

**Halmstad University**

**School of Business and Engineering**

**Master Program in International Marketing**



## **A Comparative Case Study on Corporate Social Responsibility (CSR) between SMEs and MNCs**

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**Authors:**

**Zhang, Yunbu - 890705**

**Zhu, Yuqi - 890428**

**Supervisor: Navid Ghannad**

**Examiner: Gabriel Awuah**

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## **Abstract**

The purpose of this thesis is to describe the behaviors that multinational corporations (MNCs) and small and medium-sized enterprises (SMEs) are taking for carrying out corporate social responsibility (CSR) under the context of sustainable development. Besides, the factors which drive and influence the performance are further explored and discussed.

The thesis is to be analyzed by means of a literature review, qualitative case study, semi-structured interviews, within case study and cross case study.

By adopting these methods, the thesis shows that both MNCs and SMEs are aware of and actively shouldering CSR in spite of different contents and approaches. MNCs are able to integrate economic, environment and social values into CSR strategy while SMEs focus more on economic values. Competitive pressures, social expectations and internal governance system are the main drivers of MNCs. By contrast, owners' desire gives rise to the performance of carrying out CSR strategy by SMEs.

It is suggested that a new domain of CSR namely, political social responsibility is found through the study. It demonstrates that MNCs with the state-owned nature have particular missions and responsibilities to serve the country and society, which is not common but exists in the world.

**Keywords:** corporate social responsibility (CSR), sustainable development, stakeholder, multiple national companies (MNCs), small and medium-sized enterprises (SMEs)

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# 1 Introduction

This chapter provides a clear explanation to the research problem and purpose of the thesis. First of all, a relevant background of sustainable development and corporate social responsibility will be introduced. Then, a problem discussion will be conducted to further understand the influence of CSR behaviors for stakeholders and the scale of companies will also be differentiated. Before the research question is raised, the purpose of this study will be identified. The delimitation will be presented at the last section so as to remove the theories which are relevant to the study area but will not be adopted here.

## 1.1 Background

In the 18<sup>th</sup> century, there were abundant natural resources on this planet and no one can utilize them efficiently. The industrial revolution afterwards greatly improves labor productivity to many folds, but meanwhile, population and demand for goods keep fast increasing. That results in the natural resources going to be used up as well as the pollution problem getting serious (Gandhi, Selladurai & Santhi, 2006). Humanity is living under severe threat resulting from his own excessive consumption, especially over the past 200 years (Glasby, 2002).

Therefore, more and more organizations and communities are paying attention to sustainable development. Also, the concept of sustainable development has become one of the most general, controversial and essential concept of our age (Castro, 2004).

Bjorn Stigson, president of the World Business Council for Sustainable Development (WBCSD), argues that, "*Sustainability is moving to the core of the business agenda*" (as cited in Klimley, 2005, p. 2), which implies that the perspective of sustainable development is increasingly valued by individuals and organizations.

When it comes to the definition of sustainable development, one popular estimate shows that there are at least 60 definitions existing in literature (Anon, 2005). Zhao (2004) also states that there is no agreement on the definition of sustainable development. However, an extensively accepted definition of sustainable development is made by the World Commission on Environment and Development, that is, "*Development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs*" (WCED, 1987, p.43). In broad terms, according to Hopwood, Mellor and O'Brien (2005), the definition of sustainable development is focusing on environmental issues combined with socio-economic issues. This point is further explained by Bansal (2001), who divides it into three general principles: environmental integrity, social equity and economic development. These three dimensions are dependent on each other and the success of anyone of them is based on the situation of the other two.

Corporate social responsibility (CSR) is another important concept when referring to sustainable development. It is first mentioned in Clark's research report in 1926 that

argues enterprises have commitment to society (as cited in Freeman & Hasnaoui, 2011). Bowen (1953) makes a definition of CSR namely, “*the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society*” (p. 6). From another perspective, Donaldson defines CSR as a company which has a central role in society achieving productiveness and a certain social status by using both human and natural resources (Jucan, 2011). Still there is lack of a clear definition of CSR so far. One representative mainstream concept of CSR adopted by the European Union is:

*CSR is a concept whereby companies integrate social and environmental concerns in their business operations and stakeholder relations on a voluntary basis; it is about managing companies in a socially responsible manner* (Holland, 2003, as cited in Robins, 2005, p. 96).

Although there is not a possibility to reach a consensus on the idea of CSR so far, the important role CSR playing in business and society cannot be neglected. Moir (2001) states that three-quarters of the enterprises studied in Australia of motivations by business for community involvement have “*the goal of long-term business sustainability at the heart of the ‘business case’ for community involvement*” (p. 17). Nowadays, CSR is becoming a hot issue since more and more organizations are devoting themselves to taking social and environmental concerns into consideration while running their daily businesses (Lee, Fairhurst & Wesley, 2009).

## **1.2 Problem Discussion**

With the regards of sustainable development and corporate social responsibility (CSR) as mentioned above, it is important to discover how and why social business organizations are willing to undertake the corporate social responsibility in order to reach the sustainable development at the end.

Three different perspectives or arguments mainly decide the answer to the question what corporations are responsible for and activated by (Morsing & Beckmann, 2006). In terms of the first perspective, “*the social responsibility of business is to increase its profits*” (Frideman, 1970, as cited in Morsing & Beckmann, 2006, p. 280). Those owners or CEOs who are attracted by maximizing profits make the decisions. Social responsibility is viewed as the government’s primary responsibility (Morsing & Beckmann, 2006).

The second approach shows that companies do not only answer for the owners of companies, but also for the stakeholders. It is established on the assumption that there exists a two-way influence between stakeholders and the activities of companies (Freeman, 1984). The third one is the most comprehensive argument, where companies are considered to be accountable to society in general (Morsing & Beckmann, 2006).

As to understand the influence made by stakeholders on the CSR behaviors which

companies take, the first thing is to recognize what stakeholder is. A stakeholder is “any group or individual who can affect or is affected by the achievement of the firm’s objectives” (Freeman, 1984, p.25). Freeman (1984) argues that the primary stakeholders are those who have a valid and legal interest in the company, such as investors, customers and employees. While the secondary stakeholders mostly include society, media, competitors, interest groups etc.

Van Marrewijk (2003) further describes five different desire levels of CSR with respect to the different stakeholders of companies: “compliance-driven”, “profit-driven”, “caring”, “synergistic” and “holistic”. As for companies, what they are suggested to do is to realize their stakeholders’ demands, to take proactive actions, to allocate resources with concern of stakeholders’ expectation (Morsing & Beckmann, 2006).

Based on the argument of Freeman (1984), companies must build a relationship bridge with their stakeholders and take it as the part of strategic management. Apart from the purely economic benefits, stakeholders may have much more values. Therefore, a good strategic direction for companies is to structure a resource network where the common purpose is to create synergy and win-win future (Morsing & Beckmann, 2006).

From the perspective of companies, different kinds of firms take different responsibility. Recent contributions reveal a current to distinguish different kinds of CSR depending on firm size (Blombäck & Wigren, 2008). Many researches such as Castka et al. (2004), Lepoutre and Heene (2006), Worthington et al. (2006) focused on Multinational Corporations’ (MNCs) CSR while others, like Jenkins (2004), Murillo and Lozano (2006) focused on small and medium-sized enterprises’ (SMEs) CSR. Blombäck and Wigren (2008) implied that companies could benefit from the activities of CSR, and this could be the motivation of companies to undertake CSR. However, Despite SMEs may face some challenges like resources, financial or operational problems, SMEs still show that they do things within the scope of CSR (Worthington et al., 2006, Murillo & Lozano, 2006). To this extent, it is valuable and researchable to explore how these corporations, both MNCs and SMEs, take CSR during their daily operations and find the factors driving them forward.

