressures motivating their disclosure of CSR information, the smaller companies (E, F, H and I) respond by adopting a decoupled strategy, where only philanthropic information is disclosed and there is not consistent CSR reporting. Interview respondents emphasised the roles of both external pressure and internal dynamics.

Government activities as well as industry associations put cognitive or normative pressure on companies. However, regarding instrumental rationality, case companies are not willing to formalise their CSR reports or their CSR targets. A conflict between external pressure and business imperatives can explain the decoupled responses of Companies E, F, H and I, in terms of their CSR reporting methods.

These examples show that Chinese financial companies are adopting strategic responses to the pressure from the institutional environment, and their responses are clearly shaped by the influential power of external pressure as well as business imperatives. In the context of China, the business imperative refers to risk management, competitive advantages or reputation. This can echo the theoretical framework of Oliver (1991), suggesting both institutional pressures and internal dynamics are shaping corporate activities. In order to protect business interests from their compliance with institutional arrangements, companies are likely to adopt a strategic response rather than passive compliance. Also, the practices of case companies are in contrast to the description of the existing literature of CSR, where companies are often viewed as “passive pawns” (Tempel and Walgenbach, 2007, p. 10).

#### ***4.3.4 Summary of Contextual Factors and Corporate Responses to CSR***

Two major arguments can be abstracted from Section 4.3. First, contextual factors

for CSR development in the Chinese financial sector are identified. At institutional level, four types of institutional factors are important in understanding corporate engagement in CSR programmes. These are the role of legislation, intervention by government, the role of peers, and the expectations by the general public. Moreover, at organisational level, factors such as organisational size as well as industrial legacy further shape the influence that institutional pressure has on CSR practices within case companies. Second, following this analysis of contextual factors, it can be concluded that CSR in China is developed and interpreted in an instrumental way, where both institutional pressures and business imperatives shape and affect firms' strategic responses to the pressure for CSR.

#### **4.4 Summary**

Several key points emerge from this chapter:

1. There are three substantive areas of CSR practices within case companies: CSR reporting; corporate engagement in providing social welfare; and firms' support for employee training and learning.
2. A set of isomorphic pressures is motivating corporate responses or compliance with the needs for CSR. These pressures emanate from four institutional factors: the role of legislation, the intervention of government, the role of peers, and the expectations by the general public in China.
3. With pressure from the institutional context, organisational size and

industrial legacy are also important factors for understanding the adoption of CSR programmes within case companies.

4. Given the interaction between the institutional context and corporate practices, CSR in Chinese financial companies is often interpreted as a way of seeking instrumental rationality. Meanwhile, case companies are responding strategically to the institutional pressure for CSR.

In exploring CSR in the Chinese financial sector, this chapter began with a description of three dimensions of CSR practice adopted by nine case companies: CSR reporting, firms' engagement with providing social welfare, and the support for training and personnel development. The empirical evidence clearly suggests the existence of an isomorphic mechanism driving corporate compliance with the pressure from the business environment.

Furthermore, this chapter discussed how the institutional context in China is shaping and determining the development of CSR. In particular, four institutional factors are identified as important for CSR in financial companies. At organisational level, this thesis also suggests two factors, organisational size as well as industrial legacy, as crucial for explaining the difference in corporate responses to the institutional pressures. On the one hand, the difference in organisational size helps explain differences in corporate practices in terms of the CSR reporting as well as the formalised policy of 'equal training opportunity'. On

the other hand, the distinction of industrial legacy (banks versus insurance companies) leads to different responses to the CSR pressures concerning corporate support for the continual learning by individuals. In recognising the role of contextual factors in affecting CSR practice, this thesis emphasises an instrumental view of CSR, which is strategically adopted by all case companies to protect business interests from external pressure and criticism.

# **Chapter 5 Implementation of Management Training**

## **5.1 Purpose and Aims**

In Chapter 4, there was a discussion of empirical data relating to CSR in China. This chapter introduces the implementation of management training programmes in Chinese companies, which is another essential topic to discuss the impact of CSR on the adoption of training programmes. As Chapter 2 suggests, CSR has the potential to affect equality of training opportunities, offer trainees a voice in setting priorities for training provision and provide corporate support for the continual learning by individuals. Following these potential influence brought by CSR, this chapter discusses three aspects of the implementation of management training: (1) the scope of management training programmes; (2) the role of managers in planning and designing training initiatives; and (3) the provision of mentoring support by companies. By discussing these three aspects, this thesis explores the extent to which CSR can affect the adoption of management training through the institutional lens. Therefore, the aims of this chapter are as follows:

1. To describe three key aspects of how firms adopt management training initiatives.
2. To explain the drivers for the implementation of training provision through an institutional lens.
3. To discuss the impact that CSR has on management training.

To this end, the main body of this chapter consists of two key sections. Section 5.2 introduces how companies implement management training and development. Specifically, drawn from empirical observations, three aspects are discussed: the scope of management training, trainees' engagement in planning management training, and mentoring support by line managers. Within each aspect, institutional theory is employed as the theoretical lens to explain and analyse the drivers motivating corporate activities. Section 5.3 discusses the contextual factors determining the implementation of management training provision and the extent to which CSR makes a substantive impact on the management training initiatives.

## **5.2 Adoption of Management Training and Development**

This section considers how firms implement their management training programmes. Three aspects of management training systems are discussed in this section: the scope of management training, communication in the planning process of training provision, and the provision of mentoring support for management training. These three aspects are important for the discussion of the impact that CSR has on training and development, because they reflect corporate responses to CSR by protecting the equality of training opportunities, meeting trainees' demands, and providing consistent support for ongoing learning by managers.

### 5.2.1 Scope of Management Training

By considering the scope of management training, this thesis describes which groups of managers can have the opportunity to participate in management training programmes. As Chapter 2 suggests, the CSR concept stresses corporate efforts to guarantee the equality of training opportunities. Therefore, a wider range of participants in management training can be viewed as substantive evidence, indicating firms' responses to CSR.

The data gathered from interviews reflect how nine Chinese financial companies implement a variety of management training initiatives for either middle or junior managers. All these existing programmes can be summarised as shown in Table 5.1.

**Table 5.1 Description of Management Training Programmes**

<b>Management training programmes</b>	<b>Case Companies</b>
<b>Training for middle managers</b>	
Intensive management courses/training sessions	A, B, C, D, E, F, G, H, I
Sponsorship for study at degree level	A, G
<b>Training for junior managers</b>	
Development programmes for junior managers	A, B, C, D, G
Sponsorship/rewards for juniors' continual study	A, B, C, D, G

(Source: Author)

#### 5.2.1.1 Programmes for Middle Managers

As shown in Table 5.1, a popular training initiative is the development of management courses or training sessions for middle managers, which have been



adopted by all nine case companies in this thesis. For example, in 2012, Company A initiated 'Benchmarking Management' courses for middle management. Company B developed training sessions focussing on communication skills. The importance of communication skills was also emphasised by Companies G and F, leading to the development of the 'Communications in a Team-Working Environment' sessions. Moreover, the training programmes in both Companies C and E concentrated on how to motivate employees by initiating sessions on 'Incentive Theory' or 'Execution of Strategy'. In Companies H and I, particular training sessions on 'Entrepreneurship' were developed. Finally, the training emphasis of Company D was on knowledge of 'Strategic Management'.

Also, in addition to those sessions implemented in 2012, as confirmed by all interviewees from the nine case companies, this kind of management training course or session is normally carried out every year, but the contents and themes of the courses differ. Meanwhile, in all of the nine case companies, head offices establish specific training funding to support the implementation of these training programmes for middle managers.

Another type of training initiatives refers to companies' sponsorship for middle managers to study at degree level. In contrast to the intensive management courses, such sponsorship is only provided by two case companies. From 2010, Company A offered the sponsorship of full tuition fees (about 250 thousand RMB

for each manager) for the part-time EMBA study at a local university. Furthermore, every year, middle managers from Company G are required to participate in certain courses or training sessions that are held in the company's private university, where academics are invited or employed to give lectures. After occupational study at the private university, middle managers can gain relevant professional qualifications such as Certified Public Accountant.

#### 5.2.1.2 Isomorphic Pressure for Training Programmes for Middle Managers

In considering why training programmes for middle managers are widespread in case companies, the majority of the interview respondents identified the pressure from peers or competitors as a key factor driving training provision for middle managers, but few interviewees also perceived the pressures for CSR as an essential reason. This emphasis on competitive or peer pressure was described through two perspectives.

First, training provision for middle managers was viewed as the essential means to strengthen the loyalty of middle managers, thus retaining such managers. For instance:

I heard lots of comments from middle managers, saying our competitors provide better training support than us. This is a triggering driver for our management training courses, through which we can signal our support for them and thus strengthen the loyalty of middle managers. (Company A, Interviewee AM3)

For me, the management courses are like a kind of welfare benefit for

middle managers, which can help us retain the middle managers and can ensure we are not lagging behind other companies. (Company I, Interviewee IM1)

Middle managers are increasingly concerned about corporate support for their career development, and this becomes a key criterion for selecting an employer. In this case, training provision is quite important, by which we would like to express our willingness to support them. (Company D, Interviewee DM2)

What I can see is that management courses are widely provided by our competitors. In this case, we need to follow suit. Otherwise, there may be some negative impact on the attitudes and loyalty of middle managers. (Company H, Interviewee HM2)

One of the important roles of management training is to signal that trainees are important for the company...so by these training initiatives, we expect to strengthen the job satisfaction and the loyalty of the middle managers, in order to avoid the problem of job-hopping. (Company E, Interviewee EM1)

It can be seen from these responses that the pressure from local competitors is interpreted as the dominant driver motivating corporate attention to the provision of management training for middle managers. In order to make sure companies are not lagging behind the competition, management training is provided for middle managers as a way of strengthening the loyalty of managers and thus retaining them. This in turn suggests a mimetic isomorphic pressure, driving corporate attention to management training.

Second, business competition was also frequently mentioned as the motive driving the provision of management training for middle managers. For instance:

The gap between Company A and our major competitors mainly refers to our weakness in human resource. This is why our company and the

senior management are often very interested in training programmes. By enhancing training input for middle managers, we hope to develop their management knowledge and to resolve our disadvantage in human resources. (Company A, Interviewee AM4)

In principle, we encourage middle managers to acquire more knowledge, which helps improve our competitive advantages, particularly in terms of our competition with the multinational banks. (Company C, Interviewee CM2)

I guess that [the corporate private university] may be the first in the Chinese financial industry. This largely secures our CSR reputation and the associated advantages in terms of HR competition...the private university was widely adopted by the MNCs, and led to successful outcomes. So by multiple discussions with our foreign shareholders, we decided to learn and built up our own university. (Company G, Interviewee GM4)

The primary imperative of a company is to focus on business performance, which largely motivates the development of our management training programmes. This can strengthen the knowledge and innovative skills of middle managers, which are essential in improving our market share. (Company I, Interviewee IM2)

Training initiatives certainly provide a platform for managers, where middle managers can exchange experiences and perceptions of working practices. This can bring some benefits for us such as the development of their problem-solving skills and the quality of management. From the long-term perspective, these benefits can allow us to stand out from competitors. (Company F, Interviewee FM1)

Limitations of space prevent this thesis producing an entire list of interviewees' responses. However, the responses shown above are typical of interviewees' agreement on the usefulness of management training in improving middle managers' knowledge and skill, and thus in strengthening firm capacity in dealing with business competition. With this emphasis on competition, the mimetic isomorphic pressures can be identified, by which companies develop management training to catch up with competitors or to achieve differentiation advantages.

### 5.2.1.3 Programmes for Junior Managers

In addition to those initiatives for middle management, five out of the nine case companies, Companies A, B, C, D and G<sup>20</sup>, develop training programmes, which are specifically designed for junior managers. Unlike these five companies, the rest of the case companies, Companies E, F, H and I<sup>21</sup>, have not developed the relevant training sessions for junior managers.

In the case of Companies A, B, C, D and G, the training programmes for junior managers are implemented in different ways. Within some case companies, training for junior management is carried out in the form of in-house training, as conducted by Companies A, B and D. In this method, the internal training teams of companies are responsible for teaching the training sessions, to develop the management skills of junior managers. For example, in Company A, the junior managers from the sales division are required to participate in the ‘Sales Executive Training Camp’, which focusses on trainees’ team management and administration skills. Also, in 2009, Company B developed a training programme for junior managers that focussed on developing the quality of customer service. In 2010, Companies C and D developed relevant programmes for junior managers to improve their sales skills.

In the other case companies, training for junior managers takes the form of

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<sup>20</sup> Companies A and G are larger insurance companies; Companies B, C and D are larger state-owned banks.

<sup>21</sup> Companies F, H and I are smaller insurance companies; Company E is a smaller state-owned bank.

employing and cooperating with external training institutions. For instance, in cooperation with a local training organisation, Company C initiates a ‘Youth Talent Programme’, designed to develop the management skills of junior managers having high potential. Additionally, Company G sends their junior managers with excellent working performance to the learning programmes held in the corporate private university, where the trainees learn the basics of management.

Although within different case companies, the training provision for junior managers is implemented in different ways, one similarity is that this kind of training provision is carried out in a consistent way. For example, in Company A, the programmes, such as the ‘Sales Executive Training Camp’, have been offered since 2008. Every year, a certain number of junior managers are selected to participate in the training camp. In Company G, the participation of junior managers in the training sessions held at the corporate private university is clearly required by HR policies, as discussed in Chapter 4. In Company C, the ‘Youth Talent Programme’ for junior managers has taken place annually since 2009. Also, in Companies B and D, as required by their training policies, firms’ internal training teams are required to carry out certain training sessions for junior managers. At branch level, annually, around 5 or 6 training sessions for junior managers are required.

Moreover, these five companies also offer varying degrees of sponsorship or rewards for the self-study by junior managers. For instance, upon completion of the courses, Company A reimburses the full tuition fees to their junior level managers, while Company G reimburses part of the tuition fees if their managers achieve the relevant professional qualifications by national or international examinations (e.g. accountant or financial qualifications or insurance-related qualifications). Also, Companies B, C and D, despite the absence of such sponsorship, provide material rewards as an encouragement for their junior managers to achieve professional qualifications. Through these methods such as sponsorship for tuition fees and material rewards, five case companies tend to encourage individual participation in continuing learning and study.

#### 5.2.1.4 Isomorphic Pressure for Training Programmes for Junior Managers

The qualitative data gathered from both a review of firms' official information and interviews suggest CSR plays an important role in driving firms' considerations of the training provision for junior managers. On the one hand, in these five larger companies<sup>22</sup> (A, B, C, D and G), CSR reports or policies emphasise the equality of training opportunities as an essential aspect of CSR programmes. On the other hand, according to interview respondents, several pressures for CSR push the implementation of training initiatives for the junior management.

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<sup>22</sup> Companies A and G are larger insurance companies; Companies B, C and D are larger state-owned banks.

First, by reviewing CSR information of Companies A, B, C, D and G, there are certain clues, suggesting these five firms formalise the ‘equality of training opportunities’ as either one of their CSR targets or one key index for evaluating CSR performance. For instance, as stated by Company D’s CSR report in 2012, one of corporate targets for protecting employee benefit is that:

Specific career development and training programmes were designed and organised for employees holding different posts, at different levels, with different capabilities and at different ages, providing firm support to the growth of its employees (p.102).

Besides the statement on ‘equality of training opportunity’, case companies, for example Companies A and G, report the average training hours per manager and the coverage rates of training provision, to signal corporate attention to protecting employee interests. For example, the data presented by the firms’ CSR reports in 2012 in relation to ‘equality of training opportunities’ are summarised in Tables 5.2 and 5.3.

**Table 5.2 Training Hours Per Manager Per Year**

	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Company A</b>	27.03	19.62	6.8
<b>Company G</b>	13.8	6	N/A

(Source: Companies’ official CSR reports for 2012)

**Table 5.3 Coverage Rates of Training in Company A**

	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Junior managers</b>	86.93%	86.50%	73.12%
<b>Senior and middle managers</b>	97.00%	96.80%	95.20%

(Source: Company A’s official CSR report for 2012)

Second, along with corporate emphasis on ‘equality of training opportunities’,



interview respondents expressed the importance of institutional pressures in triggering the implementation of training programmes for junior management. One frequently mentioned driver refers to coercive pressures, emanating from head office and government bodies.

Several interviewees stated that there was pressure from the head office of companies. For example:

Along with the publication of CSR reports, head office begins to emphasise fairness in terms of the distribution of our training resources, for example the numbers of participants in management training, and the average training hours per manager. This requires us to pay attention to the training initiatives of the junior managers, in order to avert criticism from head office. (Company A, Interviewee AM2)

According to our CSR policy, responsible training provision is not only about how much we spend, but also refers to other questions, e.g. the fairness or transparency. Accordingly, head office has changed the evaluating approach on training system, requiring HR to focus on other indices, such as coverage rates, the training hours of managers. This changed method of the evaluation from head office actually put pressure on our work, which drives our attention to train juniors. (Company G, Interviewee GM1)

Within training provision for juniors, a primary responsibility for the branch managers like me is to fulfil head office requirements. Equal training opportunities and numbers of training sessions for junior managers are clearly required by the training or CSR policies. (Company D, Interviewee DM2)

Coercive pressure from the monitoring of government bodies was mentioned by other interviewees. For example:

The publication of the CSR report is the key trigger. Before that, training for junior managers is a kind of internal affair. But given that

publication, you have to comply with what has been announced. Otherwise, there will be the criticism or penalty from the CBRC. (Company B, Interviewee BS2)

A key stakeholder in the training programmes [for junior management] is the CBRC. They actually watch and monitor the extent to which our company implements CSR targets as announced in CSR report. (Company C, Interviewee CM1)

One of the roles of the training provision for junior managers is to meet the demands from the outside stakeholders, such as government or supervision departments, such as the CIRC. (Company A, Interviewee AS1)

All these responses suggest that given the publication of the CSR report, particularly in terms of the statement on ‘equal training opportunities’, coercive isomorphic pressures motivate the rise of corporate engagement in implementing the training provision for the junior managers. Specifically, as suggested by interviewees, such coercive pressure comes from either head office or governmental bodies such as the CBRC or the CIRC.

Beyond this coercive pressure, the competition over the availability of human resource is another driver stimulating the training provision for the junior managers. Some interviewees interpreted the provision of management training as a means to increase firms’ CSR reputation, thus leading to the recruitment of a large pool of talent. For example:

At job fairs, some job applicants are very interested in our training programmes or the learning opportunities for junior managers. For me, I perceive ‘equal training opportunity’ could be a kind of method to advertise our company, which can let us stand out from other companies. (Company A, Interviewee AS2)

I believe one advantage of Company G is its training system, including equal training opportunities. I guess this point contributes to the achievement of competitive advantages...to a large extent, such advantage can help us to attract the attention of the talents and to retain employees with high potential. (Company G, Interviewee GM2)

However, beyond the improvement of external prestige through adopting 'equal training opportunities', most of the interviewees cautioned that the training provision for junior managers could not benefit efficiency. For instance:

It is unnecessary to implement the training programmes for junior managers, due to the repetitive nature of their work. At certain times, we may offer a short introduction, but not in-depth explanations. (Company H, Interviewee HM1)

It is not wise to spend training resources on the juniors, considering the nature of their work. Of course they have an important operational role, implementing the expectations by senior and middle management. However, when it comes to their management knowledge, I guess I can't think of anything that is useful for management, because their learning is rarely transferred into a practical context. (Company F, Interviewee FM2)

To be honest, I do not think training provision could help improve the efficiency of junior managers. For their repetitive work, I guess a short introduction may be enough. (Company B, Interviewee BM1)

These representative responses from interviewees demonstrate that in Chinese financial companies, junior managers predominantly undertake repetitive operational tasks, but are not involved in management decision-making. Therefore, as commented by the respondents, training provision is not considered effective in improving the working efficiency of junior managers.