### **1.3 Research Purpose**

The purpose of this study is to clearly describe the MNCs’ and SMEs’ behaviors of performing CSR under the context of sustainable development. Moreover, the further step is to analyze and reveal the factors which motivate those companies integrate CSR into business strategies and to see if there are some similarities and differences between MNCs and SMEs.

Therefore, to reach the purpose of the study, two specific questions have been developed as below.

i) How do MNCs and SMEs shoulder Corporate Social Responsibility to realize sustainable development?

ii) What factors are driving companies to perform in undertaking corporate social responsibility?

## **1.4 Delimitation**

This thesis will study corporate social responsibility from a firm perspective. Therefore, it excludes the theories from consumer or government perspective as well as resource-based approach. Since SMEs also can be viewed as MNCs if their business has spread abroad, the MNC chosen in this study is a huge company in order to do a cross case study with the SME. Moreover, the risk management arguments are not taken into consideration when discussing CSR.

## **2 Literature Review**

In this chapter, a theoretical review of the related literature will be presented to provide a general knowledge of importance and influence of CSR for companies. The first section will introduce the definition of sustainable development, with choosing Triple Bottom Line (TBL) as the measure to identify the performance taken by companies to reach sustainable development.

Next, Corporate Social Responsibility (CSR) will be defined and its relevant models will also be further discussed. After differentiating the drivers and barriers of carrying out CSR strategies by different scales of companies, the stakeholder which companies must face will be explained in detail. Finally, a theoretical framework will be created based on the literature review, which is taken as the guideline of the analysis afterwards.

### **2.1 Sustainable Development**

As is mentioned in the part of background, the term of sustainable development and its importance is being known to all over the world. It is quite necessary to make clear of the definition of sustainable development which is regarded as the basic element of this study. Thereafter, triple bottom line, the essential theory closely related to sustainable development is presented so as to further understand the concept in detail.

#### **2.1.1 Definition of Sustainable Development**

Over the past several decades, the idea of sustainable development has been widely accepted by society as the way to harmoniously live with the surroundings (Glasby, 2002). Nevertheless, Glasby (2002) also argued that the term sustainable development at present is misleading because we actually live in an obviously unsustainable world under control of human beings.

According to Hopwood, Mellor and O'Brien (2005), as a widely used phrase and concept, sustainable development has many different meanings and thus provokes many different arguments. Although the term sustainable development can trace back to the 1970s (Anon, 2000), the most frequently used definition of sustainable development comes from the 1987 Brundtland Commission report made by the World Commission on Environment and Development, namely, "*Development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs*" (WCED, 1987, p.43). Dasgupta (2007) makes a deeper explanation of the definition that each generation should pass down as much as what it inherits from its predecessor to its successor and therefore, the successor would own the same good economic possibilities as before when receiving rich assets from its predecessor. While Miller (2003, p. 44) argues that this definition contains several goals: "*social progress, which recognizes the needs of everyone; effective protection of the environment; prudent use of natural resources; and maintenance of*

*high and stable levels of economic growth and employment*". Eason and Dagg (2006) also give out a similar statement that the definition shows the potential need for making an inter-related thinking of economic, social and environmental values.

From another perspective, sustainable development can be defined as a social movement – *"a group of people with a common ideology who try together to achieve certain general goals"* (Kates, Parris & Leiserowitz, 2005, p. 18). But here, the first definition is taken as the norm in this study because of its widespread use and frequency of citation.

In spite of the potential ambiguity and openness to comprehension, sustainable development has made an evolution of its core values in light of the Brundtland Commission's standard definition to the needs of human, economic and social development nowadays and in the future (Kates, Parris & Leiserowitz, 2005). Based on the argument of Miller (2003), the idea of sustainable development offers new approaches for business growth and value creation, but it must be adopted by companies to apply their business designs to new situations. Thus, those enterprises making strategic commitments in sustainable development have a competitive advantage over other competitors for a certain while.

### **2.1.2 Triple Bottom Line**

As sustainable development has been identified as a normal goal of businesses in the past decade (Slaper & Hall, 2011), it is definitely important to have an access to measuring the degree to which companies operate their business in a sustainable way.

John Elkington creates an accounting framework, called triple bottom line (TBL), when he studied to measure performance of sustainable development (Slaper & Hall, 2011). This framework contains environmental and social dimensions as well as the traditional measures of profits, return on investment and shareholder value (ibid). Keyes and Sykes (2009) argue that the TBL concept is used to establish a quantitative bridge between the social and environmental influence of an organization's activities and its economic performance so as to present improvement in all three parts. The growth of economy must be pursued with the balance of both social and environmental systems (Anon, 2000). Also, Pappmehl (2003) describes the TBL as economic prosperity, environmental control and social responsibility. At its narrowest, the term TBL is used to be a framework for measuring and accounting business performance by economic, social and environmental parameters (Elkington, 1999, as cited in Jamali, 2006). At its broadest, the term is used to manage the values, issues and processes addressed by companies to maximize the effects of their activities and create added economic, social and environmental value (ibid).

Slaper and Hall (2011) study and indicate three measures to drive the practical application of TBL. Economic measures focus on the variables dealing with the flow of money. Generally, it includes income or expenditures, taxes, employment, business diversity factors and so on (ibid). Environmental ones conduct measurements on natural

resources and reflect its relevant influence. Energy consumption, natural resources, waste management etc. are incorporated in this area (ibid). Social measures involve social fields of communities or regions with regard to measurements of equity, access to social resources, quality of life and so forth (ibid).

According to Whittaker (1999), the rationale of TBL is that corporations focusing on the economic, social and environmental dimensions of their business will own more competitive advantage and be easier to maintain profitability as well as creating long-term wealth. Meanwhile, the TBL offers a protective umbrella for managers who can be free to address and reconcile the tensions and difficulties in the operation of a complex organization (Colbert & Kurucz, 2007). Pape (2003, p. 44) illustrates that companies can discover the following seven benefits by integrating sustainable development and TBL into their corporation strategies:

- *Easier hiring of the best talent*
- *Higher retention of top talent*
- *Increasing employee productivity*
- *Reduced expenses in manufacturing*
- *Reduced expenses at commercial sites*
- *Increased revenue/market share*
- *Reduced risk, easier financing*

As what Elkington (1999) said before, the TBL approach is a way which shows practical benefits for corporations themselves and their stakeholders. Besides, the TBL reporting emphasizes on how companies manage and reconcile all three dimensions (economic, environmental, and social) and try to balance these inter-connected spheres for a more balanced business performance (Sauvante, 2002; Panapanaan, 2002; McDonough and Braungart, 2002, as cited in Jamali, 2006).

## **2.2 Corporate Social Responsibility (CSR)**

Corporate social responsibility (CSR) is now becoming a significant issue because more and more corporations pursue to integrate social and environmental responsibilities into their daily activities of business (Lee, Fairhurst & Wesley, 2009).

### **2.2.1 Definition of CSR**

Looking back to the history, the development of CSR concept in academic literature goes through a long way. The first mention of CSR in monographs is in 1926 when Clark states that corporations have obligations to society (Freeman & Hasnaoui, 2011). In the early monographs on CSR, social responsibility (SR) is referred to more usually than CSR, which seems to be due to the age of modern corporation's dominance not occurring (Carroll, 1999). According to Vaaland, Heide and Grønhaug (2008), the

concept of CSR is broad and complex and is clarified by many different perspectives and views (Table 1).

**Table 1: CSR definitions from various sources (Bowen, 1953, p. 6; Davis, 1973, p. 312; Carroll, 1979, p. 500; WBCSD, 2001, as cited in Jamali, 2006, p. 810)**

Sources	Definition of CSR
<b>Bowen (1953, p. 6)</b>	<i>“The obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society”.</i>
<b>Davis (1973, p. 312)</b>	<i>“The firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm ... (to) accomplish social benefits along with the traditional economic gains which the firm seeks”.</i>
<b>Carroll (1979, p. 500)</b>	<i>“The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”.</i>
<b>WBCSD (2001, as cited in Jamali, 2006, p. 810)</b>	<i>“The commitment of business to contribute to sustainable economic development, working with employees, their families and the local communities”.</i>

Although the concept of CSR is ambiguous and complicated, WBCSD has identified several core values as a whole to CSR, namely “human rights, employee rights, environmental protection, community development, supplier relations, and stakeholder right (Jamali, 2006, p. 811). From the perspective of Davidson (2009), CSR comprises two related principles. First, the business purpose of corporations is not only the profit maximization. Second, the cluster of stakeholders for any companies encompasses their employees, customers, suppliers, and the communities where they operate, as well as their shareholders.

What CSR benefits companies includes increased profits, customer loyalty, trust, positive brand image and eliminating negative publicity (e.g. Brown & Dacin, 1997; Drumwright, 1996; Maignan & Ferrell, 2001; Murray & Vogel, 1997; Sen & Bhattacharya, 2001; Sen et al., 2006, as cited in McDonald & Rundle-Thiele, 2008). Hanke and Stark (2009) argue that CSR strategies can help companies to build a distinctive image to their stakeholders.

### 2.2.2 CSR Pyramid

In 1991, Carroll offered the idea of multiple CSR into a pyramid construct (Windsor, 2001), which is organized by the four domains of CSR: economic, legal, ethical and philanthropic (Carroll, 1979). In this pyramid (Figure 1), economic responsibility is the basic foundation while philanthropic one is the apex (Jamali & Mirshak, 2006).

This conceptualized model indicates that the four responsibilities are aggregative, which implies the other responsibilities can only be achieved based on the economic performance (Windsor, 2001). Corporations that intend to be ethical must be economically and legally responsible at first (Jamali & Mirshak, 2006). In light of this perspective, economic and legal responsibilities are socially required, ethical responsibility is socially expected, while philanthropy is socially desired (Windsor, 2001). Carroll (1991, p. 43) summarizes in terms of the model, “*The CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen*”.



**Figure 1: Carroll’s Pyramid of CSR (Windsor, 2001; Carroll, 1991, p. 43)**

### **2.2.3 Three Domains of CSR**

In terms of the perspective of Schwartz and Carroll (2003), the Pyramid Model of CSR contribute significantly in academy, however its structure may generate some troubles in practice and may not fit some cases. For instance, in such a structure, one responsibility may be viewed as more important than the others (ibid). Robins (2005) also indicates that the CSR pyramid neglects to discuss the responsibilities of stakeholders. In this situation, “Three-domain model of CSR” is set up to make a complementary description of CSR (Schwartz & Carroll, 2003). The model consists of three parts of social responsibilities, namely economic, legal and ethical (ibid).

#### **Economic Domain**

The economic domain focuses on all activities generating a positive economic impact on the corporations directly or indirectly (Schwartz & Carroll, 2003). The so-called positive economic impact denotes “the maximization of profits and/or the maximization of share value” (ibid, p. 508). Those aiming to increase sales or to avoid

lawsuit are categorized into direct economic activities. While indirect economic activities are those activities for improving workers' moral or promotion of image of business (ibid). Carroll (1979) delineates that responsibilities in this domain include providing a return on investment to owners and shareholders; creating jobs and fair treatment for employees; exploring new resources; promoting technological level and creating new products and services.

Schwartz and Carroll (2003) mention that there is existence of exception of actions in economic domain although most of them are driven by profit or share value increasing. For example, if "they are not intended to maximize profit (or minimize loss) when a more profitable alternative exists, or they are engaged in without any real consideration of the possible economic consequences to the firm" (ibid, p. 509), then they cannot be classified in economic domain.

### **Legal Domain**

The legal domain involves in the legality firms perform, which is asked by society in different dimensions (Schwartz & Carroll, 2003). The legality here can be divided into three parts: compliance, avoidance of civil litigation, and anticipation of law (ibid). The compliance category implies that actions taken by firms have to be in accordance with the laws; avoidance of civil litigation consists of the actions preventing companies from potential lawsuit in the future; anticipation of law refers to the realization of the possible change of law considered by firms and subsequent behaviors of modifying (ibid). Based on the perspective in legal domain, society hopes to see corporations accomplish their economic mission under the framework of legal demands (Jamali & Mirshak, 2006).

### **Ethical Domain**

The ethical domain means the ethical responsibilities taken by business fulfill expectation of society and all related stakeholders (Schwartz & Carroll, 2003). Basically, ethical responsibility goes beyond the limitation of law by introducing an ethics idea which corporations can depend on (Solomon, 1994). Three normal standards are identified by Schwartz & Carroll (2003) in this domain: conventional, consequential and deontological. Conventional standard refers to "those standards or norms which have been accepted by the organization, the industry, the profession, or society as necessary for the proper functioning of business" (ibid, p. 512). Consequential one takes into consideration the actions which can create value for stakeholders. Deontological standard is to describe the activities of reflecting the firm's own duty or commitment (ibid).

## **2.3 CSR in Relation to the Size of Enterprises**

The motives and barriers for CSR of enterprises can depend on different kinds of firms' characteristics. Gardarson and Wulff (2011) argued that the strategic reason is about the companies' benefits and performance. Friedman (1970) said that "*the business of business is business*", explaining the core value of CSR is to focus on

increasing profits and create values for stakeholders. And according to Udayasankar (2008), the benefits of CSR work can depend on the firm size. Therefore, firms with different size can gain benefits from CSR as well as meet barriers due to different reasons.

### **2.3.1 Definition of Small and Medium-Sized Enterprise (SME)**

It is necessary to have a clearly and common definition of SME before starting to study it. There are different kinds of definitions of SME all around the world. Due to the location and research subject of this thesis, we would like to choose the European Union's definition of SME as following:

*“The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and / or an annual balance sheet total not exceeding 43 million euro.” (European Union, 2003)*

According to EU, SMEs play an important role in the EU economy. Around 23 million SMEs, almost represent 99% of all enterprise in Europe, provide over 75 million jobs in the 25 countries of EU. This importance indicated that SMEs' CSR are well worth studying.

### **2.3.2 Drivers and Barriers for CSR of SMEs**

#### **Drivers**

SMEs operate business in a different way compared with MNCs; they are more dependent on the owner or managers rather than a structured management team (Spence & Lozano, 2000, Jenkins, 2006). The managers do believe that they have a duty towards social, economic and environmental responsibilities, but they might not have as much as interest compared with the management team of MNCs. Roberts et al. (2006) said that SMEs have already done some CSR activities, but failed to use the professional way of CSR to define them. SMEs have a variety of reasons to undertake CSR (Jenkins, 2006). Hallbäck (2011) categorized these reasons into two sections, internal drivers or motivation and external drivers or pressure. For internal factors, Udayasankar (2008) stated that SMEs want to distinguish themselves from other enterprises by undertaking CSR, and to increase the access of resources and credits or loans through strengthen the visibility. Meanwhile, Vyakarnam et al. (1997) also stated that SMEs can gain benefits such as enhanced reputation, a good and professional image, and increased confidence and loyalty. Spence and Lozano (2000) argued that one key motivation for CSR in SMEs is the employees' health and welfare due to the empirical study in UK showing the owner or manager of SMEs will be strongly influenced by their employees concerning the social issues. For external reasons, Jenkins (2004) argued that the support from the community, UN as an example, will increase the involvement of SMEs in CSR. However, with all these reasons above, the key factor to engaging SMEs in CSR are numerous business

benefits (Jenkins, 2006).