This disconnection between training provision and the improvement of working

efficiency of junior managers was particularly mentioned by the interviewees from Companies E, F, H and I (as smaller companies), where there is no formal publication of CSR reports or targets. For these companies, this weak link between training and efficiency was frequently quoted as the reason for a resistance to the adoption of training provision for junior managers. For instance:

After all, we run a company, rather than a charitable organisation. We would like to pay more attention to the input-output ratio in terms of training provision. Given that the training for junior manager cannot help corporate performance, it does not make sense to invest in it. (Company H, Interviewee HM1)

A big problem is the availability of training resources. In fact, head office exercises strong control over our training budget, and they like to see benefits associated with training input. At this moment, head office is more willing to allocate the resources to the middle level rather than the junior level, since the investment in junior management seems to be useless. (Company I, Interviewee IM2)

I would say our training resources are very limited, so we have to use them in the right place. In this case, investment in middle management is the wise choice, since little can be expected from training provision for junior managers. (Company E, Interviewee EM1)

My concern is whether management training is useful for the junior managers...if it is useless, it is a waste of our training resources, so I would not advocate pursuing it. (Company F, Interviewee FM1)

These responses show that with regard to the economic rationality of training investment, these four case companies are likely to resist adopting training provision for junior managers.

#### 5.2.1.5 Summary of the Scope of Management Training

A general picture of management training initiatives in China identifies two specific isomorphic forms. First, all nine case companies adopt management training for middle managers. CSR was not perceived as a significant driver for this process. In contrast, the mimetic isomorphic pressure, emanating from business competition for the availability of human resources and the improvement of corporate performance, was interpreted as the dominant motivation for training provision for middle managers.

Second, five out of nine case companies pay some attention to training initiatives for junior managers. The empirical evidence shows that it is the publication of CSR reports that has been an important driver for the implementation of training programmes for junior management. Meanwhile, the monitoring from head office and government bodies, taking the ‘equality of training opportunities’ into account, puts coercive pressure on the adoption of relevant training sessions for junior managers. ‘Equality of training opportunities’ was also interpreted as a way of attracting job applications, suggesting a mimetic isomorphic pressure.

Nevertheless, there is a disconnection between training provision and the improvement of the efficiency of junior management, threatening the economic rationality of training investment in junior managers. This economic rationality factor was particularly stressed by the interviewees from the smaller firms, for

instance Companies E, F, H and I. In these four case companies, where there is no formalisation of CSR targets or policies, economic rationality becomes a primary factor, constraining the adoption of management training for junior management.

Having compared companies with or without formal CSR policies, this thesis suggests that the publication of CSR reports or policies has a significant impact on the implementation of management training for junior managers through either coercive or mimetic pressures. By contrast, where there is no such formalisation of the 'equality of training opportunities', case companies such as Companies E, F, H and I resist initiating training for junior levels on the grounds of economic rationality.

### ***5.2.2 Communication for Management Training***

A key aspect of the impact that CSR has on management training provision is the extent to which trainees can become involved in planning and setting priorities for management training programmes. As suggested in Chapter 2, this clearly reflects companies' attitudes towards meeting the trainee demand, and thus indicates the impact that CSR exerts on the nature of management training practices. Effective communication between trainees and management can legitimate the role of employees in the decision-making process. Accordingly, without this communication, there can be little reason for firms to focus on the needs of management trainees.

The empirical investigation within the nine Chinese financial companies provides very limited evidence of trainees' voice and engagement with setting priorities for management training programmes. Five of the case companies do not have specific systems of representation for trainees. The other four companies investigate their trainees' requirements on an annual basis, but there is limited integration between these investigations and the planning of management training courses. All these cases will be detailed in the following sub-sections.

#### 5.2.2.1 Companies A, B, C, D and E

In five of the nine case companies A, B, C, D and E, no interviewees suggested that companies intend to find out about managers' training needs, when planning and developing management training programmes. In the case of Company E, as a smaller state-owned bank, Interviewees EM1 and EM2 stated that senior management in local branches directly determines the direction and content of any management training, with HR and training departments merely providing the necessary support for these decisions, such as contacting training providers, timetabling (Interviewee EM1) and ensuring the smooth running of training sessions (Interviewee EM2).

For example, Interviewee EM1 noted that in 2011 senior managers spent considerable time on setting out the themes of training sessions, making enquiries

with other companies or researching online. Finally, Company E developed training programmes called ‘Implementing Management Decisions’, because senior management perceived ‘the popularity of this theme’ and its ‘potential contribution to motivating managers’ (Company E, Interviewee EM1).

A similar story is evident in Companies B, C and D, as larger state-owned banks. Interviewees BM1, BM2, CM1, CM2, DM1 and DM2 expressed that the senior management in each local branch is mainly in charge of the development of intensive courses. For instance, ‘when facing changing business conditions’ (Interviewees BM2 and DM1) or ‘to address internal implementation difficulties’ (Interviewees CM2 and BM1), senior management likes to run appropriate management courses to improve the performance or adaptive abilities of individuals. Therefore, interviewees suggested that senior managers’ observations and perceptions of internal and external conditions determine local branch responses to business conditions, and thus the offer of particular management training courses. For instance, as indicated by Interviewee CM2, the HR manager of Company C:

We are responsible for knowledge and skills development in our middle and junior managers, according to the new (CSR) requirements from head office. However, our business situation determines which skills we should focus on, rather than what trainees demand. (Company C, Interviewee CM2)

Accordingly, when Company C develops management training for junior levels, the senior management clearly determines the provision of training to improve the



sales skills and performance of junior managers (Interviewee CM2). In the planning process, as explained by CS2:

I guess that this is the work of the senior managers, e.g. deciding the time schedule of training programmes, where it is held and how it is implemented. But clearly, it is not decided by the juniors, because we do not have that authority. (Company C, Interviewee CS2)

This firm control by senior management is further reflected in the case of Company A, as a larger insurance company, where the voice of trainees has little influence on the implementation of management training. For example:

We have a group of managers who were born before the 1970s. Without a doubt, this group is at a significant disadvantage in their theoretical knowledge and qualifications, although their experience does indeed contribute to our company. For these managers, how can we develop their management capacity? Senior management thinks that the most important thing is to improve their knowledge of theory and expand their management insight...that is why we decided to sponsor the EMBA study. Managers can expand their social network, and can have a chance to keep in touch with what other firms are doing, while we also hope that they can learn new knowledge. To some extent, changing business condition may limit the effectiveness of their experience. Without updating their knowledge, it is hard for them to adapt to changing business conditions and challenges from competitors. So this is the direction of our EMBA programme. (Company A, Interviewee AM2)

The responses from Company A suggest that management trainees have little influence over the design of management training.

#### 5.2.2.2 Investigation of Managers' Training Demands

In the cases of Companies G, H, F and I, from the Chinese insurance sector, there are annual reviews, which senior management uses to obtain information relating

to their managers' training needs. In practice, HR managers in each local branch are responsible for these reviews (Interviewees FM1, HM1 and IM2). Using a set of structured interview questions, managers at different levels are invited to express their needs in terms of training programmes, rating their expectations on a series of potential options, such as the different management skills. The results of these reviews are sent back to senior management, and may be used during the annual training planning process.

Interviewees from these four companies explained that it is the involvement of foreign partners that has given rise to this investigation into managers' training needs. For example:

We survey managers' opinions, e.g. their training needs, as required by our British partner. We can use this survey to manage our training budgets and regulate our training input. (Company I, Interviewee IM2)

This review of managers' training needs is clearly promoted by our Hong Kong partners, and we hope thereby to strengthen internal communications within the organisation and strengthen managers' commitment to the company. (Company F, Interviewee FM1)

These surveys differentiate us advantageously from Chinese SOEs. By copying the experience of our foreign partners, we expect to improve corporate relations with managers. (Company G, Interviewee GM2)

These responses are typical of interviewees, demonstrating the involvement of foreign partners in Chinese JVs in terms of promoting the reviews of managers' training needs.

Nevertheless, it is worth noting that managers' voices are not always taken into account and reflected in the development of management training programmes (for example, Interviewees FS1, IS1, HM1, FM2, IM2, HS1, HS2, GS2, and GS1).

This problem was captured by Interviewee FM2, who believed that:

The senior management still makes the final decision on management training. So these reviews provide few insights and views for management. (Company F, Interviewee FM2)

Also, according to Interviewee IM2:

It is unnecessary and impossible to implement every detail of the juniors' needs, to be honest. Therefore, the senior management will select those specific aspects that can be useful to the company. (Company I, Interviewee IM2)

The limited use of the survey of management trainees' training needs was also mentioned by junior trainees, who suggested that the results of the survey actually have very little impact on the priorities for management training programmes:

Well, I do not think this review is very useful. For example, in 2010 the company developed some training sessions, which were not mentioned in the survey of training needs. (Company H, Interviewee HS1)

This review may be more useful for some training sessions relating to health, entertainment or other matters, but it has little relevance to the content of management training. (Company G, Interviewee GS2)

My experience is that during the last three years, my training requirements have not been fulfilled, although I ticked them in that questionnaire. (Company I, Interviewee IS1)

According to the responses from both middle and junior managers, this kind of review of managers' training needs hardly shapes and changes the content and

methods of management training. This reality suggests a ‘window dressing’ phenomenon, rather than any serious consideration of the trainee demands.

### 5.2.2.3 Traditional Top-Down Management Approach

To explain the absence of the trainee voice in planning management training programmes, all interviewees stressed the influence of a traditional top-down management approach in the financial sector. When highlighting this top-down tradition, interviewees argued that companies often neglected the training demands of managers to secure two kinds of business benefits.

First, some interviewees felt that corporate attention to the trainee needs can lead to a significant rise in the training budget, which negatively impacts company operations:

It is hard to take the demands of trainees into account in our decision-making. As you see, we have so many trainees, and they may pose different types of demands and require different kinds of training programmes. If we do everything, our training budget is certainly insufficient and our management may be derailed. (Company A, Interviewee AM1)

If we had unlimited training funding, we could take care of trainees’ needs. But it is impossible. So we have to be selective. (Company E, Interviewee EM1)

I perceived the biggest problem as training funding, i.e. how to properly use our training budgets. Considering this, we have to neglect some managers’ needs. (Company H, Interviewee HM1)

Second, other interviewees suggested that there is a certain amount of conflict between the needs of companies and trainees:

Being responsible for employees, our first step is to make employees suitable for our company. To meet this target, we need to do a lot of work, of course including training provision...The target of the management training series is to let trainees have in-depth understanding of our company through theoretical explanation of, for example our management principles, our corporate culture, and how we operate our business... Actually, before our training provision, managers may have their own perception of management and business operations, but we cannot be sure that their perception is right or suitable for us. Thus, we encourage their continual learning through our private university, encouraging them to focus on our own case and our specific business conditions. (Company G, Interviewee GM1)

Through the provision of management training, we hope to deliver information such company expectations. In many cases, the target of the training session is not compatible with trainees' needs. Therefore, we have to emphasise the top-down tradition, which ensures the achievement of firms' expectations on training provision. (Company B, Interviewee BM2)

My consideration is that lots of junior managers' training needs bear no relation to the development of our company, thus it does not make sense to provide what those junior managers demand. (Company F, Interviewee FM1)

Therefore, with regard to the emphasis on either the control over training budgets or the usefulness of training content, case companies expect to secure business benefits from training provision by employing the top-down management approach in developing training sessions. This suggests that the role of trainees' voice in deciding and setting priorities for the adoption of management training is clearly limited by economic rationality, and CSR makes little impact on pushing corporate efforts to meet the demands from management trainees.

#### 5.2.2.4 Summary of Communication for Management Training

In all nine case companies, trainees' needs are hardly considered when firms plan and develop management training. Companies A, B, C, D and E pay little attention to managers' training needs. In Companies G, F, H and I, despite the surveys of managers' needs, the results are not integrated into the design and planning of management training programmes to any great extent. This section has identified the strong influence of the top-down management style, where senior management dominates the planning and design of management training provision, in order to retain control over training budgets and the usefulness of training content for companies.

Along with this lack of individual engagement in planning management training, some interviewees offered their concerns over the problems with the arrangement of training schedules. On the one hand, training hours may often conflict with trainees' daily work commitments. For instance:

An example of this is, during one recent training session that my training manager expects me to participate in, my line manager expected me to attend a meeting with one of our customers... I believe that if there was more communication on the timetable, it would be easier for me to balance different activities. (Company A, Interviewee AS2)

On the other hand, the provision of management training often occupies managers' time off, as commented on by Interviewee CS2:

I hope that my company will change the time of future training sessions. At the moment, all training sessions are carried out on either Saturdays or Sundays. To be honest, after a five-day working week, it is really hard to focus on the training content... (Company C, Interviewee CS2)

This conflict brought about by training schedules has the potential to constrain trainees' participation in management training sessions.

### ***5.2.3 Mentoring Support From Line Managers***

The third aspect of management training considered by this thesis is the availability of mentoring support for the continual learning by individuals, which can be defined as a key process strengthening the application of trained knowledge and skills to the practical context. This mentoring support can help management trainees to develop their knowledge and skills and thus benefit their career development. This section draws on the empirical data to consider how companies may provide this mentoring support, and explains the reasons behind the availability of this mentoring support. As the following sub-sections show, case companies provide mentoring support for management trainees in a way that differs between state-owned banks and insurance companies.

#### **5.2.3.1 Companies A and G**

In the case of Companies A and G, as larger insurance companies, most interviewees mentioned their experience of providing or receiving mentoring support. First, many middle manager interviewees reported their experience of providing mentoring support for junior managers. Some suggested their mentoring

support helps trainees to apply training content at a practical level. For example:

The most important thing is the extent to which you can use your knowledge in practical work. Without that, I guess training is meaningless. So we have to do a great deal of work to support those trainees, to offer further training for trainees. (Company G, Interviewee GM3)

Participation in training does not mean you know everything. So we have to follow on. For example, I like to have an informal conversation with trainees, to find out their experiences and thoughts on the training course, for example what they have learnt and how relevant the course was to their job. Through such conversations, I can continually support the learning by junior managers. (Company G, Interviewee GM2)

I think an internal supervisor deals with the question of information asymmetry. For instance, senior management has little idea of what the trainees have learnt from their training, and sometimes the trainees were unclear about training aims, and therefore the usefulness of these training sessions. So, what I need to do [as supervisor] is to bridge this gap, and to help the management trainees to make the training content meaningful and useful in practice. (Company A, Interviewee AM4)

Mentoring support for me looks like a kind of support, which we use to further polish the knowledge of the junior trainees. After all, you cannot expect the teachers to be familiar with our operations. Then, this requires the involvement of middle managers. (Company A, Interviewee AM1)

These responses from middle management confirm that mentoring support from middle managers is interpreted as the way of making the training content for junior managers more down to earth.

Other middle managers saw mentoring support as helpful in motivating individual participation in continuing education:

Our emphasis on learning is established by a long-term process. Taking my department as an example, I would like to inform others of the



importance of learning through our daily work. In this way, trainees can realise their disadvantages and the gaps in their knowledge, so they are very willing to learn and study. (Company G, Interviewee GM1).

Support at branch or departmental level is very important. After all, head office cannot pay close attention to every trainee, so we need support from local managers. In this way, we can let our trainees know that we are serious about providing training sessions for them, and that we hope for their active participation. (Company G, Interviewee GM4)

In my experience, you cannot expect a big increase in self-awareness from junior managers in respect of continual learning. So I have to talk to them often, to let them know the importance of continual learning. (Company A, Interviewee AM1)

My style of providing mentoring support is like an informal conversation, by which I can help the junior managers roughly to plan their career future. For example, I have to let them know the importance of qualifications and continual learning for their career advancement. (Company A, Interviewee AM2)

These responses suggest that another role of mentoring support is to motivate junior managers to participate in continuing professional education.

Second, some junior managers also described their experiences of receiving mentoring support:

My department manager takes on the role of supervisor. Sometimes this is helpful. For example, in one training programme, I learnt something about how to manage personal relations with my teammates. But what was taught was a little bit different from what occurs in practice, mainly because you always face new questions that have not been thought about. So my manager gave me some helpful advice from his own experience. For example, in this situation, you need to do something, but in another case, you cannot do it, so there is some support. (Company A, Interviewee AS1)

For mentoring support, I have a regular meeting with my department manager. For instance, every week, we arrange one 30-minute meeting

to discuss my job performance, or to discuss other interesting events that have happened within our company or the Chinese financial sector. I would say this communication and mentoring support is useful for my learning. (Company G, Interviewee GS1)

These two examples are typical of the responses from interviewees at junior level.

These interviewees interpreted the provision of mentoring support by department managers as useful and helpful for their continuing professional education.

### 5.2.3.2 Isomorphic Pressure for Companies A and G

This section discusses the key drivers for the involvement of middle managers in mentoring support. Many interviewees perceived the formalisation of the ‘internal supervisor’ policy (see Chapter 4) as the important event, leading to the provision of mentoring support. As one of key CSR policies in Companies A and G (larger insurance companies), this policy reforms the Key Performance Indicator (KPI) evaluation system, which requires middle managers to be involved in mentoring junior management. For example, according to Interviewee AM2:

Outside training hours, HR evaluation focusses on the indicators of how managers develop their own team, e.g. the performance of subordinates, the size of the team, or the promotion rates. All these figures are used to evaluate the annual performance of managers. (Company A, Interviewee AM2)

A similar response came from Interviewee GM3:

There is certainly pressure from HR over the complicated KPI system. That is about my contribution to my team and to junior management. For instance, I need to have regular meetings with them and provide support for their continuing learning. All these are included in our HR policy. (Company G, Interviewee GM3)

Interviewees' description of the formalisation of the 'internal supervisor' policy and the adoption of the KPI evaluation system suggests that it is the pressure of internal competition that drives their involvement in mentoring support. For instance:

As a middle manager, I have to engage in this mentoring support and in communication with trainees. A key reason is that the quality of mentoring support is significantly relevant to my own performance and salary. (Company A, Interviewee AM4)

The provision of mentoring support is not only relevant to junior trainees, but also benefits middle management. If you cannot provide strong support for your own team, senior management may perceive you as lacking team management skills, which may further threaten your career development. (Company A, Interviewee AM3)

The significance of the 'internal supervisor' is to strengthen our competitiveness. At this moment, we do not define a good manager as someone who can sell more insurance products. What we need is a manager who has multiple skills. So I think this formalisation of 'internal supervisor' provides a good criterion for selecting the right people for the company. (Company G, Interviewee GM2)

These responses show that, given the formalisation of the 'internal supervisor' policy and the adoption of KPI evaluation, the pressure from internal competition is important in triggering the involvement of middle managers in the mentoring of junior management. In order to avoid the criticism by senior management, interviewees such as AM3, GM1, GM4 and AM2 perceived they have to become involved; and in order to stand out from the others, individual contributions in mentoring junior managers can benefit their own career advancement (Interviewees AM3, GM2, AM4, AM1 and GM3).

### 5.2.3.3 Companies F, H and I

Companies F, H and I (smaller insurance firms) do not have a formal ‘mentoring support’ policy applicable to all management trainees. However, the data reveal the availability of mentoring support in the sales division.

Interviewees from Companies F, H and I said that mentoring support is initiated to develop junior managers’ practical skills and help them to manage their own sales teams. Specifically, companies expect this mentoring support to achieve three goals: (1) to provide a platform for communication between trainees, and between trainees and senior management; (2) to share practical questions challenging individuals; and (3) to find potential solutions to these questions in practice. For example, interviewees noted:

The training content develops into information sharing, where we share practical information and try to find solutions through discussion. (Company I, Interviewee IS2)

The usefulness of that training is that we can learn some new experiences or emerging questions from others and easily apply the results of our discussion in practice. (Company H, Interviewee HS2)

The training is not a case of knowledge or theory, but is much more relevant to our experience and practical skills. So it is very relevant to our daily work, rather than adding to our stock of theoretical knowledge. (Company F, Interviewee FS1)

These representative responses show that mentoring support in these three companies focusses on how to remedy the lack of practical skills for junior managers, and not on the development of their management knowledge.

#### 5.2.3.4 Isomorphic Pressure for Companies F, H and I

In the smaller insurance firms, i.e. Companies F, H and I, few interviewees felt CSR is relevant to the provision of mentoring support, in terms of neither a moral consideration nor CSR policies. By contrast, corporate focus on improving sales volume as well as market share is predominantly interpreted as the reason underpinning the provision of mentoring support. For example, Interviewee HM2 stated:

Training undoubtedly benefits our corporate and sales performance. In such case, I cannot say that ethical dynamics are driving our training, but our training support may bring some good stories in terms of management development or career advancement. (Company H, Interviewee HM2)

Our training support is certainly relevant to our insurance business, reflecting our responsibility to both company and managers. I believe that the development of individuals should not be considered separately from the growth of the company. So when talking about management development or career advancement, we are primarily emphasising the development of work skills and the increased individual contribution to the company. Given their huge contribution, managers will certainly have an opportunity for promotion and career advancement. (Company I, Interviewee IM2)

These comments from Interviewees HM2 and IM2 represent the responses from managers in Companies F, H and I, who believed the provision of mentoring support is primarily serving business imperatives such as the growth of market share and sales volumes.

Given this emphasis on business imperatives, competitive pressures were often

mentioned by interviewees as the driver triggering the availability of mentoring support:

In order to get a contract or reach a deal, we often have to compete with other companies. In that competition, I identify our disadvantage in terms of human resources. For instance, the junior managers from other companies offer excellent presentations to clients, but ours are not able to do that. This is why I push my junior managers to learn something. Otherwise, we cannot survive the effects of competition. (Company H, Interviewee HM2)

Mentoring support is a useful way of developing human resources, and its usefulness has already been proved by the experience of the Western countries and MNCs. In adopting it, I expect the working capacity of junior managers to develop, which will enable us to stand out from other [Chinese] companies. (Company I, Interviewee IM1)

In recent years, I have had some contact with leading insurance companies in China, through which I hope to learn something about how they develop human resources and I hope to catch up with the leading ones. Mentoring support is one of the methods. (Company F, Interviewee FM2)

Clearly, it can be argued from these responses that business competition in the Chinese domestic market puts a mimetic isomorphic pressure on Companies F, H and I. These three case companies expect, by copying the successful experiences of their peers, to either catch up with the leading insurance companies, or to stand out from the competition.

Nonetheless, although interviewees emphasise the link between the provision of mentoring support and corporate performance, one interesting finding is that some sales managers may resist the provision of mentoring support for junior managers.

This resistance was in particular mentioned by interviewees. For instance:

One problem is that not all sales managers want to provide this mentoring support. For instance, in my company, certain managers in the sales division do not do so, because they believe they are already performing well. So for them, involvement in continual learning is not very meaningful. (Company I, Interviewee IM2)

Mentoring support is not offered consistently. It is more likely to be offered at peak times, but relatively little during off-peak times. I think this may be because at peak times, our managers have greater expectations of sales performance. (Company H, Interviewee HS2)

My feeling is that the provision of mentoring support is associated with pressure from sales volumes. When the pressure is on, middle managers are more likely to help us. Without that pressure, I do not think middle managers are motivated to mentor us at all. (Company F, Interviewee FS1)

These responses suggest that mentoring support is not consistently offered by sales managers. This is because not all sales managers face huge pressures from sales targets, and agree with the usefulness of mentoring training in improving sales performance. Without this pressure from competition, the provision of mentoring support may become meaningless, leading to resistance on the part of middle managers.

#### 5.2.3.5 State-Owned Banks

In contrast to the insurance companies (Companies A, F, G, H and I), there is an absence of mentoring support in the state-owned banks (Companies B, C, D and E). For instance, when considering companies' methods of encouraging trainees to apply the knowledge they have learnt in their everyday jobs, interviewees reported only one method providing further support for trainees. Some

interviewees from these banks reported that the HR department requires trainees to write up an action plans following each training session, and saw this kind of action plan as a kind of method to help with practical application of the learning by trainees. Management trainees need to indicate on these plans how the knowledge gained on the training courses is useful for their management work.

However, as most of the interviewees from state-owned banks said, these plans have little relation with everyday working practices, and some of them saw the content as far from down to earth:

Personally, I do not think that action plans are helpful for trainees or companies. The challenge is, I feel, what have been taught in training session bears no relationship to our actual practice. Also, I do not believe what I am writing down can be established in our practice. (Company E, Interviewee EM2)

There is no detailed requirement or explanations on these reports. From personal experience, I think that on this kind of report or plan, you can write whatever you like, so it is not much help to our daily practice. (Company B, Interviewee BS2)

Other interviewees noted that the purpose of these training reports is to evaluate trainees' perception or feedback in terms of the quality of training providers, rather than a good way of strengthening the practicability of training content:

I guess that is not a good way of evaluating what trainees have learnt from training sessions. But it looks like a platform, on which trainees could freely express their attitudes towards teachers or training providers. (Company D, Interviewee DM2)

It is not fair to judge how much you have learnt by reading your report. In other words, the aim of the training reports is to encourage trainees to express their feelings on training sessions or training providers, not to



deliver your personal suggestions for the development of our company.  
(Company C, Interviewee CS1)

Furthermore, the majority of interviewees felt that on this kind of training report, companies expect trainees to express their commitment and positive working attitudes. For instance:

Well, for me, I would not call it a training report, but the training feeling. This is because on this piece of paper, the company would like to hear your determination and commitment, rather than your opinions challenging the current system of business operations. (Company B, Interviewee BS1)

I have read lots of these training reports or action plans. Most of them look like a statement of trainees' satisfaction or commitment to the company. (Company B, Interviewee BM1)

I think that middle or senior managers expect to see some praise from trainees, rather than critical viewpoints or useful suggestions for the company. Even if you offer important recommendations, your suggestions will not be used. (Company D, Interviewee DS1)

These responses all suggest that, although this 'training report or action plan' was reported by interviewees as a method to help trainees to apply the knowledge they have learnt in their job, empirical evidence convincingly demonstrates that this 'training report' is of little relevance to the practical work of trainees.

#### 5.2.3.6 Institutional Constraints Within State-Owned Banks

Some interviewees from the state-owned banks explained the lack of mentoring support as the traditional emphasis on prudent operation constraining corporate involvement in mentoring junior trainees. For example:

I would say the primary target of state-owned banks is prudent operation, which includes the importance of avoiding risk. To a certain degree, this strong emphasis on prudence limits our motivation to seek competitive advantage through developing management skills. (Company B, Interviewee BM1)

Because we operate on government funding, we have to pay close attention to buzz words like prudence or to the demands of government. In this case, we would like to emphasise the managers' compliance, rather than their innovative capacity. (Company C, Interviewee CM1)

I believe that this absence [of mentoring support] is linked to our business principles, which emphasise stability or prudence rather than entrepreneurship. (Company D, Interviewee DS1)

So the emphasis on prudent operation in the state-owned banks seems to be associated with strong corporate emphasis on bureaucracy, which makes companies likely to expect individual compliance. This emphasis on prudent operation is, therefore, an important factor constraining the provision of mentoring support.

Other interviewees viewed the 'no lay-off' HR policy as another key reason, constraining the availability of mentoring support:

I think the biggest challenge to our training approach is the weakness of our HR policies such as the 'no lay-off' policy. This 'no lay-off' tradition means that lots of middle managers actually lose their motivation to compete or achieve a better performance. In this case, it is not surprising to see the absence of mentoring support. (Company C, Interviewee CM2)

The provision of mentoring support is always associated with internal competition. This does not actually sit comfortably with our tradition of 'no lay-off'. (Company B, Interviewee BS2)

I would not see big benefits from the provision of mentoring support.

For example, if I mentor my teammates in a really good way, will I have the chance of promotion? Conversely, if my mentoring support is quite weak, will I be fired? Before resolving the questions of HR policies, I do not think middle managers want to provide substantive support for junior trainees. (Company E, Interviewee EM1)

These responses clearly suggest that weak HR policies create certain limitations to the level of internal competition. Given this lack of internal competition, there is a possibility that middle managers are losing their motivation to seek better departmental performance through mentoring junior trainees.

#### 5.2.3.7 Summary of Mentoring Support Provision

This section discussed three particular cases of mentoring support for management trainees: Companies A and G (larger insurance companies), Companies F, H and I (smaller insurance companies), and the state-owned banks (i.e. Companies B, C, D and E). Between these three cases, mentoring support for management trainees is implemented in the different ways. First, in the case of Companies A and G, the published CSR policies or reports formalise the ‘mentoring support’ policy, which creates certain pressures driving managers’ involvement in mentoring the junior trainees. Second, in the case of Companies F, H and I, a certain amount of mentoring support is offered to junior trainees in the sales division, clearly driven by pressure from business competition rather than CSR. Third, in the case of state-owned banks, there is no relevant provision of mentoring support for continuing professional development by management

trainees. This absence of mentoring support within the state-owned banks can be explained by (1) the strong emphasis on prudent operation and (2) the perceived weakness of HR policies. These constraints, the data suggest, provide middle managers in those banks with little or no motivation to become involved in junior trainees' development of management knowledge and skills.

### **5.3 The Link Between CSR and the Adoption of Management Training**

It is clear from Section 5.2 that the development of management training programmes is shaped and affected by several contextual factors: the formalisation of CSR policy; the role of business competition; and the traditional emphasis on top-down management in the financial sector. Through a comparison between case companies, this current section discusses the link between CSR and the adoption of management training initiatives.

#### ***5.3.1 Contextual Factors in the Adoption of Management Training***

This section will introduce the contextual factors that are essential for understanding the reasons underlying the provision and implementation of management training in Chinese financial companies. Drawing on the empirical evidence given in Section 5.2, three particular factors can be identified as important in explaining the differences in training practices: the role of CSR, the

role of business competition, and the top-down tradition in financial companies. The remainder of this section will detail how these three factors shape and affect the adoption of management training initiatives within case companies.

#### 5.3.1.1 The Impact of CSR

Three aspects of management training programmes were discussed in Section 5.2, and the interview data suggest that CSR has an impact on the adoption of management training programmes. This impact can be discussed from two points of view.

First, given that the ‘equality of training opportunities’ is formalised in CSR policies and targets, there is a rise in training provision for junior managers. This link between policies on ‘equality of training opportunities’ and the rise in training for junior management can be illustrated by a comparison between the case of Companies A, B, C, D and G (as larger companies), and the case of Companies E, F, H and I (as smaller companies).

In the case of Companies A, B, C, D and G, where companies formalise equality of training opportunities as one of their CSR policies or targets, certain statistics such as average training hours per manager are used by the KPI evaluation system. Accordingly, under this formalisation, interviewees from those five case companies have perceived a coercive pressure, emanating from the monitoring of

head office, government or the national supervision department. However, interviewees also noted a conflict between training input for junior management and economic rationality. Meanwhile, certain mimetic isomorphic pressures have been perceived by interviewees, suggesting that training provision for junior managers is beneficial in building up CSR reputation and corporate image.

By contrast, in the case of Companies E, F, H and I, where there are no formal 'equality of training opportunities' policies, few training programmes have been provided for junior management. This is because interviewees from these four smaller case companies considered the training investment for junior managers to be in conflict with economic rationality, causing the adoption of management training for junior managers to be resisted. The comparison between the case of larger companies (Companies A, B, C, D and G) and the case of smaller firms (Companies E, F, H and I) suggests that the formalisation of CSR policy supports the increase of training programmes for junior management.

Second, another impact that CSR has on the implementation of management training is the availability of mentoring support. This is in particular with reference to the case of Companies A and G (larger insurance firms), where the 'internal supervisor' system is formalised in response to CSR pressure on corporate support for continuing learning by individuals. Some interviewees interpreted their engagement in mentoring junior management as a way to avoid

criticism or penalty by head office or senior management, which suggests coercive isomorphic pressure. Moreover, along with the formalisation of the ‘internal supervisor’ system, the quality of mentoring support becomes a new criterion for evaluating the work of middle managers, which adds to the level of internal competition. Accordingly, middle managers from Companies A and G become actively involved in mentoring junior management, to stand out from others or to ensure that they do not lag behind.

Within other case companies, mentoring support has been neither provided in a consistent way, nor formalised by any training and CSR policies. For example, in the case of state-owned banks (B, C, D and E), there is no mentoring support. Also, in the case of Companies F, H and I (smaller insurance companies), although some mentoring support may be provided for junior managers in the sales division, some interviewees suggested that under certain circumstances, line managers in the sales division resist mentoring junior management. This thesis uses these comparisons to show that the publication of CSR policy on supporting continual learning by individuals drives the availability of mentoring support.

#### 5.3.1.2 The Role of Business Competition

Another key contextual factor for the adoption of management training initiatives is the pressure of business competition. The influence of competitive pressure on

the implementation of management training can be illustrated by two specific examples.

First, in the case of training provision for middle managers, most of the interviewees from the nine case companies suggested that competitive pressure is the key driver for the training provision for middle management, but CSR was rarely mentioned. In this example, management training initiatives are adopted as a way of retaining middle managers. The underpinning assumption is that training support is likely to be used by middle managers as the criterion for selecting employers. Case companies recognise the importance to this group of training opportunities and thus develop management training sessions or courses to signal their recognition of middle managers' importance.

Also, training for middle managers was interpreted by interviewees as the key means of improving aspects of corporate performance, such as increased sales volumes or market share. This corporate motive is why case companies expect to develop the knowledge and skills of middle managers, which are considered essential in catching up with competitors or standing out from them. This thus suggests a mimetic isomorphic pressure.

Second, particularly for the smaller insurance companies, such as Companies F, H and I, strong pressure of competition drives the availability of mentoring support



from line managers in the sales division. This is because sales managers often interpret the skills and capacity of junior managers as being essential and helpful in dealing with business competition and securing business benefits. Therefore, a mimetic isomorphic pressure is driving the availability of mentoring support within Companies F, H and I.

By contrast, weak competitive pressure may constrain firms' emphasis on the usefulness of mentoring support, as suggested by the case of state-owned banks. For example, in Companies B, C, D and E, interviewees emphasised the importance of prudent operation and the reduction of operational risks, and paid less attention to the achievement of competitive advantages. This corporate target means that companies are likely to expect compliance from junior managers rather than the improvement of their innovative or creative capacities. To a certain degree, the interpretation of entrepreneurship has been that it can potentially put such banks in danger. This strong emphasis on prudent operation is a constraining factor in the availability of mentoring support. The contrast between state-owned banks (B, C, D and E) and smaller insurance companies (F, H and I) illustrates that the degree of competitive pressure can explain the extent to which companies are willing to provide mentoring support for the ongoing learning by trainees.

### 5.3.1.3 The Top-Down Tradition in the Financial Sector

The third contextual factor is the top-down management approach within the

Chinese financial sector. This applies particularly to a discussion of trainees' involvement with setting priorities for the implementation of management training programmes. The impact of this top-down tradition is illustrated by the fact that in all case companies, the voice of trainees hardly has the effect on the adoption and development of management training initiatives.

For instance, in the case of SOEs, such as Companies A, B, C, D and E, the perception and willingness of senior management is the dominant factor determining the content, themes and the forms of management training programmes. Conversely, these five case companies rarely investigate the attitudes of management trainees.

Moreover, in the case of JVs, such as Companies F, G, H and I, the involvement of foreign partners promotes the adoption of annual reviews of trainees' management training needs. Nonetheless, the results of these annual reviews are not much used in planning and designing management training provision, indicating an effect of 'window dressing'.

In explaining the lack of trainee involvement in deciding management training, all interviewees noted the influence of the top-down tradition in the financial sector. Companies that use this top-down management approach expect to control their training costs as well as to ensure the training content is relevant to corporate

development. This emphasis on the top-down tradition constrains the impact that CSR has on promoting the trainees' voice in planning and developing training programmes.

### ***5.3.2 Comparison Between Case Companies***

This section makes a comparison between case companies to clarify the link between CSR and management training provision. The nine case companies can be categorised into one of four groups as shown in Table 5.4.

**Table 5.4 Category of Case Companies**

	<b>Low level of competitive pressures</b>	<b>High level of competitive pressures</b>
<b>CSR policies published</b>	B, C, D	A, G
<b>CSR policies not published</b>	E	F, H, I

(Source: Author)

Table 5.4 shows that the companies with formalised CSR policies, such as the larger companies (A, B, C, D and G), adopt different management training activities from those without formal CSR policies, such as the smaller ones (E, F, H and I). In the latter case, management training programmes are clearly driven by business imperatives, with companies somewhat resisting incurring training costs for junior managers based on the economic rationality of investment in training. However, in the firms (A, B, C, D and G) announcing CSR policies such as 'equality of training opportunities', the monitoring of head office, government

and government bodies pushes and motivates branch managers to develop relevant training sessions for junior management.

Another difference lies in the comparison between state-owned banks (B, C, D and E) and insurance companies (A, F, G, H and I), suggesting the usefulness of competitive pressures in focussing corporate attention on the development of management knowledge and skills. For instance, comparing the case of smaller state-owned bank (Company E) with the case of smaller insurance firms (F, H and I) shows that high pressure from competition leads to the provision of mentoring support for junior managers in the sales divisions. The link between competitive pressure and the availability of mentoring support is also illustrated by the contrast between larger insurance companies (Companies A and G) and larger state-owned banks (Companies B, C and D). Under strong competitive pressure, the larger insurance companies formalise ‘internal supervisor’ systems in response to CSR demands for corporate support for continuing learning as well as to secure the achievement of long-term competitive advantages.

There is a further interesting comparison between Companies A and G (larger insurance firms), and Companies F, H and I (smaller insurance firms). All of these five companies are from the Chinese insurance sector, and face stronger competitive pressures than the state-owned banks. However, Companies A and G provide consistent mentoring support for junior managers within every division,

as clear contrast to Companies F, H and I. This contrast illustrates the impact of the formalised ‘internal supervisor’ policy on the provision of mentoring support.

A review of the empirical data in Section 5.2 and the comparison discussed in this section finds little evidence to suggest that moral considerations underpin the implementation of management training. More importantly, the data indicate that there is a strong link between the formalisation of CSR policies and the adoption of management training, and that external pressures drive corporate involvement in improving the equality of training opportunities as well as providing essential support for the individuals’ ongoing learning. This fact echoes the nature of CSR in China (as shown in Chapter 4), which suggests managers’ interpretation of CSR is predominantly an instrumental one.