Besides these drivers, SMEs also have some opportunities and advantages concerning CSR. For example, Castka et al. (2004) and Sweeney (2007) stated that SMEs can gain benefits from CSR such as stakeholders' satisfaction and establish a close relationship between stakeholders. And this will contribute to the stakeholder management for SMEs. Another opportunity is flexibility as suggested by Yu (2010). Due to the extremely short decision making process, SMEs are able to make a quick response to the requirements of stakeholders and then implement stakeholder or CSR policy (Sarbutts, 2003).

### **Barriers**

However, in another hand, Yu (2010) argued that the barriers are like fences that prevent SMEs to participant in CSR. Such barriers include the low perception of CSR in SMEs, suffering from the survival, resources constraints of human and financial, time constraints, etc. (Carlisle & Faulkner, 2004, Sweeney, 2007, Vives, 2006). Due to the fact that most benefits of CSR are intangible, most SMEs have difficulties in measuring the benefits of CSR (Yu, 2010). Roberts et al (2006) reveal more barriers such like the language problem and the lack of support for CSR as well as the lack of information regarding CSR. He illustrated this point by stating that normally, SMEs want to undertake CSR, but they do not have enough information and support.

### **2.3.3 Definition of Multinational Corporation (MNC)**

As the same reason for SME, it is also necessary to give the definition of MNC in order to continue the further research. With the development of the global economic, MNCs have become the main part of the world economy and have developed rapidly since 1970 (Dai, 2010). It has many definitions such as a corporation or enterprise that manufacture or service in more than one country (Christos & Roger, 2000). Here we would like to use the definition of ILO, The International Labor Organization, as following:

*MNC is a corporation that has its management headquarters in one country, known as the home country, and operates in several other countries, known as host countries. MNC includes enterprises, whether they are of public, mixed or private ownership, which own or control production, distribution, services or other facilities outside the country in which they are based. (ILO, MNE Declaration, 2006)*

Some of MNCs are giants in their industry whose annual revenue exceeding some countries' GDP. They have strong and powerful influences on local or even global economies. This is the reason why MNCs should be study when concerning CSR.

### 2.3.4 Drivers and Barriers for CSR of MNCs

#### Drivers

An obvious driver of MNCs in committing CSR is a belief as suggested by Kotler and Lee (2005) that CSR can be a good business. There are also both internal drivers and external drivers for CSR of MNCs, categorized by Hallbäck (2011). The internal drivers including traditions and values, reputation or image as well as strategy and competitiveness while external pressures including customers and consumers, expectation in community, laws and political pressures. As an external factor, the expectation of the community and politics will have a strong influence on the CSR of MNCs. For example, corporations will be under the monitor by some NGOs, being watched their CSR activities concerning economic, social, and environmental performance. Furthermore, laws and regulations, supporting the CSR or not, will force and affect MNCs to develop their CSR (Mirvins & Googins, 2006). Moreover, customers and consumers will also affect the MNCs' CSR due to they have the right to choose the products which are produced in an environment-friendly way and whose manufacturer have well taken the social responsibilities (Mirvins & Googins, 2006). For the internal factors, Udayasankar (2008) argued that on the contrary to SMEs, MNCs can gain benefits by increasing the visibility at a low cost and through getting a good reputation. Udayasankar (2008) continued to state that MNCs may get themselves involved in a bad condition if they were absent of CSR or doing it in an inappropriate way. It had been proved by many researchers that MNCs can build a competitive advantage by mixing non-economic elements as well as by building a good image of corporation (Porter & Kramer, 2006, Fombrun & Shanley, 1990). Hallbäck (2011) stated that such external drivers discussed above are like pull factors that contribute to MNCs' CSR while the internal ones are push factors. Both Mirvins and Googins (2006) and Hallbäck (2011) mentioned the importance of internal factors, playing a more vital role, due to the fact they are *more predictive of sustained progress in a company* and they proposed a key internal factor which is called companies' values and traditions.

#### Barriers

However, MNCs also have some difficulties or challenges during the process of CSR. Laudal (2011) concluded two obstacles, cost/benefit ratio and internal and external control. Even though MNCs might have enough financial resources to conduct CSR, they will still meet puzzle when there are trade-offs between profits and social ethical activities (Laudal, 2011). Newell (2005) also stated that MNCs will concern the cost/benefit ratio when several CSR strategies in different country or markets are required. MNCs will be strongly influenced by the local political, legal environment, which is out of their control, and unable to change the expectations from the local community (Laudal, 2011). Luciano and Eugênio (2009) proposed local level and global level concerning different CSR dimensions, such as the structure of CSR department, dialogue with stakeholders. They stated the main challenge of MNCs to

conduct CSR successfully is to find the balance between local level and global level.

## 2.4 Stakeholder Theory

O’Riordan and Fairbrass (2008) stated that stakeholders’ perceptions are crucial to any kind of enterprises, both SMEs and MNCs, due to the fact that such expectations will have a main impact on the corporations and those who are interested in them as well as those who are affected by them. Stakeholder theory offered a new way for corporations to think about their responsibilities (Jamali, 2008). Therefore, stakeholder theory is important and essential and worth studying in the context of CSR (Idrees & Ullah, 2011). Stakeholder theory is a theory of management in organizations and ethics in business field, concerning morals and values when managing an organization (Robert & Freeman, 2003). It was detailed by Freeman (1984) the first time in the book *Strategic Management: A Stakeholder Approach*. The definition of stakeholder is suggested by Freeman (1984) as following:

*“Any group or individual who can affect or is affected by the achievement of the organizational objectives”* (Freeman, 1984, p.46)

Under the definition, stakeholders are categorized by Freeman (1984) into shareholders, customers, suppliers, distributors, employees, management, and local communities. Longo et al. (2005) argued that companies whose behaviors satisfy the expectations of each stakeholder can be considered as socially responsible. The main focus of stakeholder theory is that in order to have a sustainable development, corporations should establish a long-term and strong and affective relationship with different kinds of stakeholder rather than only care about the short-term profit (Ambler & Wilson, 1995). Here it is where stakeholder theory engages in CSR, creating social, environmental, ethical values rather than just economic profits (Phan & Wall, 2010). However, the original stakeholder theory had difficulties in distinguish those groups and individuals that are stakeholders from those who are not; for example, could the natural environment be considered as a stakeholder (Robert & Reichart, 2000)? Thus Freeman (2003) developed a more extensive model for stakeholder theory, which consists of internal stakeholders, as mentioned in the original model, and external stakeholders, NGOs, Environmentalists, governments, critics, media, and others. The affection by each stakeholder is different, which can be divided into primary stakeholder and secondary stakeholder. Clarkson (1995) defined primary stakeholder as the one that corporations cannot survive without it, such as shareholders, employees, customers, and suppliers, while secondary stakeholder as the one that corporations still can survive even without it, such as the NGOs, environmentalists, media or others. Each stakeholder has different expectations in relation with firms’ performance, which will draw firms’ attentions to realize that they are responsible to numerous stakeholders, internal and external, primary and secondary (Michael, 1995).

## 2.5 Theoretical Framework

The review in terms of the relevant literature has been presented before. This section shows important and valuable elements taken from the literature, which is integrated to form a new framework so that the purpose and questions of the study can be demonstrated more clearly to the public.

It is obvious to see that sustainable development has been growing up to become a crucial idea of modern business. Miller (2003, p.44) explains its further contents, which include “*social progress, which recognizes the needs of everyone; effective protection of the environment; prudent use of natural resources; and maintenance of high and stable levels of economic growth and employment*”. Therefore, those who integrate sustainable development into their business strategy definitely have a competitive advantage compared with other competitors.

Another essential and important target in this study is stakeholder. It can be recognized in different ways. Clarkson (1995) divides it into primary and secondary stakeholders, while Freeman (2003) categorizes individuals into internal and external ones. Based on the study purpose and questions, 7 elements: shareholders, customers, suppliers, employees, communities, environment and NGO, are chosen as the study targets. According to Longo et al. (2005), it is socially responsible for companies to perform for the goal of satisfying stakeholders’ expectation. Furthermore, it is a good way in realizing sustainable development.

TBL is originally created as an accounting framework to measure performance of sustainable development (Slaper & Hall, 2011). But in this framework, it is avoided to discuss in a quantitative way. TBL here will be taken as a benchmark to see whether the companies are running their business and behaving in a sustainable way, which is in accordance with the given purpose of this study. The influence made by the activities of companies is reflected in economic, environment and social dimensions.

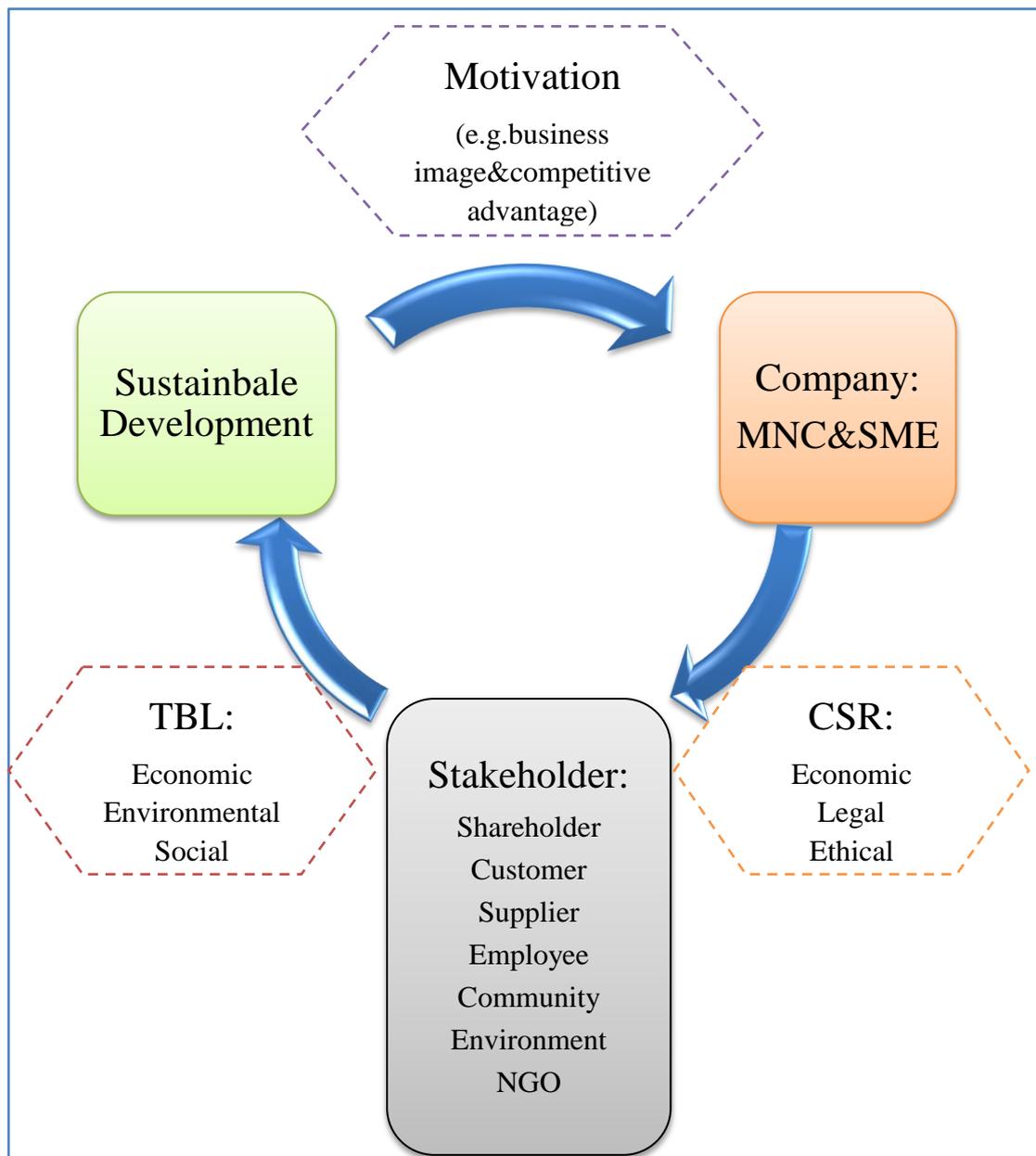
As for CSR, the literature before has demonstrated its importance. The core values of CSR defined by WBSCD contains “*human rights*”, “*environment protection*”, “*community development*”, “*supplier relations*” and so on (Jamali, 2006, p.811), which is quite corresponding with the vision of sustainable development to some extent. Apart from increasing profits and customer loyalty, CSR strategy can help companies establish a positive brand image to their stakeholders (Hanke & Stark, 2009).

Carroll (1991) creates a CSR model which is called CSR Pyramid. Four domains, economic, legal, ethical and philanthropic are organized hierarchically in this model. Although it contributes a lot in academy, it will not be applied to the analysis because of the drawback such as neglecting stakeholders’ responsibilities (Robins, 2005). In this study, “*Three-domain model of CSR*” is adopted to the study. The model aims to explore and realize how companies shoulder their social responsibilities by economic, legal and ethical approaches. It helps to further reveal the driving factors behind the

behaviors.

As the initiator of CSR activities, companies are categorized into two parts: MNCs and SMEs so as to be adapted to the case study behind. Whether MNCs or SMEs take actions for shouldering CSR mainly depends on the drivers and barriers respectively. Hallbäck (2011) states internal motivation and external pressure structure the whole drivers. Both can help companies move forward and gain benefits like return on investment, good reputation and brand loyalty.

The Figure 2 below demonstrates the thread and important elements of the study, which is adopted to recognize how companies take CSR approaches to reach sustainable development and analyze the potential reasons behind.



**Figure 2: Theoretical Framework**

### **3. Methodology**

In this section, the research approach, research method as well as research strategy are introduced. It explains the process for the whole thesis and the reason why to use such approach, method and strategy. Furthermore, it explains how the data was collected and analyzed. In the end, it justifies the validity and reliability of the thesis.

#### **3.1 Research Approach**

The choice of an appropriate approach when conducting a research study is of great importance because it will affect the process and the final result of the thesis. According to Bryman & Bell (2010), there are two kinds of research approach, deductive and inductive. In this thesis, the authors will use a deductive approach. The authors reviewed existing theories and literatures, which represent the most common view of the nature of the relationship between the theory and research and which will drive and force the process of gathering data in the next step of research (Bryman & Bell, 2010, p.11). Unlike inductive approach, the findings are based on the test of deductive theories. Since deductive research sometimes can provide unexpected findings, the findings can be fed back to the existing theories or a revision of theory (Bryman & Bell, 2010, p.11-12).