#### **5.4 Summary**

This chapter began with a general introduction to the differences in management training strategies by focussing on three particular dimensions: the scope of management training, trainee involvement in the design and development of training programmes, and the availability of mentoring support. As the CSR concept suggests, these three aspects reflect corporate efforts to, respectively, guarantee the equality of training opportunities, meet the needs of management trainees, and support the continuing learning by individuals.

The research findings suggest two substantive differences in corporate training strategies. First, training for junior managers is only provided by five out of nine case companies. Second, as regards mentoring support, the case companies can be categorised into three groups. Managers from state-owned banks (B, C, D and E) are not convinced of the usefulness of mentoring support, and thus resist becoming more involved in such support. In the larger insurance companies (A and G), which experience high pressure for CSR and competition, the establishment of internal supervisor mechanism motivates the involvement of line managers in mentoring support. In the smaller insurance companies (F, H and I), competitive pressure drives the provision of mentoring support for their junior managers from the sales division.

Nevertheless, in most case companies, the trainee voice in decision-making and design of management training programmes is relatively weak, although four JVs (Companies F, G, H and I) adopt a symbolic review of training needs. This suggests that the rise of CSR makes no substantive change to the strong tradition of a 'top-down' management approach in Chinese financial companies.

Three specific contextual factors are identified as significant for the development and implementation of management training. These three aspects are the formalisation of CSR policies, the pressure from competition and the traditional emphasis on top-down management in the Chinese financial sector. Moreover,

drawn on the comparison between the case companies, the formalisation of CSR policies relating to management training, such as ‘equality of training opportunities’ or ‘corporate support for continuing professional development’, clearly shapes and affects the implementation of management training initiatives.

## **Chapter 6 Discussion and Conclusion**

### **6.1 Purpose and Aims**

This thesis has paid particular attention to the nature of CSR and the adoption of management training programmes in the Chinese context, which were respectively illustrated in Chapters 4 and 5. The framework of institutional theory will be employed in this discussion as the lens to analyse and understand the reasons underpinning corporate activities. This chapter draws on the data chapters to discuss the research findings and suggest how these findings can contribute to the development of existing knowledge of CSR and institutional theory. The chapter begins with a discussion of the empirical findings, which will be followed by an examination of how this thesis can develop the literature. Finally, conclusions of this thesis are presented, limitations challenging this research are discussed and suggestions for the direction of future studies are offered. As a result, this chapter has four specific aims:

1. To discuss the implications of the previous data chapters.
2. To consider the contribution of this research to the development of CSR literature and institutional theory.
3. To provide an overview of the conclusions reached by this research.
4. To list the limitations of this research as well as to suggest potential avenues for future research.



## **6.2 Discussion of Empirical Findings**

The qualitative research method applied to a sample of Chinese financial companies led to a number of important findings, as identified in Chapters 4 and 5, which are relevant to CSR and management training practices, respectively. This section presents a further discussion of the qualitative data. In doing so, institutional theory provides a valuable lens for exploring the implications of interview data, allowing as it does for broader insights into the role of contextual factors in explaining the impact that CSR has on business practices such as management training programmes.

This section will begin with a consideration of the decoupling phenomenon, which is important for a discussion of the implementation of CSR and training initiatives. Then, particular attention will be paid to analysing the reasons explaining the distinction between CSR image and CSR reality.

### ***6.2.1 Distinction Between CSR Image and Reality***

Key to the debate around the impact that CSR has on business practices is the extent to which institutional pressures for CSR can drive substantive or symbolic change in terms of corporate structures and policies. According to institutional theory, a symbolic change (led by CSR) can be defined as decoupling (Weaver *et al.*, 1999) or as ‘window dressing’ (O’Rourke, 2003; Spar and La Mure, 2003), which suggests a difference between CSR image and reality.

As explored by Aravind and Christmann (2011), certain CSR practices, for example CSR disclosure and the adoption of CSR certification standards, help achieve legitimacy and signal firms' responsible treatment of stakeholders. However, apart from such a signaling function, CSR standards, policies and reports potentially have less effectiveness in shaping corporate practices and meeting stakeholder demands. Accordingly, this often causes a difference between CSR reputation and reality.

**Table 6.1 Distinction Between CSR Image and Reality**

<b>Case companies</b>	B, C and D	A and G	E	F, H and I
<b>CSR reputation</b>	High	High	Low	Low
<b>CSR reporting</b>	Formalised reporting methods		CSR information reported in fragmented and informal ways.	
<b>CSR priorities</b>				
<b>Charity and philanthropy</b>	All case companies pay considerable attention to charity and philanthropic projects.			
<b>Green Credit</b>	High	Low	High	Low
<b>Training and development</b>	Medium	High	Low	Low
<b>Management training and development</b>				
<b>'Equal training opportunity' policy</b>	Yes	Yes	No	No
<b>Provision of mentoring support</b>	No	Yes	No	Often adopted in sales functions, but not formalised.
<b>Managers' voice and engagement</b>	No	Little	No	Little

(Source: Author)

To illustrate the difference between CSR reputation and reality in the case of Chinese companies, Table 6.1 is presented, which draws upon Chapters 4 and 5. As summarised by this table, the qualitative data clearly suggest a distinction between CSR image and the implementation of CSR initiatives. Specifically,

despite formalised CSR reporting methods having been adopted by ‘socially responsible’ firms, such companies strategically implement CSR in different ways, in terms of CSR priorities and management training programmes. Based on these research findings, the following sections will consider in more detail how CSR image is different from CSR reality, which is useful in understanding the decoupling phenomenon of CSR in China.

#### 6.2.1.1 CSR Reputation and CSR Priorities

In identifying the difference between CSR image and reality, a first aspect refers to the distinction between CSR reputation and CSR priorities. This means that despite a similar level of CSR reputation, different priorities and foci are offered by case companies in developing CSR programmes.

As shown in Table 6.1, case companies strategically select their CSR priorities, such as philanthropy, green credit, and training and development. First, regardless of the level of CSR reputation, all of the case companies pay a great deal of attention to developing philanthropic and charity projects, e.g. donation and volunteering programmes. This echoes the observation of Yin and Zhang (2012), defining philanthropy as the most widely adopted CSR aspect in China. Second, corporate attention to socially responsible and green credit differs between state-owned banks and insurance companies, rather than between firms with high

and low CSR reputation. Third, given high level of CSR reputation, larger state-owned banks (B, C and D) and larger insurance companies (A and G) select different priorities with regard to the CSR aspects of training and development. The insurance companies with strong CSR reputation (i.e. Companies A and G) place higher emphasis on training and development than the three big state-owned banks from the top-tier of CSR ranking (i.e. Companies B, C and D).

In reviewing the distinction between CSR image and CSR priorities, the qualitative data suggest a concealment strategy (Oliver, 1991) adopted by case companies in setting CSR priorities and foci. This means priority is often given to those CSR aspects that have the potential to affect the achievement of social legitimacy and differentiation advantages, but companies strategically neglect and marginalise other CSR initiatives. For example, case companies often place emphasis on meeting the demands or requirements from legislation, government or the local community, in order to avoid political and social punishment. By contrast, a minority of case companies (two of nine case companies) formalise ‘training and development’ as a key aspect of CSR, which directly relates to the benefits of management trainees.

This phenomenon echoes the external-internal paradox found by Hine and Preuss (2009). Responsible treatment of managers is less visible or less helpful in achieving social legitimacy than corporate efforts to meet the claims of external

stakeholders. Thus, companies are more likely to give high priority to the external CSR issues, rather than the internal ones. Meanwhile, only when senior management perceives ‘training and development’ as a key means to obtain differentiation and competitive advantages will personnel development be placed at the central position of CSR programmes (Fenwick and Bierema, 2008; Gond *et al.*, 2011). Both these theoretical arguments can explain the different CSR priorities developed in the Chinese business context, where pressure from external stakeholders such as government and the local community predominantly drives the diffusion of CSR, but fewer case companies are pushed and motivated by the need for personnel development (as discussed in Chapter 4).

#### 6.2.1.2 CSR Reputation and the Implementation of Management Training

The second form of decoupling phenomenon explored by this thesis refers to the distinction between CSR reputation and the quality of implementation of management training programmes. According to the findings of this research, several observations demonstrate that CSR reputation does not automatically lead to a high quality of implementation of management training.

(1) Given high CSR reputation, the ‘socially responsible’ companies, e.g. Companies A, B, C, D and G, implement management training in different ways. Although all such firms formalise the equal training opportunities for management

trainees, Table 6.1 suggests the larger insurance firms (Companies A and G) clearly opt for a better implementation in providing mentoring support for the continuing learning by individuals, than the Chinese banking counterparts (i.e. Companies B, C and D).

(2) In comparing Companies B, C and D (stronger CSR reputation) with Companies F, H and I (weaker CSR reputation), CSR reputation is not a convincing factor to predict the better quality of implementation of management training. On the one hand, regarding the formalisation of the ‘equal training opportunity’ policy, Companies B, C and D have the potential to benefit a wider group of management trainees through providing greater training opportunities. On the other hand, the case of Companies F, H and I reflects a corporate emphasis on human resource development by providing mentoring support, although such provision of corporate support is not formalised. As a result, this comparison echoes the discussion in Chapter 2, suggesting that ‘socially responsible’ companies under certain conditions do not present a better implementation of CSR initiatives than those with weaker CSR reputation (Aravind and Christmann, 2011).

(3) Regardless of the difference in their CSR reputation, all case companies rarely make efforts to enhance the power of trainees’ voice and engagement with setting priorities for and implementing management training. This absence of managers’

voice not only refers to the neglect of Chinese SOEs in exploring training demands of individuals, but can be also illustrated by the ‘window dressing’ effect of JVs’ investigations of individual training demands.

As regards CSR claims on firms’ systematic and continuing support for individual learning and meeting managers’ demands, the observations above suggest that all case companies strategically implement management training, and thus illustrate a difference between CSR image and implementation quality. According to the existing literature of weak implementation of CSR (e.g. O’Rourke, 2003; Christmann and Taylor, 2006; Kortelainen, 2008; Aravind and Christmann, 2011), the data of this research detail two kinds of distinctions between CSR reputation and the implementation of management training. On the one hand, it can be argued that given similar CSR reputation, the quality of implementation of management training programmes differs between case companies, particularly with reference to the comparison between larger state-owned banks (B, C and D) and larger insurance companies (A and G). On the other hand, in comparing three big state-owned banks (B, C and D) with smaller insurance companies (F, H and I), as well as in considering the dearth of trainees’ voice in all case companies, another conclusion is that on certain aspects, companies with high CSR reputation do not implement training programmes any better than those with low CSR reputation.

### 6.2.1.3 CSR Priorities and the Implementation of Management Training

Based on the previous discussions of two forms of decoupling phenomena, this part focusses on the relationship between CSR priorities and the implementation of training programmes, which can build a connection between CSR reputation, CSR priorities and training practices.

According to the training literature, for example Gooderham *et al.*, (1999), Pettigrew *et al.*, (1988), Keep and Rainbird (2000) or Jones and Hendry (1992), the attitudes of senior management towards training and development have a strong influence on the implementation of management training. Specifically, corporate emphasis on training and development is viewed as the most important driver for management training initiatives (Pettigrew *et al.*, 1988; Keep and Rainbird, 2000; Jones and Hendry, 1992). In this study, CSR priorities given to managers' interests reflect firms' emphasis on management training in developing CSR, and further determine the details of implementation of training programmes.

By comparing the cases of Companies A and G with Companies B, C and D, the high (or low) CSR priority given to training and development can be related to the stronger (or weaker) implementation of management training. Moreover, in the cases of Companies F, H and I, where business competition rather than CSR drives training practices, management training initiatives operate with a limited coverage and are implemented in a fragmented way, as a contrast to Companies A



and G (where the role of CSR drivers is more significant in promoting training and development). In addition, in terms of Company E, due to the lack of CSR and competitive pressures, management training is implemented with the lowest quality in the comparison with other case companies.

Based on these comparisons, under high CSR priority given to training and development, e.g. in Companies A and G, management training is implemented with high quality. By contrast, with the dearth of such CSR priorities, a lower quality of training implementation is observed from the case of other seven case companies. Therefore, it can be summarised that the extent to which CSR priorities include training and development directly determines the implementation detail of management training.

#### 6.2.1.4 Summary of CSR Reputation, CSR Priorities and Management Training

In considering the links between CSR reputation, CSR priorities and the implementation of management training, the findings of this research indicate a distinction between CSR image and reality, which can be summarised as the following points. (1) Despite similar levels of CSR reputation, the Chinese state-owned banks and insurance firms set up CSR priorities in different ways. However, the difference in other factors e.g. ownership structure has little impact on designing CSR priorities, which in particular applies to the case of Chinese insurance companies. This runs counter to the argument that other factors, for

example ownership structure, drive the difference in CSR approaches (e.g. Li and Zhang, 2010). (2) Despite similar levels of CSR reputation, management training is initiated with different quality, which thus points to a distinction between CSR reputation and training reality. (3) Implementation of management training is directly determined by the extent to which CSR priorities are given to the demands of managers. This is particularly the case for Companies A and G. In these two companies, the priority for training and development is formally suggested by their CSR programmes and strategies, which further contributes to a better implementation of management training programmes. This is in contrast to other companies, where personnel development is not designated as a CSR priority.

Thereby, these findings suggest the following propositions:

*PI(a): The more priorities given to training and development, the more likely companies with strong CSR reputation are to implement management training with a better quality.*

*PI(b): The less priorities given to training and development, the less likely companies with strong CSR reputation are to implement management training with a quality that is better than those with weak CSR reputation.*

These propositions contribute to integrating the concerns over weak implementation of CSR programmes with firms' selective foci on stakeholder groups, thus enriching current knowledge and explanations of decoupling phenomena of CSR.

### ***6.2.2 Conflicting Pressures and Corporate Responses***

As stressed by institutional theory, contextual factors are crucial in explaining corporate strategic responses to institutional arrangement. On the one hand, pressures from the organisational field motivate organisational compliance with institutional claims by isomorphic mechanisms (DiMaggio and Powell, 1983), which have been demonstrated by Chapters 4 and 5. On the other hand, the ambiguity existing in an institutional context and the competing expectations by stakeholders are viewed as the primary reason underpinning firms' strategic responses to institutional claims (Knight, 1992; Beckert, 1999; Scott, 2008; Levy and Scully, 2007; Lounsbury, 2008). Following such institutional explanation, this research considers the drivers for the decoupled responses to CSR, by discussing the role of conflict between key social actors in constraining corporate responses to CSR and accordingly the effectiveness of CSR in changing management training practices.

#### **6.2.2.1 Competing Pressures Within the Institutional Environment**

Recent literature on institutional theory (Scott, 2008; Levy and Scully, 2007; Lounsbury, 2008) stresses the intrinsic conflict and competing pressures within an institutional context, leading to corporate strategic responses. In particular, this research explores the conflict between key stakeholders, which affect CSR development in China.

**Table 6.2 Competing Pressures Within Case Companies**

	<b>State-owned banks</b>	<b>Insurance companies</b>
<b>Drivers of strategy</b>	Stronger political intervention	Higher emphasis on competition
<b>Identified conflict between stakeholder pressures</b>		
<b>Political intervention and competition</b>	Strong political intervention drives corporate emphasis on ‘prudent management’ and ‘iron rice bowl’ scenario, which constrains corporate efforts to develop managerial quality and skills.	‘Training and development’ becomes a core element of managerial imperatives, due to its usefulness in developing competitive advantages.
<b>The local community and managers’ benefits</b>	Criticism from the local community limits corporate priorities on protecting managers’ needs and thus the aspect of personnel development.	N/A
<b>Political intervention and trade unions</b>	Political intervention from the Chinese government limits the role of independent trade unions, causing the lack of trainee involvement.	

(Source: Author)

As described by Table 6.2, there are different company characteristics between the Chinese state-owned banks and insurance firms. On the one hand, in the case of state-owned banks (B, C, D and E), the influence of government and its legislation clearly intervene in business operations and management imperatives. On the other hand, for the Chinese insurance companies (A, F, G, H and I), the intervention by government relatively decreases, regarding the fact that management and business imperatives are more likely to relate to competition and market share. Given such difference in company characteristics, e.g. business strategy is oriented either by political intervention or by competition, certain competing pressures are identified as constraints on CSR priorities and their implementation, as presented in Table 6.2.

### **6.2.2.1.1 Constraints From Political Intervention on Business Competition**

The first conflict points to the extent to which political intervention constrains the role of competitive pressures for CSR, which further determines firms' priorities and implementation of either CSR (Koos, 2012; Perez-Batres *et al.*, 2012) or training programmes (Greening and Turban, 2000; Albinger and Freeman, 2000; Pettigrew *et al.*, 1988; Keep and Rainbird, 2000). Given stronger intervention from the central government, interviewed managers in the state-owned banks (B, C, D and E) expressed different perceptions of management imperatives and attitudes towards CSR and human resource development from the managers in the insurance companies (A, F, G, H and I), which are under weaker political intervention. This further results in differences in priorities on CSR and management training programmes.

By frequently mentioning the key words 'prudent operation' and 'risk management', the majority of the interviewees from state-owned banks B, C, D and E (see pages 279-280 in Section 5.2.3.6) identified a strong corporate emphasis on bureaucracy, making companies expect individual compliance. Under this condition, an improved knowledge on management may be not very useful in reinforcing managerial quality, since management trainees are more likely to be required to comply with higher authority than to focus on innovation or entrepreneurship (as the responses of Interviewee CM1 and DS1 on page 280).

By contrast, the majority of insurance company interviewees for example from Companies A, F, G, H and I saw the major duty of managers as promoting their market shares, and thus the implementation of CSR and training initiatives is always around the central targets of business competition. Meanwhile, pressures from the central government are likely regarded as providing useful directions, which potentially lead to strategic responses from the Chinese insurance companies. Accordingly, between state-owned banks (e.g. Companies B, C, D and E) and insurance companies (e.g. Companies A, F, G, H and I), there is a significant difference in managerial attitudes and priorities towards business competition.

Moreover, the human resource management in state-owned banks (e.g. Companies B, C, D and E) has a specific weakness, which suggests a lack of corporate emphasis on business competition. The so-called ‘iron rice bowl’ in those state-owned banks means security of employment. In the ‘iron rice bowl’ scenario, the salary and career path of managers are largely determined by tenure, rather than individual performance and individual contribution to corporate performance. By contrast, in the case of insurance companies (e.g. Companies A, F, G, H and I), the system of HR management is designed in a competition-oriented way. This characteristic is not only reflected in the case of JVs, such as Company G, but also illustrated by Company A, which is one of SOEs and reforms its HR system to strengthen competitive capacity. Therefore,

being different from the insurance firms, the HR management system in Chinese state-owned banks is seemingly designed in a planned-economy style, i.e. insulated from the demands of business competition.

By comparing their emphasis on business competition, these findings above indicate that Chinese state-owned banks present different company characteristics and strategic orientations from the insurance firms. Going a further step, this difference in company characteristics provides key insights explaining the extent to which high priority is given to personnel development and management training initiatives.

In the companies where corporate strategy is highly oriented towards competition, ‘training and development’ is often compatible with business imperatives. This is due to the importance of management training and development for the achievement of competitive or differentiation advantages (Pettigrew *et al.*, 1988; Keep and Rainbird, 2000; Jones and Hendry, 1992). Therefore, companies are more likely to place ‘training and development’ at a central position within both CSR and business operations.

However, under the state-led characteristics, stronger political intervention drives managers to emphasise ‘prudent operation’ or ‘individual compliance with higher authority’, away from entrepreneurship or the innovative capacity of companies.

This causes the needs for management training and development to often conflict with the internal goals of organisations, and thus explains the resistance to giving a high priority to employee aspects of CSR, e.g. ‘training and development’.

The impact that this difference in company characteristics and strategic orientations has on business practice is visible in that under strong CSR pressures the larger insurance companies (A and G), rather than the larger Chinese banks (B, C and D), establish the ‘internal supervisor’ policy, in which ‘training and development’ is formalised and prioritised as a key aspect of CSR strategies. Also, under weak CSR pressures, the emphasis on competition is, under certain conditions, more likely to drive and deepen corporate input for training managers than the focus on political intervention. A comparison of Company E (the smaller state-owned bank) with the smaller insurance companies (F, H and I) suggests competitive pressures on sales performance drive insurance companies to provide mentoring support for trainees, as the means to improve managerial quality and skills.

Therefore, these findings indicate the following propositions:

*P2: The more state-led a company’s strategic orientation is, the more likely pressures for management training are to conflict with firm’s economic objectives.*

*P3: The more competition-oriented a company’s strategic orientation is, the more likely senior management is to prioritise management training and development.*



### **6.2.2.1.2 Criticisms From the Local Community**

In terms of CSR in the Chinese financial sector, the local community is important in promoting corporate attention to charity and philanthropy, which thus leads to the widespread adoption of charitable projects by all nine case companies. This observation is consistent with the existing literature suggesting the popularity of philanthropic activities in China (Darigan and Post, 2009; Yin and Zhang, 2012) but is in contrast to Carroll's (1991) model of the pyramid of CSR. As explained by Yin and Zhang (2012), philanthropy is defined as a taken-for-granted value for individuals and organisations in China. Therefore, in Chinese financial companies, most of interviewees commented on philanthropy as 'what the company should do' in response to the expectations by the general public in China. Meanwhile, along with the increase of business competition, peer pressure further promotes the mimetic and coercive mechanisms, through which corporate involvement in philanthropic campaigns reduces both uncertainty around business competition and potential criticism from the general public.

However, under this strong role of the local community in promoting philanthropy, certain constraints are observed, which directly challenge and limit firms' responsible treatment of management training and development. This concern is particularly relevant in the case of state-owned banks (B, C, D and E), where criticism from the local community of these banks' salary and welfare provision significantly constrains banks' ability to make managers' demands a CSR priority,

as discussed in Section 4.2.3.4 and Section 4.3.1.4. In Chinese state-owned banks, one specific company characteristic is the political protection of the Chinese banking sector, which provides certain benefits for state-owned banks. Such benefits often lead to a leading or even monopoly position of state-owned banks in the banking industry (see Chapter 3). This is clearly in contrast to the Chinese insurance sector, where JVs such as Company G take a leading position in the top-tier of the Chinese insurance market.

By recognising the political protection of the banking industry, interviewees from state-owned banks perceived the criticism from the general public (see pages 217-218 in Section 4.2.3.4), concerning the unfairness in terms of salary levels and welfare provision offered for these banks' management trainees. An explanation of such criticism is that the managers from Chinese state-owned banks are seen as receiving excessive benefits through operating national assets or governmental capital, causing the local community to feel antagonistic towards high levels of salary and welfare in such banks. This criticism from the local community results in state-owned banks often adopting a cautionary attitude towards the employee aspects of CSR and thus resisting giving high CSR priority to the needs of managers. Such concern and resistance were expressed by most of the interviewed managers in such banks. However, reviewing the responses from insurance companies, this kind of criticism from the general public was little mentioned by interviewees.

Accordingly, given the state-led characteristics of Chinese state-owned banks, the pressures from the local community bring certain constraints on their CSR priorities in terms of the demands of managers. Under competition-oriented characteristics in insurance companies, the constraints from the local community affect the establishment of CSR priorities very little, providing space for corporate support for personnel development.

Thus, these findings suggest the following proposition:

*P4: The more state-led a company's strategic orientation is, the more likely local community expectations are to take precedence over management training needs.*

#### **6.2.2.1.3 Conflict Between Political Intervention and Trade Unions**

The role of government is frequently mentioned in discussing CSR growth in China, both by academics (Moon and Shen, 2010) and by the majority of interviewees, suggesting the intervention by the Chinese government is one of most powerful institutional pressures pushing companies to engage in CSR. Nevertheless, this strong intervention by the central government often limits the engagement of less powerful stakeholders, e.g. independent trade unions and associations (Chan, 2001, 2005; Chan and Ross, 2003; Yu, 2008). This indicates a conflict between the needs of powerful and less powerful stakeholders.

According to previous CSR studies (such as Li and Zhang, 2010; Kang and Moon,

2011), within a state-led economy such as China, the political pressure emanating from the government has the potential to dramatically change corporate practices. However, along with the strong political intervention, the demands of peripheral or secondary stakeholder are often ignored (Clarkson, 1995). Kang and Moon (2011) explain this reality as the constraining relationship between powerful and less powerful stakeholders.

In discussing management training, the interview data suggest that strong intervention by the Chinese government limits the role of independent trade unions and professional associations, which are the important third-party organisations that could protect the interests of management trainees. For example, the Chinese Banking and Insurance Associations play a dominant role in the implementation of national policy, but do little to develop campaigns and negotiations that are independent from the central government. Also, the role of independent trade unions was little mentioned by interviewees. This echoes the fact that trade unions in China are often perceived as the mouthpiece of central government but rarely initiate independent campaigns to protect employee interests (Chan, 2001, 2005; Chan and Ross, 2003; Yu, 2008). As explored by Yu (2008), this absence of independent trade unions largely explains the scarcity of trainees' voice and engagement in Chinese companies.

More importantly, this constraint of political intervention on the role of

independent trade unions does not differ according to company characteristics, such as their strategic orientations, as the absence of managers' voice and engagement are observed in all case companies. For instance, Chinese SOEs do not conduct any investigations to explore managers' training demands. Also, although certain investigations of training demands are initiated by JVs, the results of these investigations are hardly integrated in the development of training programmes.

Therefore, this finding suggests the following proposition:

*P5: Regardless of differences in strategic orientations, the stronger the intervention by the state is, the more likely the role of independent trade unions in employee training is to be limited.*

#### 6.2.2.2 Impact of CSR Pressures on Business Practices

Following a consideration of the constraints imposed by contextual factors, this section discusses the role of CSR pressures in affecting corporate responses by exploring how a rise of CSR shapes training provision. As presented in Table 6.3, this link between CSR pressures and firms' approaches to management training can be described from several perspectives.

##### **6.2.2.2.1 Training Provision as a Means to Achieve Legitimacy**

The intervention from the political authority has a significant impact on the development of training provision in China; the majority of interviewees are often aware of pressures from government and the national supervision department. The

national government, in applying this pressure, expects case companies to forego some of their operational profits, and to take more responsibility for addressing social and environmental issues. On the one hand, government plays the role of regulator in developing CSR programmes, such as the formalisation of ‘equality of training opportunities’ in the larger companies (A, B, C, D and G). On the other hand, regarding the role of supervision departments such as the CSRC, the CBRS and the CIRC, the Chinese government is also treated as a powerful watchdog to monitor and supervise CSR performance of case companies.

**Table 6.3 The Link Between CSR Pressures and Training Approaches**

	<b>Weaker CSR pressures</b>	<b>Stronger CSR pressures</b>
<b>Training as means to achieve social legitimacy</b>	Inefficiency of training input for junior managers limits corporate efforts to enlarge the scope of training programmes.	Strong political intervention motivates a shift of business imperatives, from efficiency of training input to achieving legitimacy.
<b>Training as means to strengthen competitive advantages</b>	CSR pressures have little impact on training practices, as competitive pressures drive the adoption of training methods.	Under competition-oriented characteristics, companies formalise training and development as one of key CSR targets, thereby driving corporate efforts to provide mentoring.
<b>Training as means to meet trainees’ expectations</b>	The lack of independent trade unions, and the conflict between managers’ needs and limited corporate resources constrain the effectiveness of CSR in steering training provision in the direction of meeting the expectations by management trainees.	

(Source: Author)

By comparing case companies of different size, the larger firms often experience such political pressure, not least as a result of the fact that such companies are listed on the stock exchange market and have more exposure to the general public. Given a rise of political/coercive drivers, interview respondents from larger firms

were concerned about potential penalties and punishment imposed by the government, if there is a failure to meet the compulsory requirement on the 'equality of training opportunities'. Nonetheless, many interviewed managers from larger case companies further stressed the inefficiency of training input for junior managers, by underlining that there is no economic reason to enlarge the scope of management training programmes.

By contrast, for the smaller companies (E, F, H and I), there is a vacuum of such type of regulation, illustrated by the fact that interviewed managers from smaller firms predominantly perceive cognitive rather than coercive pressures and little concern about potential punishment from political authorities. Under this condition, the management within Companies E, F, H and I resists developing management training for junior managers, since training input for junior management hardly leads to the improvement of working efficiency.

Based on this comparison between case companies of different size, the majority of interviewees clearly expressed their concerns over the uselessness of training input in improving the efficiency of junior management. As a consequence, political intervention becomes the major reason, explaining the isomorphic adoption of the 'equal training opportunity' policy. This largely responds to the assumption of isomorphism, stressing that organisational compliance is motivated by the achievement of social legitimacy, rather than due to economic rationality

(Meyer and Rowan, 1977; DiMaggio and Powell, 1983). Thereby, these findings suggest the following proposition:

*P6: The stronger the monitoring from government becomes, the more likely CSR pressures are to motivate companies to provide greater training opportunities as a means to achieve social legitimacy.*

#### **6.2.2.2.2 Training Provision as a Means to Strengthen Competitive**

##### **Advantages**

As discussed in Chapter 2, in order to obtain long-term competitive advantages, such as managerial quality and skills, it is necessary for companies to conduct a long-term effort to develop management training, such as the provision of mentoring support. In motivating this kind of long-term effort, the findings, presented in Chapter 5, suggest the external pressures for CSR cannot fully explain corporate strategies in implementing training programmes, but emphasise a conjunction of two factors, such as CSR pressures and company characteristics, e.g. strategic orientation.

Given the state-led characteristics, as is the case for Chinese state-owned banks, a rise of CSR pressures does not lead to a substantive change in terms of the provision of mentoring support for junior management. One key reason is that under such kind of company characteristics, there is a corporate emphasis on 'prudent operation' and 'risk reduction' rather than competition (see Section 4.2.3.4). Given these general business imperatives and priorities, the pressures for



management training and development certainly conflict with the existing goals of companies and the criticism from the local community. Thereby, the Chinese state-owned banks (B, C, D and E) place little emphasis on protecting the interests of management trainees as a means to guarantee the achievement of business goals, and to address the criticism by the local community. Accordingly, the senior management in those banks is likely to hold a cautionary attitude towards ‘training and development’, and thus is reluctant to promote the provision of mentoring support.

Given the competition-oriented characteristics, the insurance counterpart is more likely to treat training provision as the key means to improve market share or sales volume, under which CSR pressures contribute to the formalisation of mentoring practices. Under such characteristics, training and development can well fit with the strategic orientations of companies, where there is an emphasis on the long-term competitive advantages. Thereby, given strong CSR pressure, the larger insurance companies (A and G) would like to formalise corporate emphasis on human resource development as one of their CSR priorities, due to the assumption that the quality of HR is fundamental for firms’ long-term development. Under such general CSR priorities, Companies A and G develop the policy of providing ‘internal supervisors’ and thus formalise the availability of mentoring support for management trainees. This example is in contrast to the insurance firms of smaller size (Companies F, H and I), where there are weaker CSR pressures. Given a

dearth of external pressure for CSR, competitive or peer pressure is the only driver to push companies or departmental managers to mentor management trainees. The impact brought by competitive pressure clearly indicates several limitations, such as a lack of mentoring support in departments other than sales functions, or the fragmented and occasional implementation of mentoring. As a result, in discussing its effectiveness in driving the long-term training approaches, CSR pressure is more useful for the Chinese insurance sector than the banking counterpart, which points to the importance of both company characteristics and institutional pressures.

These findings indicate the following proposition:

*P7: The more competition-oriented a company's strategic orientation is, the more likely pressures for CSR are to drive companies to take a long-term approach to management development.*

#### **6.2.2.2.3 Training Provision as a Means to Meet Trainee Demands**

All case companies make few efforts to meet managers' demands in developing training programmes, as documented by the facts that interviewees predominantly emphasise a 'top-down' characteristic of management as well as that trainees' expectations are hardly integrated with the planning of training sessions. Two arguments can explain this weakness of managers' voice and engagement in the Chinese financial sector. On the one hand, as previously discussed in Section 6.2.2.1, the strong intervention from government limits the development of

independent trade unions, which further causes the scarcity of external drivers helping to improve the voice and engagement of managers. On the other hand, most of interviewed managers (see page 266 in Section 5.2.2.3) pointed out that it requires a large amount of training resources to integrate individual needs with the planning of training initiatives, thus identifying an intrinsic conflict between trainees' demands and limited corporate resources. Thereby, in terms of the issue on manager voice and engagement in China, two specific constraints, such as the 'ambiguity and conflict within the institutional environment' and 'conflict between institutional claims and corporate resources', can be summarised.

This consideration of the Chinese business context can be further compared with studies of other national business contexts, e.g. Germany and France, where there is a strong role of trade unions in protecting the benefits of managers and employees. Through developing independent campaigns, strong trade unions often contribute to the rise of employee voice in decision-making (Preuss *et al.*, 2009; Gond *et al.*, 2011; Kang and Moon, 2011). This is because the collective engagement of social actors has the potential to impose strong institutional pressures on shifting business imperatives from the emphasis on efficiency to the protection of stakeholder interests (Campbell, 2007). However, in China, such collective engagement of social actors is significantly absent, in particular with reference to the constraint that political intervention has on the development of independent trade unions. Under such weaknesses of the institutional environment,

the external pressures for CSR have little impact on raising trainees' voice and motivating corporate efforts to meet the demands of managers.

As a result of the comparison above, the extent to which the institutional infrastructure is supportive of manager voice and engagement may be the primary factor for explaining whether the expectations by management trainees can be integrated with the planning of training programmes. This concerns specifically the strong role of trade unions in Germany and France, which can drive the protection of the needs from employees although this often increases the operational costs of companies.

Therefore, this finding suggests the following proposition:

*P8: The greater political constraints on the role of independent trade unions are, the less likely CSR pressures are to drive the involvement of trainees in planning and implementing management training.*

### 6.2.2.3 Summary of Corporate Strategic Responses

Reviewing the details of training implementation illustrated how the case companies develop management training programmes in different ways, according to the aspects of 'equal training policies', 'mentoring support' or 'voice and engagement of management trainees'. In particular, management training in Chinese financial companies can be characterised as (1) management training is initiated either to strengthen firms' CSR image or to improve managerial quality

and competitive advantages; (2) management training programmes in China are little designed to meet the demands from management trainees, although there seem to be the efforts of JVs to investigate the training demands of managers.

In explaining firms' strategic responses to external pressures for CSR and management training, competing expectations existing in the institutional context play a significant role. One type of such conflict refers to the competing pressures between different stakeholders, such as the constraint of government on the role of independent trade unions or the criticisms from the local community. Another type is visible in the often hostile relationship between institutional pressures and business imperatives, which motivates the strategic responses adopted by firms to protect business interests from their compliance with institutional claims.

These two types of conflict lead to a lack of managers' voice in planning and setting up training programmes. On the one hand, the Chinese government as the powerful stakeholder limits the engagement of independent trade unions. On the other hand, meeting the needs of management trainees demands additional resources and hence may threaten business interests. Both these conflicts explain the ineffectiveness of CSR in changing the engagement of trainees with designing and planning management training (see Section 4.3.1.5 and Section 5.2.2.3). This example echoes the argument of Meyer and Rowan (1977), who stress how the

ambiguity and competing pressures existing in the institutional context directly result in decoupling.

Moreover, in the case of ‘equal training opportunities’, the reform of Chinese legislation on CSR disclosure motivates a strong monitoring from government and an emphasis of investors on CSR performance of case companies (see Section 4.2.3.2). All these external pressures further drive the larger companies to increase the number of their management training programmes and funding as the means to achieve social legitimacy (see Section 5.2.1.4). This example demonstrates that an improvement of the institutional infrastructure helps solve the ambiguity within the institutional environment, thus driving the change in corporate practices through both coercive and mimetic isomorphic mechanisms (DiMaggio and Powell, 1983).

Finally, in considering the availability of ‘mentoring support’, the ambiguity and conflict within the institutional context have a mixed impact on the implementation of management training, as discussed in Section 6.2.2.2. In the case of state-owned banks, the availability of mentoring support for trainees is limited by the conflict between stakeholders, or the conflict between stakeholder demands and business operations (e.g. the rise of management risks). However, in terms of Chinese insurance firms, the ambiguity within the institutional environment provides certain spaces, where the availability of ‘mentoring support’

has the potential to become a means to achieve competitive advantages. This is particularly clear in the case of Companies A and G, where mentoring practice is formalised to strengthen CSR reputation and to promote management development.

Given this mixed influence, certain company characteristics, for example their strategic orientation, and CSR priorities are important in determining the evaluation by senior management and business decision-making in terms of training implementation. Under the competition-oriented characteristics, insurance companies give high CSR priority to personnel development, motivating corporate efforts and emphasis on training and development. Nonetheless, under the state-led characteristics, state-owned banks are more likely to design CSR priorities to meet the expectations by the government and the local community, rather than the interests of managers. Given this condition, external pressures for CSR have little impact on driving firms' long-term efforts to develop managerial skills and knowledge. Accordingly, in the case of 'mentoring support', CSR effectiveness in sharpening management training is subject to differences in company characteristics for instance strategic orientations and CSR priorities.

### **6.3 Contributions to Literature**

This section considers the contribution of this thesis to the existing literature on CSR, management training and institutional theory. While these contributions

have to some extent been mentioned in previous chapters or sections, this section intends to bring all the contributions together.

Previous studies (e.g. Vuontisjarvi, 2006; Fenwick and Bierema, 2008; Gond *et al.*, 2011) argue that CSR has the potential to impact the adoption of management training. However, the link between CSR and management training may be still under-developed, specifically in the context of emerging or developing countries. This thesis has employed institutional theory to close this research gap and has discussed the extent to which CSR affects the implementation of management training programmes in Chinese financial companies. As suggested by the findings, this thesis makes contributions to the current literature on CSR and institutional theory, which will be detailed in the remainder of this section.

### ***6.3.1 Contributions to CSR Literature***

Although CSR has experienced global expansion in recent years, it can be argued that the current understanding of CSR is still under-developed. Such a research gap not only concerns the debate on the effectiveness of CSR in meeting stakeholder demands (Matten and Moon, 2008), but is also reflected by the more limited presence of CSR studies on emerging or developing economies than on Western nations (Egri and Ralston, 2008).

By investigating the impact that CSR has on management training in China, the



current research can make several contributions to the CSR literature by (1) advancing current understanding of decoupling phenomena of CSR by discussing the distinction between CSR reputation, CSR priorities and the implementation of management training initiatives; (2) clarifying the role of the institutional infrastructure and competitive drivers in shaping the usefulness of CSR in protecting the interests of management trainees; (3) providing empirical evidence for the impact that CSR has on management training in China; (4) expanding current knowledge on the nature and characteristics of CSR in the Chinese financial sector. The contributions made by this thesis will be detailed in the following sections.