#### **3.2 Research Method**

This thesis is qualitative research, which according to Bryman and Bell (2010), is normally concerned with words rather than numbers, and it is a deductive view of the relationship between theory and findings. Moreover, from the ontological position, qualitative research focuses on the outcome of research which is based on the interaction with individual (Bryman & Bell, 2010, pp. 386-387). Qualitative research has a tradition that is to understand social reality in its own term and to provide fruitful descriptions of people and interactions in social environment (Gubrium & Holstein, 1997). The authors chose qualitative research as a research strategy in order to have a deeper understanding what and how do corporations, SMEs and MNCs, undertake the CSR and to explore the difference between, since qualitative research is widely used in the business research field and will provide the authors more flexibility and opportunities to get a clear and broad knowledge.

#### **3.3 Research Strategy**

##### **3.3.1 Case Study**

There are always many kinds of research strategies can be used when conducting a research, including experiments, surveys, histories and the analysis of archival information as well as case study (Yin, 2003). There is no such strategy that is

superior to others, each strategy has its own particular advantages and disadvantages (Ibid). This depends on the following conditions: the type of research question, the control an investigator has over actual behavioral events and the focus on contemporary as opposed to historical phenomena (Ibid). Although there are clarifications among these strategies, there are large overlaps also. Therefore, it is important for researchers to avoid misfits when choosing research strategy (Ibid).

Case study is the preferred strategy when “how” and “why” questions are raised, when the investigator has little control over events and when focus on a contemporary phenomenon in real life (Yin, 2003). As the research question of this study was “How are companies shouldering corporate social responsibility to realize sustainable development?” and “What factors are driving companies to perform in undertaking corporate social responsibility?” which could be understood in terms of “Why do companies undertaking corporate social responsibility?” Moreover, since the object of this research was focusing on contemporary phenomenon, and there were companies available for contacting, histories will be taken out of consideration. Besides, the authors did not have control on companies’ behaviors in CSR, which indicates that it is impossible to make an experiment research (Yin, 2003).

In this thesis, a multiple case study or a comparative design, consisting two cases, was made to fulfill the purpose of the study. As suggested by Bryman and Bell (2010), a basic case study includes detailed and intensive analysis. Case study has been widely used in business research area since it is concerned with the complexity in the reality (Stake, 1995; Eisenhardt & Graebner, 2007). Due to the fact that CSR is a very broad and complicated research subject, case study would be an appropriate strategy to use. Furthermore, the purpose of the thesis was to see if there are some similarities and differences between MNCs and SMEs, which requires a comparison between MNCs and SMEs. Evidence from multiple case studies will make the study more robust and compelling and the analytic conclusion form multiple cases is more convincing (Yin, 2003). According to Bryman and Bell (2010), this kind of research design consists of two or more contrasting cases. This research design will contribute a better understanding of the social phenomenon to the authors when regarding two or more meaningful and useful contrasting cases (Bryman & Bell, 2010, p. 63).

### **3.3.2 Case Selection**

The purpose of this study was to clearly describe the MNCs’ and SMEs’ behaviors of shouldering CSR under the context of sustainable development. Moreover, the further step was to analyze and reveal the factors behind that motivate those companies integrate CSR into business strategies and to see if there are some similarities and differences between MNCs and SMEs. Therefore the chosen companies should fulfill the criteria of MNC and SME. For this thesis, two companies were chosen, one is China Petrochemical Corporation (Sinopec Group), and the other is Shanghai Light Industrial International Development Corporation Limited (Shanghai Light).

China Petrochemical Corporation is a huge multinational corporation with an

integrated value chain and rich resources. After reorganizing on the basis of the former China Petrochemical Corporation, the business operated nowadays covers many different kinds of aspects, including exploring and producing petroleum products and natural gas, refining, trading, research and development of new energy etc (Sinopec, 2011). By the end of 2011, the company has total assets of RMB 1.745 trillion with the turnover of RMB 2.552 trillion<sup>1</sup>. It is obviously that Sinopec fulfills the definition of MNCs.

Shanghai Light Industrial International Development Corporation Limited (hereinafter referred to as “Shanghai Light”) is a small and medium sized company newly established in 2002. Shanghai Light is specialized in import and export trading as well as their own products, which include hardware, stainless steel, costume, commodity and so on. After the ten years business operating, the company has built up solid selling network with more than 3000 clients from about 100 countries. And now the company has 80 employees and has turnover around 9 million Euro, which can be defined a particular SMEs.

### **3.4 Data Collection**

There were two kinds of data, primary data and secondary data, collected by the authors during the research. All these data were collected under the guide of theoretical framework.

#### **3.4.1 Primary Data**

According to Bryman and Bell (2010), primary data is collected for a specific research purpose from a primary source.

As suggested by Yin (2003), *“interviews are an essential source of case study evidence because most case studies are about human affairs. These human affairs should be reported and interpreted through the eyes of specific interviewees, and well-informed respondents can provide important insight into a specific situation.”* (Yin, 2003, p.92) Therefore, regarding the research purpose of this thesis, the primary data was collected through a semi-structured interview with two selected companies. Qualitative interviewing are conducted in the way of semi-structured interviewing that the interviewer has a list of questions on several specific themes to be covered, but the questions may not follow on exactly in the way outlined on the schedule (Bryman & Bell, 2010, p.467). Due to the flexibility of semi-structured interview, the interviewer can always ask follow question so as to get more information, and the authors may get greater interest in the interviewee’s viewpoint and findings which can make a revision towards the existing theory or model.

It is also necessary to make an interview guide when making a semi-structured interview, because this will help to strengthen the dependability of the research

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<sup>1</sup> Considering the foreign exchange fluctuation, the exchange rate taken use of here is 1 RMB = 0.127 EUO.

(Bryman & Bell, 2010). Interview guide is a brief list of issues that will be asked or discussed during the interview. To make this interview guide, the authors addressed the listed questions carefully. The interview guide was made under the instruction of theoretical framework, which would help the authors to answer the research questions and to fulfill the purpose of this study (Ibid). Certain amount of order on the topic areas were created, for example, economic, legal, ethical, and stakeholder topic, which was exactly following the theoretical framework. The interview guide was attached in the appendix.

Due to the fact that both chosen companies are located in Shanghai, China, it was impossible to have a face-to-face interview. Therefore, the primary data of this study was collected through online Skype video interview. In order to get more useful information and to reach the purpose of the study, the authors chose the interviewee carefully. One interviewee from Sinopec Group, Jiang Honglin, who works in Sinopec Shanghai Branch for 28 years and is the senior manager in the corporation, in charge of Corporate Culture Management. Another interviewee from Shanghai Light, Yin Shuping, is the CEO of the company. With their positions in the companies, the interviewee could provide relevant information to the authors and contribute to this thesis. Besides, the first interview was conducted on 4<sup>th</sup> of April, 2012, while the second one was implemented on 18<sup>th</sup> of May, 2012.

All the primary data collected through these interviews were recorded and transcribed for data analysis as suggested by Bryman and Bell (2010).

### **3.4.2 Secondary Data**

Bryman and Bell (2010) stated that secondary data is high quality data, which was collected by other researchers or organizations for some specific research purpose. And it still can work for this thesis since combining primary data and secondary data will contribute to a comparative study (Tüselmann, McDonald & Heise, 2002). The authors paid great attentions on selecting quality secondary data. Therefore, documentation was used, since this kind of information is likely to be relevant to every case study topic (Yin, 2003). By using documentation, the author can correct spellings and titles or names of organizations that mentioned in the interview, and it can also provide other specific details to corroborate information from other sources such as interview (Ibid). Since the interviewee might lose some detail information, the author could get complements from the official documents. For this thesis, such document like the CSR report was used by the authors in order to have deep understanding on the topic.

Moreover, secondary data can help the authors to structure a theoretical framework based on the previous research theories and findings. Therefore, it was recommended that search theory and literature from scientific articles of journals in the data base, such as Pro Quest, EBSCO. The searching key words were corporate social responsibility (CSR), multinational corporation (MNC), small-medium sized enterprise (SME), stakeholders, etc. in order to know what has been studied in the

frontiers of research.

### **3.5 Data Analysis**

This thesis used two approaches for analysis, one was within case analysis, and another was cross case analysis. However, before the analysis started, coding was the first step for most forms of qualitative data analysis (Bryman & Bell, 2010). One important consideration should be taken in account is that researcher should code as soon as possible after collecting data as suggested by Bryman and Bell (2010). This is because such a consideration can help the authors to avoid being swamped by the data, and therefore sharpen the understanding the data in the early stage (Ibid). Moreover, it is also crucial to remember that one researcher should consider more general theoretical ideas in relation to codes and data when making concepts and categories (Ibid). Following these consideration, the authors coded the data right after finishing the interviews and tried to establish theoretical connection between each concept and category based on the theoretical framework.

#### **3.5.1 Within Case Analysis**

The structure of within case analysis was constructed under the theoretical framework. Several categories such as stakeholders, economic, legal, ethical domain of corporate social responsibility are made in order to have a consistence with the theoretical framework and collected data. In the within case analysis, pattern matching, as a most desirable technique recommended by Yin (2003), was used. Therefore, the within case was analyzed by comparing the theories and literatures in order to find out how do MNCs and SMEs shoulder Corporate Social Responsibility to realize sustainable development, which was the first research question of this thesis.

#### **3.5.2 Cross Case Analysis**

As argued by Yin (2003), findings are likely more robust in cross case analysis than in single case. After within case analysis, a table was made to show the result form two analyzed cases, which provided all the evidences and findings in different categories based on the theoretical framework. This could be helpful in next step of analysis, because such a matrix showed obvious difference between cases.

In this thesis, the authors compared the results from two single cases, trying to find out what factors are driving companies to perform in undertaking corporate social responsibility, and what are the similarities and differences between MNCs and SMEs, which was in accordance with the purpose of the study. This similarities and differences are crucial for drawing the conclusion, due to it is arisen from a multiple case, it will be more powerful (Yin, 2003).

### **3.6 Validity and Reliability**

As suggested by Yin (2003), there are four criteria for judging the quality of a study, which are construct validity, internal validity, external validity and reliability. However, since the purpose of the study is to clearly describe the behaviors that MNCs and SMEs are taking to go for CSR under the context of sustainable development, which can be considered as a descriptive study, and internal validity is for explanatory or causal studies only. Therefore, the criteria for this thesis would be construct validity, external validity and reliability.

Construct validity, which require researches to establish correct operational measures for the concepts that are being studied (Yin, 2003). Therefore, in order to reach this requirement, the authors selected the data sources carefully and had an awareness of using multiple sources. For instance, in this thesis, both primary data collected by interviews and secondary data collected by documentation were used. Moreover, when reviewing the literature, the authors were carefully select high quality scientific articles from prestigious journals which can represent the frontiers of the research field.

For external validity, researches should pay attention on whether the findings are generalized beyond the immediate case study (Yin, 2003). As a result, researchers should use theories in single-case studies and use replication logic in multiple-case studies (Ibid). In this thesis, theories and literatures were applied on two within case analyses. And the cross case analysis was based on the results from within cases, which implied that the theories has also been applied. Moreover, since the selection of companies were contrary to each other while there were still patterns and similarities among them, which implied that some results would still occur even if the findings was replicated in a second or even a third object. This may be due to the authors selected the research topic carefully and topic such as corporate social responsibility is an issue that all kinds of corporations should take into consideration as long as they are established in the real society.

One way to ensuring reliability is through documentation, as suggested by Yin (2003). With such documentation, it provides the possibilities for further investigators to follow the same procedure in the same case and result in the same findings (Ibid). In this thesis, the procedures including research approach, research methods, research strategy, data collection, data analysis were carefully and detailed recorded. This provided the possibility for further investigators to follow the same track. Moreover, the interviewees that the authors chose for the interview in this thesis were carefully selected. They had the right position and enough working experiences relevant to the research topic, which is corporate social responsible. Therefore, the information and data collected were reliable and further investigators can still get similar information and answer if they choose the right person for interview.

## **4 Empirical Findings**

In this chapter, empirical findings will be presented in terms of the primary and secondary information collected. The MNC (Sinopec) and SME (Shanghai Light) will be exemplified respectively in the aspects of company background, performance on stakeholders and CSR strategies.

### **4.1 Sinopec Group**

#### **4.1.1 Company Background**

China Petrochemical Corporation (hereinafter referred to as “Sinopec”) is a large integrated company in energy and chemistry industry with primary businesses of exploitation, producing and trading of natural gas and petroleum; refining, domestic or international marketing and delivery of relevant products; petroleum and petrochemical engineering services; producing and trading of chemicals; research and development as well as development of alternative energy and non-fuel businesses (Sinopec, 2011).

##### **Exploitation, Producing and Trading of Natural Gas and Petroleum**

Mostly, the petroleum or gas exploration and exploitation businesses of Sinopec are spreading in the hydrocarbon-rich areas domestic and abroad (Sinopec, 2011). In the year of 2011, Sinopec produced 64.80 million tons of crude oil, where home output was 42.73 million tons and equity oil production abroad was 22.07 million tons. Natural gas volume of production was 15.6 billion cubic meters, which contains 14.6 billion cubic meters in China and 1 billion cubic meters from other countries (ibid).

##### **Crude Oil Refining, Marketing and Distribution**

As the second largest refiner all over the world, Sinopec is the largest one in China and it also performs as the largest supplier of refined products (Sinopec, 2011). The company produced 219 million tons in 2011, and it sold its refined products of 162 million tons by over 30 thousand retail service stations. About 20 million customers get related service every day (ibid).

##### **Production and Trade of Chemicals**

With the identification of the largest producer and distributor of chemical products in China, the company is producing petrochemical intermediates, synthetic resins and fibers, chemical fertilizers etc (Sinopec, 2011). The sales data of chemical products reached the level of 50.8 million tons, in which the output of ethylene was 10.04 million tons, ranking the top within China as well as occupying a leading position worldwide (ibid).

##### **Petroleum and Petrochemical Engineering Services**

Sinopec provides petroleum and petrochemical engineering services at home and overseas, which covers exploitation, engineering design and constructing services (Sinopec, 2011). These different kinds of services are able to not only support the businesses of Sinopec, but also attract other customers from domestic or international markets. With the year of 2011, 500 petroleum engineering and technical service contracts and 18 petrochemical engineering contracts are being carried out in 38 countries and in 5 countries respectively (ibid).

#### International Trading

Sinopec is running the business of supplying and trading of crude oil, refined oil products, chemicals and relevant equipments and materials (Sinopec, 2011). With the fast development of trading chemicals, equipment and materials, the total trading volumes of crude oil reached 234 million tons while the refined products were 50 million tons (ibid).

#### Research and Development

Sinopec emphasizes on research and development of core technologies and proprietary technologies by virtue of the business advantage of integration. Meanwhile, the company is seeking for breakthroughs in new business fields as well as supporting classical portfolios (Sinopec, 2011). By the efforts of 28 thousand fulltime research and development staff, Sinopec had applied for 23,031 domestic and international patents by the end of 2011, of which 11,939 patents were granted (ibid).