#### 6.3.1.1 Decoupling in the CSR Literature

By exploring the effectiveness of CSR in promoting management training within Chinese financial companies, this thesis contributes to developing knowledge on the distinction between CSR image and reality, which can be described by two perspectives. First, this research advances understanding of decoupling in the CSR literature. On the one hand, existing studies (e.g. O'Rourke, 2003; Christmann and Taylor, 2006; Kortelainen, 2008; Aravind and Christmann, 2011) on 'weak implementation' of CSR criticise firms' ceremonial adoption of individual CSR programmes or CSR standards, thereby defining 'window dressing' as the major phenomenon of decoupling. On the other hand, other papers (e.g. Hine and Preuss, 2009; Fenwick and Bierema, 2008; Barrientos and Smith, 2007; Barkemeyer and

Figge, 2014) begin to discuss the nature and characteristics of general CSR priorities by highlighting that high CSR priority is often decoupled from the internal and less powerful stakeholders, such as management trainees. Thus, based on different analytical units (the level of the single programme or the level of the company), the literature above points out that there are different forms of decoupled responses to CSR, either in terms of the implementation of CSR or CSR foci and priorities.

In examining CSR priorities as well as the implementation of management training, this study considers two forms of decoupling phenomena of CSR. In particular, a corporate strategic response to CSR refers to the differences between CSR reputation and CSR priorities, and between CSR reputation and the implementation of management training. Moreover, the nature of CSR priorities has a direct impact on the implementation of training programmes. As a result, this research concludes that both the characteristics of general CSR priorities and their specific implementation are fundamental elements to understand the decoupling phenomenon of CSR, which integrates the propositions concluded by the ‘weak implementation’ literature (O’Rourke, 2003; Christmann and Taylor, 2006; Kortelainen, 2008; Aravind and Christmann, 2011) and the studies focussing on CSR foci and priorities (Hine and Preuss, 2009; Fenwick and Bierema, 2008; Barrientos and Smith, 2007; Barkemeyer and Figge, 2014).

Second, this research considers whether the pressure from the institutional infrastructure or that from business competition is more useful in driving the substantive adoption of CSR. As summarised in Chapter 2, the existing literature highlights the importance of both pressures emanating from the institutional infrastructure and from the competitive environment in developing CSR (Boxenbaum, 2006; Kang and Moon, 2011; Matten and Moon, 2008; Koos, 2012; Gjøølberg, 2009; Kinderman, 2009; Jackson and Apostolakou, 2010). Nevertheless, there is a debate over how these two factors can determine the effectiveness of CSR (Scherer and Palazzo, 2011; Matten and Moon, 2008; Perez-Batres *et al.*, 2012). This is because competitive drivers often work against the expectations by other stakeholders, such as government (Matten and Moon, 2008; Kang and Moon, 2011; Koos, 2012).

In this thesis, beyond the isomorphic forms of CSR and training practices respectively identified by Chapters 4 and 5, Chapter 6 analyses the conflict existing between institutional pressures, which evidently constrains corporate responses and therefore explains the symbolic adoption of CSR. On the one hand, the pressures from the institutional environment are more likely to either strengthen the signaling function of management training, or bring competing pressures against the role of independent trade unions and trainees' voice. On the other hand, there is certain evidence illustrating the role of a corporate emphasis on business competition in protecting personnel development.

Therefore, in considering the CSR expansion in China, this thesis suggests the importance of both competitive drivers and the pressures from the institutional infrastructure in guaranteeing the effectiveness of CSR in changing firms' training practices. Drivers from the institutional environment clearly contribute to the expansion of CSR in China (see Chapters 4 and 5), but have a potential to steer CSR implementation into a symbolic direction. Meanwhile, competitive pressures seem useful in pushing the substantive change to firms' training practices, for instance the availability of mentoring support for management trainees. Thus, this suggests that given strong political intervention in China, a healthy competitive environment can reinforce the impact that CSR has on management training, which motivates companies to substantively adopt training practices as a means to seek long-term advantages.

#### 6.3.1.2 The Link Between CSR and Management Training

Another contribution of this thesis to the CSR literature is to clarify how CSR can affect the adoption of management training programmes. As argued by scholars e.g. Fenwick and Bierema (2008), Fenwick (2005), Turnbull and Elliott (2005), Hill (1999) and Roberson (1999), the rise of CSR can lead to a change in management awareness of equality and justice in the workplace, which motivates companies to develop managerial skills and provide greater training opportunities. However, as Fenwick and Bierema (2008) explore in their research in North America, there is very limited evidence to support such a normative impact of

CSR on training practices, based on the fact that personnel or training managers are usually marginalised in developing CSR strategies. The conclusions of Fenwick and Bierema (2008) are supported by further studies in different national contexts, for example the UK (Jenkins, 2009), France (Gond *et al.*, 2011), Switzerland (Sachs *et al.*, 2006) and Finland (Vuontisjarvi, 2006), suggesting training practices are strategically developed in responding to CSR pressures.

The data of this thesis indicate that the responses of the Chinese financial companies to external pressures for CSR and management training are often driven by strategic imperatives, rather than an ethical and moral awareness. This point is not only illustrated by instrumental rationality that pushes Chinese companies to meet the demands of primary stakeholders rather than that of peripheral or secondary stakeholders (Clarkson, 1995; Brammer *et al.*, 2012; Perez-Batres *et al.*, 2012), but also by the strategic implementation of management training in case companies.

In particular, given strong monitoring from the national supervision department, a coercive pressure drives the formalisation of ‘equality of training opportunities’ within larger companies. Meanwhile, competitive pressures evidently motivate the provision of mentoring support. For instance, to achieve competitive advantages, Companies A and G formalise the ‘internal supervisor’ policy, further motivating line managers’ involvement in providing mentoring support. However, along with

the rise of management training initiatives, there is significant lack of trainees' voice and engagement with implementing management training, which illustrates the lack of the consideration of managers' demands. All these observations support the role of instrumental rationality in shaping the link between CSR and training practices (Fenwick and Bierema, 2008; Gond *et al.*, 2011; Sachs *et al.*, 2006; Jenkins, 2009; Vuontisjarvi, 2006), in contrast to the literature emphasising the influence that normative CSR has on management training (Fenwick, 2005; Turnbull and Elliott, 2005; Hill, 1999; Roberson, 1999).

Beyond that, this research describes the key differences in management training strategies by detailing three specific aspects, e.g. the policies of 'equal training opportunity', the engagement of managers with planning training programmes and the availability of mentoring support within Chinese firms. Such detail can respond to the concerns of Gond *et al.*, (2011), who stress insufficient knowledge of the link between CSR and training practices in national contexts other than Europe and North America.

### 6.3.1.3 Business Context for CSR in China

The third contribution of this research is to expand current understanding of CSR development in China. Most investigations of CSR in China<sup>23</sup> refer to the global supply chain or outsourcing factories, which are involved not only in clothes

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<sup>23</sup> Other studies focus on the perception of senior managers in terms of CSR such as Yin and Zhang (2012), or the content of CSR reports and disclosure such as Sutherland and Whelan (2009).

manufacturing (Yu, 2008; Chan, 2001; Cooke and He, 2010), but also in electronic products manufacturing (Kortelainen, 2008). This thesis develops a few key insights on CSR in China, which are essential to aid existing knowledge of CSR in China.

First, regarding the mainstream research focus on working conditions in the Chinese outsourcing sector, this study can fill two research gaps in terms of CSR in China. As explored by Chapter 2, little academic research has discussed the link between CSR and management training in the Chinese business context. Meanwhile, there is still scarcity of CSR or training literature in terms of the financial sector.

Second, this research suggests different conclusions on the role of global/local CSR drivers from previous papers. In studies of CSR in outsourcing factories, on the one hand, global drivers appear essential in promoting CSR development in China (e.g. Kortelainen, 2008; Yu, 2008; Darigan and Post, 2009; Tang and Li, 2009; Xu and Yang, 2010). Such drivers point to the purchasing power of overseas buyers or customers, or the impact of international CSR initiatives or standards, such as SA8000 or AA1000. On the other hand, the local institutional environment is often criticised for the absence of local NGOs or trade unions, the disadvantages of local legislation and the ineffectiveness of governmental supervision.

However, in the Chinese financial sector, there is a totally different picture of the drivers for CSR. A major difference is that global drivers for CSR play a marginalised role in developing CSR in the Chinese financial sector, as they are superseded by the strong role of local legislation, government, business competition and the expectations by the general public (see Chapter 4).

With such a significant impact of the local context, government intervention attracts the attention of the present research. A plausible finding is that intervention from government clearly drives the involvement of state-owned banks in social and environmental issues. This political intervention also has a strong influence on the practices of JVs, such as Company G, where certain CSR practices, such as reporting methods, are developed in response to the claims by government and the monitoring by national supervision departments. This governmental intervention plays a different role to the negotiations between business and government (Hopkins, 2003), and runs counter to the finding of Li and Zhang (2010) who view political intervention in China as less useful in shaping the practices of JVs than of Chinese SOEs. The findings of this research further confirm the prediction of Matten and Moon (2008) that government in China is the dominant driver for CSR expansion.

Third, regarding the rise of operational costs caused by corporate efforts to protect



employee benefits, Chinese outsourcing companies respond reactively<sup>24</sup> to the demands for CSR, frequently engaging in ‘window dressing’. Nonetheless, this thesis identifies a potential compatibility between business imperatives and corporate responsibility for personnel development. Either under strong monitoring from government or under peer pressure, CSR is proactively adopted by case companies and leads to certain changes in training practices, such as the policy of ‘equal training opportunities’ or the provision of mentoring support. Such findings offer substantive evidence for the effectiveness of CSR in China.

### ***6.3.2 Contributions to Institutional Theory***

By employing institutionalism as theoretical lens, this study on the effectiveness of CSR in promoting management training initiatives makes several contributions to the development of institutional theory by (1) responding to a need of investigations conducted at organisational level; (2) advancing the application of the decoupling concept in clarifying the distinction between CSR image and reality; (3) discussing the usefulness of organisational characteristics (e.g. strategic orientation) for explanations of corporate strategic responses to competing pressures in the organisational field. As described in the following paragraphs, all these contributions have the potential to widen and deepen the application and explanatory power of institutional theory in CSR investigations.

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<sup>24</sup> A typical example is the study of Kortelainen (2008), suggesting that Chinese companies passively adopt different CSR standards whose may be conflicting with each other.

Institutionalism initially stresses isomorphic pressure, making companies more similar to each other (e.g. DiMaggio and Powell, 1983). Then, scholars (e.g. Oliver, 1991) suggest despite isomorphic pressure, companies can pursue different strategic options, which leads to an interest in substantive versus symbolic adoption. In explaining decoupling phenomena, institutional theory underlines several key reasons. The early institutional research such as Meyer and Rowan (1977) emphasises the ambiguity and competing pressures existing in the institutional context, which foster symbolic changes to business practices. Following this, Oliver (1991) discusses the conflict between institutional claims and corporate resources as key factor leading to a variety of corporate responses.

Nevertheless, recent institutional research considers a debate over the extent to which competing pressures within the institutional environment can fully explain the symbolic responses adopted by companies (e.g. Levy and Scully, 2007; Lounsbury, 2007, 2008; Maguire *et al.*, 2004). As argued by recent papers (e.g. Greenwood *et al.*, 2014; Meyer and Höllerer, 2014), institutional literature has tended to pay much attention to pressures from the organisation field but little to heterogeneity within organisations. Thereby, scholars (e.g. Tempel and Walgenbach, 2007; Crilly *et al.*, 2012; Greenwood *et al.*, 2014; Meyer and Höllerer, 2014) emphasise a need of discussions of the impact of institutional pressures at organisational level. A focus on the organisational level contributes to clarifying the priorities of decision-making and thereby how such priorities affect

corporate practices (Greenwood *et al.*, 2014; Meyer and Höllerer, 2014). In responding to such a need, this thesis is interested in the impact that institutional pressures have on the implementation of CSR and management training practices. As shown in Chapters 4, 5 and 6, the findings of this research explain the ways in which the Chinese state-owned banks and insurance companies develop CSR priorities, and detail how differences in CSR priorities affect the quality of the implementation of management training.

Moreover, the focus on the organisational level enables this study to explore the differences between CSR reputation, CSR priorities and training practices, which advances the application of the decoupling concept in defining the distinction between CSR image and reality. As suggested in Chapter 2, scholars (e.g. Weaver *et al.*, 2009; MacLean and Behnam, 2010) define decoupling by either weak implementation of institutional claims (Westphal and Zajac, 2001; Christmann and Taylor, 2006; Aravind and Christmann, 2011), or the fact that substantive change exists in non-core business operations but is disconnected from core and performance-related organisational functions (Westphal *et al.*, 1997; Zbaracki, 1998; Park *et al.*, 2010).

Nevertheless, previous CSR studies often focus on a single unit, the implementation of CSR programmes, but ignoring the discussion of CSR priorities (O'Rourke, 2003; Christmann and Taylor, 2006; Kortelainen, 2008;

Aravind and Christmann, 2011). Therefore, the usefulness of decoupling in explaining CSR effectiveness is still under-explored, leading to a call for research focussing on general CSR priorities as well as technical details of CSR implementation (Boxenbaum, 2006; Bondy *et al.*, 2012).

This discussion of CSR effectiveness for management training explores the distinction between CSR image and reality in different ways. (1) A ‘concealment’ strategy (Oliver, 1991) in setting CSR priorities directly results in the ‘external-internal’ paradox of CSR (Hine and Preuss, 2009). This paradox suggests that the needs of managers are often marginalised when firms develop CSR programmes. (2) The difference between CSR reputation and training practices echoes the literature of ‘weak implementation’ (O’Rourke, 2003; Christmann and Taylor, 2006; Kortelainen, 2008; Aravind and Christmann, 2011), where management training initiatives under certain conditions are implemented in a ceremonial way only. (3) This research identifies a relationship between decoupling phenomena in terms of CSR priorities and training practices, where the limited attention given to personnel development as part of CSR priorities often causes the weak implementation of training initiatives. As a consequence, all these key findings present different forms of the decoupling phenomenon and widen the application of the decoupling concept in distinguishing between CSR image and reality.

More importantly, to solve the debate over the usefulness of competing pressures for explanations of decoupling phenomena, this research explores how strategic responses are enabled and constrained by differences in company characteristics, e.g. their strategic orientation. In considering such firm-specific characteristics, this thesis identifies a conflict between different institutional pressures for CSR and management training, which differs according to the characteristics of strategic orientation. On the one hand, under the state-led characteristics, the powerful pressures, such as governmental intervention and the expectations by the general public, impose constraints on the competing claims and demands by other, weaker stakeholders, such as independent trade unions and managers' interests in training. On the other hand, as the case of Chinese state-owned banks shows, the state-led characteristics also limit corporate emphasis on competition and thus another driver for management development.

All these conflicts and competing pressures within the organisational context have a significant influence on corporate strategies of setting CSR priorities as well as the implementation of training initiatives. This applies particularly to the discussions of 'equal training policies' as well as corporate efforts to protect managers' voice and engagement with planning and designing management training. Under strong conflict between stakeholders, the lack of managers' voice and engagement reflects a decoupling phenomenon. In contrast, under less ambiguity and weak conflict between stakeholder demands, pressure for CSR

effectively influences the reform of training programmes in larger firms, e.g. the adoption of ‘equal training opportunities’.

However, the explanatory power of competing pressures cannot fully explain business decisions in terms of the availability of mentoring support. Here, company characteristics, for example strategic orientation, as well as CSR priorities determine the evaluation by senior management of the importance of ‘mentoring support’. Given the strong intervention from the state, the state-owned banks focus on ‘prudent operation’, ‘risk reduction’ or ‘individual compliance with higher authority’, and the HR management in such banks is often designed in a planned-economy style. These characteristics suggest that the strategic orientation of the state-owned banks is usually insulated from the demands of business competition. Under such company characteristics, senior management resists giving a high priority to management training and development, in order to reduce the criticism from the general public and resolve the conflict between the demands for personnel development and corporate emphasis on individual compliance. This further limits the availability of mentoring support. By contrast, under a strategic orientation that emphasises competition, as exists in the insurance sector, senior management is more likely to identify mentoring support as a means to achieve long-term competitive advantages. This thus motivates the development of mentoring practices.

The research findings contribute to the development of institutional theory by clarifying the conditions under which competing pressures within the institutional environment can help explain decoupling phenomena. Drawing upon qualitative data, this thesis can shed further light on how corporate strategic responses are enabled or constrained by differences in organisational characteristics, such as strategic orientation. Given ambiguity and competing pressures existing in the institutional environment, differences in organisational characteristics and strategic orientations have the potential to affect the evaluation by senior managers of management training and thus corporate strategic responses. This discussion of company characteristics lessens the overemphasis on the role of institutions outside organisations by considering heterogeneity within companies. Since business decision-making is structured and constrained by both the internal and external business contexts (Lounsbury, 2007; Tempel and Walgenbach, 2007; Crilly *et al.*, 2012; Greenwood *et al.*, 2014; Meyer and Höllerer, 2014), this consideration of firm-specific characteristics helps expand the usefulness of institutional explanation in terms of the variety of business practices.

#### **6.4 Overview of This Thesis**

This thesis started with a simple question: how the rise of CSR can impact the implementation of management training programmes. As suggested by Chapter 2, this question was broken down into two sub-questions: the nature of CSR priorities, and the change in management training methods brought about by CSR

pressures. To answer these questions, the research focussed on the context of the Chinese financial sector, as this was identified as research gap in the CSR literature.

To answer the research question, this thesis has utilised the ‘middle-range thinking’ approach. According to its philosophy, the ‘middle-range’ approach stresses the importance of empirical details in enriching and expanding the explanatory power of existing theory (Boudon, 1991; Laughlin, 1995). By employing the ‘middle-range thinking’ approach, this research started with a literature review (Chapter 2). As discussed in Chapter 2, the decoupling concept is considered to distinguish between CSR reputation, CSR priorities and the implementation of CSR programmes. Decoupling phenomena are usually explained by the ambiguity in the institutional context and the conflict between institutional pressures. However, recent studies (Tempel and Walgenbach, 2007; Crilly *et al.*, 2012; Greenwood *et al.*, 2014; Meyer and Höllerer, 2014) raised a debate over the extent to which the competing pressures in the institutional environment can fully explain decoupling phenomena. Accordingly, recent institutional papers (e.g. Lounsbury, 2007; Greenwood *et al.*, 2014) stress the usefulness of company characteristics, for example strategic orientation, in explaining how companies respond to the competing pressures by different stakeholders. This is because institutional literature has tended to pay much attention to the role of institutions outside the organisations, but little to



heterogeneity within organisations (Crilly *et al.*, 2012; Greenwood *et al.*, 2014; Meyer and Höllerer, 2014).

This usefulness of company characteristics and strategic orientations is not widely developed for discussing the link between CSR and management training, in particular regarding the concerns over the conflict between the drivers from the market and the institutional infrastructure, or the competing expectations by different stakeholders. Therefore, as the ‘middle-range thinking’ approach indicates, this thesis can be defined as an exploratory study, seeking new explanations of decoupling phenomena by considering the role of company characteristics and strategic orientations in determining corporate strategic responses.

Furthermore, qualitative data on CSR and management training were presented in Chapters 4 and 5. The isomorphic forms of CSR activity identified in Chapter 4 clearly suggest that institutional pressures drive the rise of CSR in Chinese financial companies. Specifically, these pressures emanate from legislation on CSR disclosure, the intervention by government, the peers and the expectations by the general public in China. The case companies adopt various responses to the demands for CSR, according to differences in their organisational size, and industry characteristics. Under the influence from the Chinese business context, CSR practices differ with regard to the use of formalised or flexible CSR

reporting methods, as well as different ways of setting out the priorities between the demands of stakeholders.

Chapter 5 described the key difference in management training methods adopted by the case companies, with regard to the scope of management training, trainees' engagement with the planning process and the provision of mentoring support. Qualitative data on these aspects further suggest that formalised CSR disclosure can explain why companies enlarge the scope of management training, but the extent to which business strategies are oriented by competition also determines the provision of mentoring support. In addition, regarding the emphasis on the top-down management approach, the voice and involvement of management trainees in planning and implementing training initiatives is rather limited.

The findings of this research contribute to the development of the existing literature of CSR and institutional theory. By investigating the link between CSR and management training, this thesis explores the decoupling phenomenon in terms of CSR priorities and management training implementation, as well as clarifies the usefulness of company characteristics, such as strategic orientation, and competing pressures in explaining the substantive or symbolic change to business practices.

The competing pressures and ambiguity within the institutional context are helpful

in explaining firms' adoption of 'equal training policies' or corporate efforts to meet managers' demands, but less useful in explaining the provision of 'mentoring support'. Specifically, in discussing the availability of 'mentoring support', this thesis emphasises that the difference between competition-oriented and state-led corporate strategies has an important impact on the evaluation by senior management of external pressures and thus on the adoption of training practices. Given the state-led orientation, the strategies adopted by state-owned banks are insulated from the demands of business competition, due to which low priority is given to management development and mentoring practices are rarely implemented. By contrast, the competition-oriented strategies of the insurance companies contribute to the high priority offered for management training and development, and thus the availability of mentoring support. Accordingly, given the conflict and ambiguity in the organisational field, the characteristics of strategic orientation can steer corporate responses into either a substantive or a symbolic direction.

Thereby, as indicated by the 'middle-range thinking' approach, the findings of this exploratory research suggest the importance of company characteristics, such as their strategic orientations, as emergent factors in explaining decoupling phenomena and developing the knowledge of institutional theory. This is particularly important as the institutional literature has tended to overemphasise the role of institutions in the organisational field, but neglected heterogeneity

within organisations (e.g. Crilly *et al.*, 2012; Greenwood *et al.*, 2014; Meyer and Höllerer, 2014).

## **6.5 Limitations and Suggestions of Research**

As described in Section 6.3, this research has made several contributions to the existing knowledge on CSR and institutional theory. However, due to its exploratory nature, this thesis has several limitations, which will be detailed below. Meanwhile, regarding both the contributions and limitations of this thesis, a number of potential avenues for further research can be proposed. This is not only because the findings of this thesis provide important suggestions for future research directions, but also due to the limitations of this research call for future studies on the link between CSR and management training. The suggestions for future research will be discussed in the section 6.5.2.

### ***6.5.1 Limitations of Research***

There are several specific limitations of this research. The first limitation exists in the methodological perspective of this thesis. Due to the exploratory nature of this research and the adoption of semi-structured interviews, it is hard to make any claims to generalise CSR practices and management training programmes as a whole. One would need to observe other Chinese companies adopting different approaches in terms of CSR or training provision, and these have not been captured by this research.

The sample firms selected as case companies for this study have been selected according to their availability and the permission given by Chinese companies. In this research, no permission was given by the privately owned banks. Thereby, although the empirical data gathered from interviewees offer helpful and meaningful insights into the impact that CSR has on the implementation of management training, the sample adopted by this research is not representative of all Chinese companies.

Second, this research has not investigated the role of individual behaviour within companies as well as how management discretion can contribute to decision-making (Ritter, 2006; Velthouse and Kandogan, 2007). This limitation is due to the fact that discussion of this thesis was carried out at an organisational level and management discretion was little discussed. This would indicate that the finding of this research made few contributions to addressing the ‘black-box’ question of management discretion.

Last but not least, regarding the research focus on the link between CSR and management training provision, this study has investigated different topics, e.g. CSR, management training and institutional theory. This multidisciplinary discussion has paid less attention to each area than where researchers concentrate on a single topic. Therefore, this multifaceted research, whilst providing a great deal of breadth, somewhat lacks depth for each individual topic.

### ***6.5.2 Suggestions for Future Research***

In terms of the discussion of the link between CSR and management training, there are some potential directions for future research. First of all, this thesis sheds further light on how strategic responses are enabled and constrained by differences in company characteristics, e.g. strategic orientation, and thus several propositions have been developed (in Section 6.2). As a recent theoretical work, there is a call for future studies to test the propositions offered by this research. The support from future studies can provide additional clarification for the impact that company characteristics, such as their strategic orientation, have on corporate responses to institutional claims.

Second, the research findings emphasise the influence that different organisational characteristics, such as organisational size and strategic orientation, rather than ownership structure, have on the adoption of CSR and management training. This in particular applies to the comparison between Chinese state-owned banks and insurance companies. Thereby, this thesis calls for future studies adopting quantitative research techniques to statistically test for example the extent to which CSR and training practices differ between the state-owned and privately owned banks, or between the state-owned and privately owned insurance companies. All of these would augment the usefulness of organisational size and strategic orientation, rather than the difference in ownership, for explaining CSR approaches adopted by Chinese companies.

Third, this research has paid particular attention to the corporate practices adopted by Chinese financial companies. In order to achieve more comprehensive knowledge of the adoption of management training provision in responding to CSR pressures, future studies can look at other sectors or industries and compare companies with different industrial characteristics. Another potential line of research points to other emerging and developing countries, where knowledge of the link between CSR and management training is quite under-developed.

Fourth, this investigation has discussed the implementation of management training in response to the external pressures for CSR, but ignoring the impact of CSR on individual commitments to management development. Therefore, future research may be able to explore the role of management discretion behind the provision of management training, which can significantly extend current knowledge of the link between CSR and management training in particular (and HRD in general).

Finally, due to the limited length of time in which this research was carried out, the discussion and analysis was based on a snapshot of corporate activity as captured by interviews. Nevertheless, the implementation of CSR and management training is contingently developed upon the historical and cultural background of companies. This suggests longitudinal research can help understand the dynamic of change behind CSR and managerial training practices.

Using a longitudinal method, researchers can provide a comprehensive and in-depth demonstration of the effectiveness of CSR in shaping the provision of management training.

## **6.6 Summary**

This chapter began with a discussion of the empirical findings presented by Chapters 4 and 5. Following the logic of institutional theory, this discussion identified two forms of decoupling of CSR adoption by highlighting the distinction between CSR image, CSR priorities and the implementation of management training. Going a step further, by analysing the competing pressures in the organisational field, it was pointed out that differences in organisational characteristics, e.g. strategic orientation, have a key impact on the development of CSR priorities and on a corporate emphasis on training and development. Given different company characteristics of strategic orientation, a rise of CSR pressures augments the differences in the case companies' management training practices.

Several contributions were identified that these research findings made to aspects of both CSR and institutional literature. On the one hand, this thesis contributed to the knowledge of CSR by clarifying the different forms of decoupling of CSR, by discussing the role of CSR in driving management training, and by expanding current knowledge of CSR in China. On the other hand, the discussions of competing pressures and organisational characteristics, such as their strategic



orientation, helped develop the explanatory power of institutional theory in explaining decoupling phenomena. Apart from the contributions to the existing literature, this chapter considered several potential directions for further studies into the impact that CSR has on management training.

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## Appendices

### **Appendix 1: Guidelines to the State-Owned Enterprises Directly Under the Central Government on Fulfilling Corporate Social Responsibilities**

These Guidelines are proposed to comprehensively implement the spirit of the 17th CPC National Congress and the Scientific Outlook on Development, and give the impetus to state-owned enterprises (SOEs) directly under the central government (referred to as CSOEs hereafter) to earnestly fulfill corporate social responsibilities (CSR), so as to realize coordinated and sustainable development of enterprises, society and environment in all respects.

#### 1. Fully Understand the Importance of Fulfilling CSR by the CSOEs

1) Fulfilling CSR is a practical action taken by the CSOEs to apply the Scientific Outlook on Development. Fulfilling CSR requires the CSOEs, insisting on the principle of human-oriented and the Scientific Outlook on Development, to be responsible to stakeholders and environment, so as to achieve well-balance among the growth of enterprises, social benefit and environment protection. This is not only an important measure for promoting the socialist harmonious society and also an embodiment of the CSOEs to thoroughly implement the China's new ideas about economic development, social progress and environment protection.

2) Fulfilling CSR is an overall social requirement to the CSOEs. The CSOEs, big enterprises in China's key industries, are the backbone of the country's economy and have a vital bearing on national security. Their production and operation involve all aspects of entire economy, society and people's livelihood. Therefore, fulfilling CSR is not only their mission and responsibilities, but also an ardent expectation and requirement from the public.

3) Fulfilling CSR is the necessary condition for realizing sustainable development of the CSOEs. Performing CSR and embedding the concepts and requirements of CSR into their business strategies, operation and corporate culture will help update their idea innovation and transformation of the pattern of growth, inject vitality and creativity to the enterprises, add value to their brand and image, improve their staff qualification and enhance cohesion of the CSOEs. All of these will definitely bring about a dramatic progress to CSOEs in development quality and level.

4) Fulfilling CSR is the need for the CSOEs to participate in international economic cooperation. As the progress of economic globalization, the international community concerns more and more on the performance of an enterprise in social responsibilities. By fulfilling CSR, it is either helpful in establishing a “responsible” public image by Chinese enterprises and more internationally influential, or significant for China to spread an image as a responsible nation.

## 2. Guidelines, Requirements and Principles

5) Guidelines: CSOEs should take Deng Xiaoping Theory and the Important Thought of Three Represents as the guiding principles, thoroughly apply the Scientific Outlook on Development, adhere to the demands of human-oriented policy and sustainable development strategy from the Central Government of China, enhance their awareness of social responsibility and sustainable development, make overall planning with due consideration of every aspect. They should actively embody their responsibilities and set up good examples for other enterprises in fulfilling CSR so as to promote the construction of a harmonious and well-off society.

6) Requirements: CSOEs should enhance the awareness of CSR; actively implement CSR, setting example in legal and honest business operation, resource-saving and environment protection. CSOEs should also the model in building human-oriented and harmonious enterprise, and become the backbone of China not only in economy but also in CSR.

7) Principles: CSOEs should integrate CSR with their own reform and development, and regard the implementation of CSR as an important content of setting up modern enterprise system and enhancing their competitiveness. By transforming the pattern of growth and achieving sound and rapid development, they should implement CSR according to the practical situation of the country and the circumstances of themselves, highlight key issues and make out concrete plan, so as to strive for a substantial effect in implementing their CSE. In addition, CSOEs ought to give top priority to ensuring work safety, safeguarding the legal interests of employees, promoting career development of employees. These, as measures to build a harmonious relation between the enterprise and its employees, will also contribute to the China’s undergoing program of building a harmonious society.

## 3. Main Content of Fulfilling CSR by CSOEs

8) Insisting on a legal and honest way in business operation. The CSOEs are asked to comply with regulations and laws, public ethnics and commercial conventions, and trade rules. They should also fulfill their tax obligations,

undertake the interests of investors and creditors, protect intellectual property rights, keep business creditability, oppose improper competition and eradicate corruption in commercial activities.

9) Constantly improving ability of making sustainable profits. They should improve corporate governance, and advocate scientific and democratic decision-making. They should optimize their development strategy, focus on and strengthen their core businesses, reduce management layers and distribute resources in a reasonable way. Business administration and capability of control and supervision are enforced, such as minimizing operational costs, strengthening risk precaution, increasing investment profit ratio, and enforcing market competitiveness as well.

10) Improve product quality and service. CSOEs should try to ensure the safety of products and quality of services, update product performance and service system aiming at providing well-qualified products and service to consumers. They should protect consumer interests, properly handle consumer complaints and suggestions and try their best to meet the demand of consumers. Only by this way can CSOEs establish a good image in consumers.

11) Strengthening resource conservation and environment protection. The large State-own enterprises should take their responsibilities and lead in energy saving and emission reduction. So the enterprises have to upgrade their technology and equipment, and engage in the recycling economy, so as to develop energy-conserving products and improve resource utilization efficiency. What is more, they should invest more to environment protection, rationalize production procedures, try to decrease the pollutant emission with a target lower energy consumption and less pollution but higher production efficiency and output.

12) Promoting independent innovation and technological advancement. CSOEs are required to complete mechanisms of technological innovation, increase investment in research and development so as to enforce independent innovation capability. They should accelerate the development of high and new technologies, especially making new breakthroughs in key technologies of the industry and fundamental research, and the readjustment of traditional industries. They also need to attach more attention to intellectual property rights, and by implementing IP strategy to promote technical innovation, to achieve some core technologies and brands, and foster industry upgrading and restructure.

13) Ensuring production safety. Responsibility System for Safe Production should be established and more investment in production safety. Serious safety accidents ought be strictly prevented and forbidden. CSOEs should also complete their emergency management system; continuously improve the emergency management and emergency handling capacity. Safe and healthy working

conditions and living environment are necessary to ensure the health of employees, prevent any harm of occupational and other diseases to employees.

14) Protecting legal rights of employees. Employment contract with employees should be signed and respected, adhere to the principle equal pay for equal work, build up the mechanism of salary increasing, and buy social insurance regulated by the government. All employees ought to be respected and treated equally. Any discrimination of gender, nationality, religion and age is prohibited. In addition, enterprises should provide on-duty education and training, as well as equal opportunities of personal development. CSOEs should further their efforts to implement the employee representatives' convention system, to publicize corporate affairs, and to advance democratic management. Employees' livelihood should be fully considered, especially to those having difficulties and anxieties.

15) Participating in social public welfare programs. CSOEs ought to encourage their employees to volunteer for social services, and actively participate in community and social welfare program, such as charity, donations, and giving support to schools, cultural or hygiene activities. Upon the occurrence of major natural disasters and emergency accidents, CSOEs also need to provide financial, material and manpower support.

#### 4. Main Measures to Fulfill CSR

16) Establishing awareness of CSR. The CSOEs should well understand the significance of CSR, attach great importance to CSR in their working plan and daily business activities. Enterprise leaders ought to arrange CSR promotion within their enterprise, adopt new ideas and methods in management, striving to establish the corporate culture with CSR as the center.

17) Completing system and mechanism for fulfilling CSR. CSR should be integrated into corporate governance and business strategy, and implemented on all levels of their daily operations. CSOEs should also identify a department to cope with CSR affairs; gradually build a statistical index and assessment system for CSR. For those enterprises that are at leading position in CSR, a formal CSR performance evaluation system can be set up.

18) Building the CSR information releasing system. Enterprises having experienced in CSR work, should establish an information releasing mechanism, providing update and regular information about CSR performance and sustainable development, plans and measures in carrying out CSR. Meanwhile, a regular communication and dialogue mechanism concerning CSR should be established, so that the enterprise can have feedback from its stakeholders and give its response quickly. All the information and feedback should be publicized to receive supervision from stakeholders and society.

19) Enforcing inter-enterprise communication and international cooperation. CSOEs are encouraged to exchange concepts and experience in fulfilling CSR with other enterprises at home and abroad, benchmark with the best CSR practices and summarize their own experience, so as to constantly improve their work. They should conduct more dialogues and communications with relevant international organizations and take part in international CSR standard formulation.

20) Strengthening CPC organizations' role in leading the CSR work of enterprises. The CSOEs should give full play to the political core role of the Communist Party of China (CPC) branches in the enterprise; encourage CPC members to take the lead in performing CSR. Trade union, the Communist Youth League and the women's federation are also required to contribute their efforts in fulfilling CSR, and strive to create a good environment for the enterprise to fulfill CSR

## **Appendix 2: Notice of the CBRC on Issuing the Green Credit**

### **Guidelines**

#### **Chapter 1 General Provisions**

Article 1 For the purpose of encouraging banking institutions to develop green credit, these Guidelines are formulated pursuant to the *Law of the People's Republic of China on Banking Regulation and Supervision* and the *Law of the People's Republic of China on Commercial Banks*.

Article 2 Banking Institutions mentioned herein include policy banks, commercial banks, rural cooperative banks and rural credit cooperatives lawfully incorporated within the territory of the People's Republic of China.

Article 3 Banking institutions shall promote green credit from a strategic height, increase the support to green, low-carbon and recycling economy, fend off environmental and social risks, and improve their own environmental and social performance, thus optimizing their credit structure, improving the quality of services, and facilitating the transformation of development mode.

Article 4 Banking institutions shall effectively identify, measure, monitor and control environmental and social risks associated with their credit activities, establish environmental and social risk management system, and improve relevant credit policies and process management.

The environmental and social risks mentioned herein refer to the hazards and risks on the environment and society that may be brought about by the construction, production and operating activities of banking institutions' clients and key affiliated parties thereof, including environmental and social issues related to energy consumption, pollution, land, health, safety, resettlement of people, ecological protection, climate change, etc.

Article 5 The CBRC is responsible for, in accordance with applicable laws, regulating and supervising banking institutions' green credit business and their environmental and social risk management.

#### **Chapter 2 Organization and Management**

Article 6 The board of directors or supervisory board of a banking institution shall build and promote green credit concepts concerning energy saving, environmental protection and sustainable development, be committed to giving play to the functions of facilitating holistic, coordinated and sustainable economic and social development, and establish a sustainable development model that will benefit the society at the same time.



Article 7 The board of directors or supervisory board of a banking institution is responsible for developing green credit development strategy, approving the green credit objectives developed by and the green credit report submitted by senior management, and monitoring and assessing the implementation of green credit development strategy.

Article 8 The senior management of a banking institution shall, pursuant to the resolutions of the board of directors or supervisory board, develop the green credit objectives, have in place relevant mechanisms and processes, define clearly the roles and responsibilities, conduct internal checks and appraisal, annually provide report to the board of directors or supervisory board on the development of green credit, and timely submit relevant reports to competent supervisory authorities.

Article 9 The senior management of a banking institution shall assign a senior officer and a department and configure them with necessary resources to organize and manage green credit activities. Where necessary, a cross-departmental green credit committee can be set up to coordinate relevant activities.

### **Chapter 3 Policy, System and Capacity Building**

Article 10 Banking institutions shall, as per national environmental protection laws and regulations, industrial policies, sector entry policies, and other applicable regulations, establish and constantly improve the policies, systems and processes for environmental and social risk management and identify the directions and priority areas for green credit support. As for industries falling within the national "restricted" category and industries associated with major environmental and social risks, they shall customize credit granting guidelines, adopt differentiated and dynamic credit granting policies, and implement the risk exposure management system.

Article 11 Banking institutions shall develop client environmental and social risk assessment criteria, dynamically assess and classify client environmental and social risks, and consider the results as important basis for credit rating, access, management and exit. They shall adopt differentiated risks management measures concerning loan investigation, review and inspection, loan pricing, and economic capital allocation.

Banking institutions shall prepare a list of clients currently faced with major environmental and social risks, and require these clients to take risk mitigation actions, including developing and having in place major risk response plans, establishing sufficient, effective stakeholder communication mechanisms, and finding a third party to share such risks.

Article 12 Banking institutions shall establish working mechanisms conducive to green credit innovation to boost innovation of green credit processes, products and services while effectively curbing risks and ensuring business continuation.

Article 13 Banking institutions shall give priority to their own environmental and social performance, set up appropriate systems, step up the publicity and education on green credit concepts, standardize their operational behaviors, promote green office, and improve the level of intensive management.

Article 14 Banking institutions shall strengthen green credit capacity building, establish and improve green credit labeling and statistics system, improve relevant credit management systems, enhance green credit training, develop and employ related professionals. Where necessary, they can hire an eligible, independent third party to assess environmental and social risks or acquire related professional services by means of outsourcing.

#### **Chapter 4 Process Management**

Article 15 Banking institutions shall strengthen due diligence in credit granting. The scope of due diligence on environmental and social risks shall be defined according to the characteristics of the sector and region in which the client and its project is located, so as to ensure the due diligence is complete, thorough and detailed. Where necessary, the banking institutions can seek for support from an eligible, independent third party and competent authorities.

Article 16 Banking institutions shall examine the compliance of clients to whom credit will be granted. As for environmental and social performance, compliance checklist and compliance risk checklist shall be developed according to the characteristics of different sectors, so as to ensure compliance, effectiveness and completeness of the documents submitted by the clients, and make sure they have paid enough attention to related risk points, performed effective dynamic control, and satisfied the requirements on substantial compliance.

Article 17 Banking institutions shall strengthen credit approval management, and define reasonable level of credit granting authority and approval process according to the nature and severity of environmental and social risks faced by the clients. Credits may not be granted to clients whose environmental and social performance fails to meet compliance requirements.

Article 18 Banking institutions shall, by improving contract clauses, urge their clients to strengthen environmental and social risk management. As for clients involving major environmental and social risks, the contract shall provide for clauses that require them to submit environmental and social risk report, state and avow that they will strengthen environmental and social risk management, and promise that they are willing to be supervised by the lender; the contract shall also provide for clauses concerning the remedies banking institutions can resort to in the event of default on environmental and social risks made by the clients.

Article 19 Banking institutions shall enhance credit funds disbursement management, and consider appropriation management, and regard how well clients have managed environmental and social risks as important basis for credit funds appropriation. As for projects to which credit is granted, all stages,

including design, preparation, construction, completion, operation and shutdown shall be subjected to environmental and social risk assessment. Where major risks or hazards are identified, credit funds appropriation can be suspended or even terminated.

Article 20 Banking institutions shall strengthen post-loan management. As for clients involving potential major environmental and social risks, relevant and pertinent post-loan management actions shall be developed and implemented. They shall watch closely the impact of national policies on the clients' operation, step up dynamic analysis, and make timely adjustment to asset risk classification, reserve provisioning and loss write-off. They shall establish and improve internal reporting system and accountability system concerning major environmental and social risks faced by the clients. Where major environmental or social risk event occurs to the client, the banking institution concerned shall timely take relevant risk responses and report to competent supervisory authorities on potential impact of said event on itself.

Article 21 Banking institutions shall strengthen the environmental and social risk management for overseas projects to which credit will be granted and make sure project sponsors abide by applicable laws and regulations on environmental protection, land, health, safety, etc. of the country or jurisdiction where the project is located. The banking institutions shall make promise in public that appropriate international practices or international norms will be followed as far as such overseas projects are concerned, so as to ensure alignment with good international practices.

### **Chapter 5 Internal Controls and Information Disclosure**

Article 22 Banking institutions shall incorporate green credit implementation into the scope of internal compliance examination, and regularly organize and carry out internal auditing on green credit. Where major deficiencies are identified, investigation shall be conducted to determine whom to be held accountable as per applicable regulations.

Article 23 Banking institutions shall establish effective green credit appraisal and evaluation system and reward and penalty system, and have in place incentive and disciplinary measures, so as to ensure sustained and effective offering of green credit.

Article 24 Banking institutions shall make public their green credit strategies and policies, and fully disclose developments of their green credit business. As for credit involving major environmental and social risks, the banking institutions shall disclose relevant information according to laws and regulations, and be subjected to the oversight by the market and stakeholders. Where necessary, an eligible, independent third party can be hired to assess or audit the activities of banking institutions in performing their environmental and social responsibilities.

## **Chapter 6 Monitoring and Examination**

Article 25 Banking supervisory authorities at all levels shall strengthen the coordination with competent authorities, establish and improve information sharing mechanism, improve information services, and remind banking institutions of related environmental and social risks.

Article 26 Banking supervisory authorities at all levels shall strengthen off-site surveillance, improve off-site supervisory indicator system, enhance the monitoring and analysis of environmental and social risks faced by banking institutions, timely guide them to strengthen risk management and adjust credit orientation.

Banking institutions shall, pursuant to the provisions hereof, perform overall green credit evaluation at least once every two year, and submit the self-evaluation report to competent banking supervisory authorities.

Article 27 When organizing and conducting on-site examination, banking supervisory authorities shall take into full account the environmental and social risks faced by banking institutions, and make clear the scope and requirements of examination. As for regions or banking institutions involving prominent environmental and social risks, ad hoc examination shall be conducted and urge said institutions to improve in light of examination results.

Article 28 Banking supervisory authorities shall provide more guidance to banking institutions on green credit self-evaluation, and, in conjunction with the results of off-site surveillance and on-site examination, holistically assess the green credit performance of banking institutions, and treat the assessment results, as per applicable laws and regulations, as important basis for supervisory rating, institution licensing, business licensing, and senior officer performance evaluation.

## **Chapter 7 Supplementary Provisions**

Article 29 These *Guidelines* become effective as of the date of promulgation. Village banks, lending firms, rural mutual cooperatives and non-banking financial institutions shall enforce actions in reference to these Guidelines.

Article 30 These *Guidelines* are subject to interpretations by the CBRC.

## **Appendix 3: Guidelines on Banks' Credit Businesses to Small**

### **Enterprises**

**Article 1** With a view to directing banks to change management concept, improve asset portfolio, and strengthen financial services to small enterprises, the *Guidelines on Banks' Credit Businesses to Small Enterprises* (hereinafter referred to as the Guidelines) is formulated in accordance with relevant laws and regulations and based on the practices and experiences of small enterprise loans in recent years.

**Article 2** The term “credit businesses to small enterprises” in the Guidelines refers to the businesses in which a bank authorizes credit up to RMB5 million to a single enterprise, a legal entity or an individual proprietor whose total assets are no more than RMB10 million or whose annual sales revenue reaches no more than RMB30 million.

The term “credit businesses” in the Guidelines should cover on-and-off balance sheet credit authorization and funding services, including loans, trade finance, discount, factoring, loan commitment, guarantee, letter of credit and bank acceptance, etc.

The term “a bank” in the Guidelines should include policy banks and commercial banks. Commercial banks generally refer to state-controlled banks, joint-stock commercial banks, city commercial banks, rural commercial banks, rural cooperative banks, urban credit cooperatives, rural credit cooperatives, village banks and foreign funded banks, etc.

**Article 3** A bank should enhance the awareness of social responsibilities when undertaking small enterprise credit businesses in accordance with the principles of being responsible for their own management decisions, bearing risks and exposures as well as profits and losses so as to ensure a sustainable development on a commercial basis.

A bank should take into account the features of small enterprise credit operations and simplify procedures to facilitate the businesses with adjustable preconditions, computable costs, controllable risks, clear accountabilities and floating loan interest rates.

**Article 4** A bank should improve business procedure, risk management and internal controls, and reinforce the “six mechanisms” for small enterprise lending, namely risk pricing mechanism, independent accounting mechanism, effective

lending review and approval mechanism, motivation and discipline mechanism, professional training mechanism and default information reporting mechanism.

**Article 5** A bank should set up an organizational structure and a professional team for the business with a relatively independent performance evaluation unit.

**Article 6** A bank should put in place standardized business procedures. A bank may, in virtue of credit management information system, work out credit authorization procedures for different small enterprise credit products with clear operational criteria and time requirements for each link of the business, thus ensuring professional and standardized processes of front, middle, back offices.

**Article 7** A bank should have clear market position and customer group with a view to improving business marketing and efficiency. It is necessary to classify small enterprises and study their features, operations and risk profiles, and then have in place client selection criteria as well as a bank database for potential customers.

**Article 8** A bank should develop the sense of building up its own brand and reinforce the brand construction of the credit services for small enterprises. Recognizing the characteristics of small enterprises with respect to their life cycle and funding needs featured by “short, small, frequent, and urgent”, a bank is expected to promote product innovation and meet the demands of the enterprises in different regions, in different industries, of different types and at different development stages in the market-oriented and customer-driven principle.

**Article 9** A bank should offer various services of product portfolio according to different clients, fund-raising volume, period and guarantee means, etc. The services may include working capital loans, revolving loans, package loans, loan on custody export refund account, trade acceptance draft, discount, bill discount with the interest paid by buyers or by negotiation, overdraft on credit card, overdraft on corporate account, import and export trade finance, transfer of account receivables, factoring, letter of guarantee, loan commitment, etc.

A bank may introduce syndicated loans into small enterprise credit services.

**Article 10** A bank should set up a high efficient lending review and approval mechanism with reasonable credit delegation limits within the bank and optimised approval procedures under the precondition of being capable of risk control in order to improve efficiency.

Credit delegation limits should be differentiated according to the economic development and credit environment in different areas, the business management

capacity and risk controls at different branches, and the risk profiles of different credit products, etc.

Some preparations for authorizing credits to small enterprises can be made concurrently or jointly. For example, the business marketing and the pre-investigation for credit authorization can be carried out at the same time, credit investigation and review can be conducted synchronously, and so do the practices of post examination for the previous credit records and the credit investigation for the current application. The credit rating to small enterprises, the approval of credit limit and the review and approval of application can be amalgamated. Furthermore, a bank may try to authorize credit in batches to small enterprises in a centralized manner.

A bank may delegate managers and credit reviewing officers a certain power to approve credit services.

**Article 11** A bank should attach importance to on-site inspection, when making credit investigation, rather than simply rely on collateral, financial statements nor various written documents presented by small enterprises.

A bank should pay attention to collecting non-financial information of small enterprises, including the personal credit records, household income and expenditure of the owners or major shareholders, the operation and management status, technical conditions, industrial situation and market prospects of the enterprises.

A bank may compile, based on their own collected information, the balance sheets, profit and loss statements as well as cash flow statements for a small enterprise and its owners or major shareholders, by which a bank can analyze and judge financial situation and repayment capability of the enterprise.

**Article 12** A bank should put in place a sound credit risk evaluation system for small enterprise clients. A bank may, in accordance with the indicators such as the enterprise's existence period, managers' capability, operating status, repayment capability, credit records and growth prospect, etc., set up a credit scoring system for small enterprises which highlights the evaluation on personal credit records of the enterprises' owners or major shareholders as well as the evaluation on the market environment and credit environment faced by the enterprises.

**Article 13** A bank may issue unsecured loans to those small enterprises that enjoy good credit records and strong financial conditions so long as the loan price has fully reflected risks.

**Article 14** A bank may accept the mortgage of house property and business stores, the pledge of property rights in trademark right, patent right, copyright and other intellectual property rights, the pledge of depot bill and bill of lading, the pledge of fund shares and stocks, the pledge of account receivables, the collateral security of goods in stock, the pledge of export tax refund bill, the pledge of sales contracts of enterprises with good credit record, and the mortgage, pledge and guarantee of personal property of small enterprises' owners or major shareholders, etc.

A bank may flexibly select guarantee means and make full use of such new types of loan guarantees as the co-guarantee by business proprietors, the guarantee by economic association, the export credit insurance, etc., to provide credit support to the small enterprises who have gained aids from government financial subsidies, venture capital fund and technology innovation fund for science- and technology-intensive small enterprises or those who have been guaranteed by professional guaranty agencies.

**Article 15** A bank should make innovation with respect to the usage of credit lines and the repayment approaches. In this regard, bank may offer revolving loans, loans with installment payment, loans with bullet payment of principle and installment payment of interest, etc.

**Article 16** A bank should set up risk pricing mechanism regarding interest rate. Where laws allow, a bank should follow the principle that proceeds cover costs and risks, and charge different rates on different borrowers or different types of credit products based on a bank' own judgment of the inherent risks, financing and management costs, profit target, expected return on capital, the prevailing interest rates of the local market and other factors.

**Article 17** In order to collect information and monitor the use of credit products, a bank should encourage managers to set up broad and regular relations in the communities where the bank's services have been distributed.

**Article 18** According to the risks inherent from different credit products, a bank should have different emphasis in the process of the post credit authorization management, including focusing on monitoring transaction accounts, repayment, changes of cash flow and guarantees, timely submitting written reports on the material events which may affect the repayment, and concurrently take actions where deemed necessary.

**Article 19** A bank should classify the credit businesses of small enterprises according to the delinquent days and guarantee means.



A bank should, based on scientific calculations, reasonably set risk control indicators for small enterprises regarding non-performing loans and promptly adjust the indicators along with the changes of risks.

**Article 20** A bank should put in place reasonable loan loss provisioning and write-off mechanisms for the business, and withdraw provisions and write off bad loans in accordance with relevant policies. Although the loans are written off, it is important to keep the records and hold creditor's rights.

**Article 21** A bank should put in place a data system and a management information system (MIS) appropriate for the small enterprise credit operations. The MIS should record and gather all the information of the previous credit applications, use and repayment, and help credit officers monitor the credit risk in time, including credit types, risk classification, repayment, outstanding balance, changes of the collateral security, etc.

A bank should establish and strengthen the communication with local governments, public security agencies, taxation offices, administration of industry and commerce, trade associations, accounting firms, law firms, credit management consulting firms and other organizations, and collect public information, legal information, identity information and credit transaction information relevant to small enterprises and their owners or major shareholders.

**Article 22** A bank should set up a default information reporting mechanism, through which the bank can promptly input the default information about small enterprises as well as their connected parties into the MIS or disclose it inside the bank and periodically report it to the CBRC and its local offices. As the information being notified to other banks by banking associations, a joint action or punishment can be made to those small enterprises that viciously evade debts.

**Article 23** A bank should set up an independent accounting mechanism based on internal transferring price with improved cost management and special performance indicators so as to independently assess the costs and benefits of small enterprise credit operations.

**Article 24** A bank should establish a motivation and discipline mechanism with explicit policies of encouragement and punishment. A bank should highlight the encouragement policies to branches and credit officers, and may take a certain amount from the net income of the business to reward the front-line staff.

The overall assessment of a branch should include the branch's performance of small enterprise credit operations, covering EVA, numbers of newly increased and existing small enterprises with credit authorization, transaction volume and amounts, credit quality, management capacity, etc.

The assessment of a manager and the remuneration of a credit officer may be linked to the business volume and realized returns as well as asset quality, etc.

**Article 25** A bank should take incentive and disciplinary actions to raise small enterprises' awareness of creditworthiness. A small enterprise with good credit records may be given favorable treatments regarding credit limit, maturity, interest rate and collateral security requirements. A well-run small enterprise that makes repayment of interest and principal on time may even be approved to roll over or restructure its loans. For a small enterprise with a bad repayment record, the bank may disclose the default information about the enterprise in addition to taking actions against risks.

**Article 26** The CBRC will introduce encouragement policies to the banks with outstanding performance of small enterprise credit business. A commercial bank with an excellent job on this regard may be allowed to increase outlets and the regional banks (e.g. city commercial banks) may be permitted to set up cross-region branches.

**Article 27** A bank should establish appropriate systems for due diligence, accountability and responsibility as well as duty exemption. In accordance with the Guidelines on Due Diligence of Commercial Banks' Lending to Small Enterprises (Tentative), banks should discard the traditional practices of investigating responsibilities of a single loan or the loans of one enterprise, but exercise accountability and responsibility mechanism based on the evaluation of overall asset quality and returns, and exempt duties for the due diligent persons and penalize those failing in their duties.

**Article 28** A bank should make a professional training arrangement, including actively learning good practices of home and abroad in developing small enterprise credit businesses, providing business training to practitioners and requiring them to be on post with qualification certificates. This arrangement aims to have bank staff update concepts, know the features and risk control methods of small enterprise credit operations, improve marketing capability and the capability of collecting, rearranging and analyzing financial and non-financial information, and be familiar with due diligence requirements, therefore gradually nourishing a good credit culture of small enterprises.

**Article 29** A bank should report to the CBRC and its local offices the information of their small enterprise credit operations, including credit volume, number of small enterprises, asset quality, etc.

**Article 30** A bank may, in accordance with the Guidelines and its own situation, work out detailed implementation rules.

**Article 31** The Guidelines comes into force from the date of promulgation, and the Guidelines on Banks' Lending to Small Enterprises (CBRC [2005] No.54) is abolished at the same time.

## Appendix 4: Interview Guide

Each interview starts with a general introduction of this research, by which the researcher explains the nature and topic of this research; makes a self-introduction; and introduces research ethics and the principle of anonymity of this research.

### Personal Background of Interviewees

1. Please describe your current job position and job responsibility.
2. How long have you been working for your current company?

### Companies' Response to CSR

1. How do you describe the CSR targets or principles within your company?  
**PROBE:** a. Is such CSR target or principle formally adopted?  
b. What do you think are the key factors underpinning your firm's willingness or resistance to a formal adoption of CSR policies?
2. Which kinds of organisational activities do you think are most consistent with the underlying CSR approach of your company?  
**PROBE:** a. Could you please explain the content, form and purpose of these CSR initiatives for me?
3. To what extent, do you think the aspect of employee interest is a central topic in developing your company's CSR programmes?  
**PROBE:** a. Regarding the role of CSR in employee development, which kinds of policies for protecting employee interests are important?
4. Which kinds of external drivers did trigger the development or implementation of CSR programmes in your company?  
**PROBE:** a. Where did such pressure come from (e.g. national or local government, global or local competitors, NGOs, industry associations or trade unions)?  
b. Could you please explain how these pressures worked?
5. How did external pressure from stakeholders encourage companies' responsible treatment of employee interests or management training specifically?  
**PROBE:** a. Have you experienced a conflict between different stakeholder demands in promoting CSR, or any particular challenges in promoting employee interests through CSR?  
b. If there was a conflict, how did your company address such conflict in protecting employee benefits?

## **Implementation of Management Training**

1. Please introduce your company's effort to management training and development.

**PROBE:** a. What was the scope (e.g. frequency, amount of firm's investment, and the numbers of participants)?

b. Which kinds of factors did drive the implementation of management training programmes in your company?

2. Regarding the process of management training programme, could you please describe the engagement of major stakeholders?

**PROBE:** a. Who was the education provider for management training sessions? Why has this provider been selected?

b. How were the participants (trainees) selected?

c. Before developing each management training session, was there any inquiry into employees' needs or a skills gap analysis? Could you please explain how this worked?

d. How were the outcomes of management training evaluated (e.g. in terms of employee learning and the relevant impact on business operations or performance)?

e. Were there any third party organisations that may be in charge of monitoring the implementation of management training programmes? How did they monitor?

3. What were typical challenges in implementing management training programme? Give examples please.

**PROBE:** a. What were the major reasons causing these challenges?

b. Which kinds of strategies were used by your company to address those typical challenges in training programmes? What were the outcomes of these strategies?

4. What impact do you think has CSR in your company had on the implementation of management training?

**PROBE:** a. To what extent do you think CSR formally led to new requirements in the developing of management training? How can we observe such a new requirement?

b. If not formally, how do you evaluate the extent to which management training in your company reflects its CSR principles? Have you observed such an inherent link between training and CSR? If yes, describe this please.

## **Closing Questions**

Would you like to add something to your answers above? Do you want to make any comments on our interview?