### **4.1.2 Stakeholders**

According to H.L. Jiang (personal communication, April, 27, 2012), the stakeholders of Sinopec include government, employees, shareholders & creditors, customers, business partners, community & the public, NGOs and other relevant organizations as well as environment. The trust and support from them are essential to the sustainable development and steady growth of the corporation. Sinopec established with them mutually-supportive and mutually-beneficial relations for win-win cooperation, jointly promoting economic growth, environmental protection and social progress.

#### **Employees**

Jiang (2012) especially mentioned that *“Employees are the most important stakeholder for our corporation. There would be no corporation without employees.”*

According to Sinopec (2011), there are six commitments to employees in Sinopec:

1. Continuously raise employees' awareness as the master of the company.
2. Continuously improve the incremental increase of basic remuneration for employees.
3. Continuously improve the working and living environment for employees.
4. Earnestly help and aid employees living in difficulties.

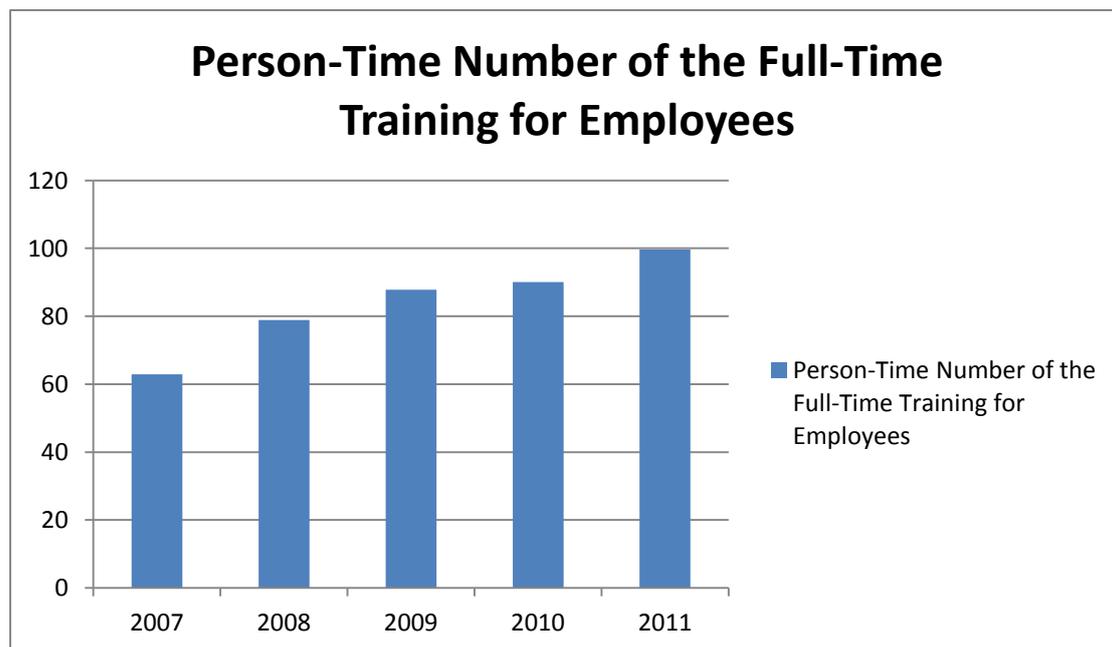
5. Continuously improve employees' quality.

6. Provide space for employees to achieve fulfillment and career development

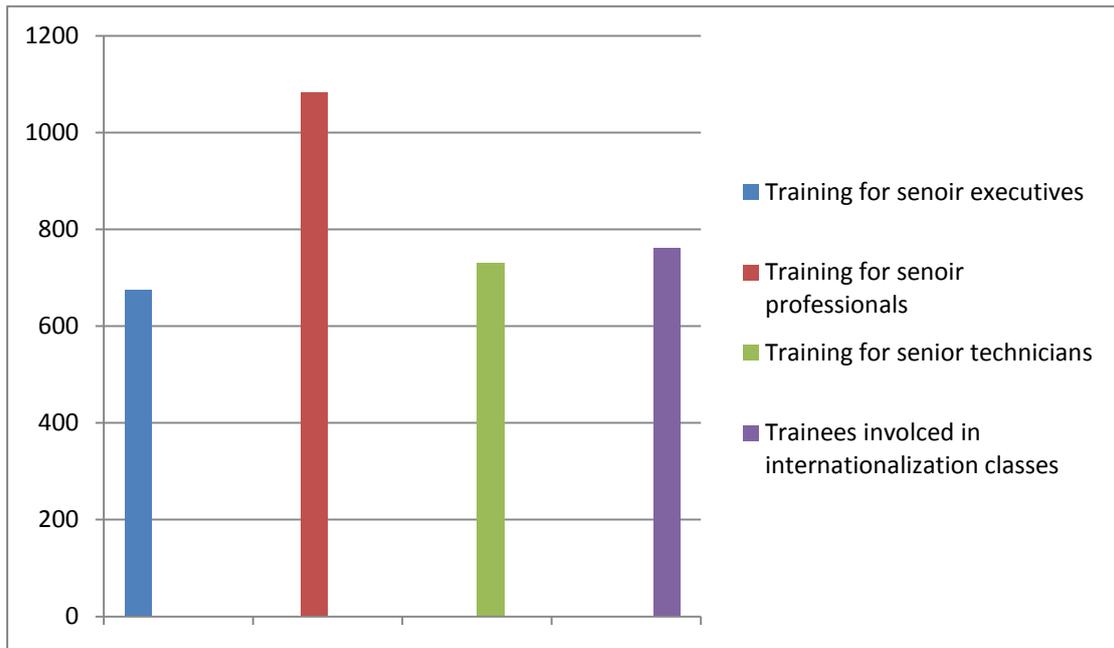
Moreover, Jiang (2012) said *“For employees, we try to establish a mutual trust community by signing contract.”* And he continued, *“Due to the fact that income is set by the government, we cannot satisfy everyone as each employee has his own demands and expectations. The main part of our effort is the workplace environment. That is to make you feel pleased and comfortable, including the interpersonal relationship, the tidy, clean, security of workplace environment. We try to be human-oriented, for example, let the chairs and tea-cups for operators and other facilities as comfortable for them as possible.”*

Besides, Sinopec cares about employees' development; they reinforce training for employees, assist and promote their growth through practice. Every year, 2.5% of the total wages is spent on employees' training (Sinopec, 2011) Sinopec believes that *“Practice is the best training, work is the best teacher”*. Sinopec regards on-the-job training as an important way for personnel training, creating a strong *“coaching, assisting and guiding”* atmosphere during the practice so as to stimulate healthy growth of all kinds of talents.

Hereafter, the result of the employees' development in Sinopec is presented.



**Figure 3: Employees' Development (Sinopec, 2011, p.54)**



**Figure 4: The number of Trainees (Sinopec, 2011, p. 54)**

### Shareholders and Creditors

Shareholders and creditors play a vital role in stakeholders; they invest the corporation and want their money to be value-added. Jiang (2012) said *“To be responsible for our shareholders and creditors, we need to reach sustainable development so that we can ensure their investment worthy and invest us continuously”* and *“The basic goal for our corporation is to protect and improve the benefits of shareholders. Also, increase the efficiency of oil refining and its relevant productivity.”*

According to Sinopec (2011), in order to take this responsibility, Sinopec made two efforts, constantly expanding investment and making efforts to expand reserves and production. Sinopec reached an aggregate investment from 2006 to 2011 exceeding RMB 409.3 billion. In the meantime, Sinopec reached an accumulative investment of RMB 365.4 billion in overseas upstream business from 2006 to 2011. In 2011, Sinopec produced 42.73 million tons of crude oil and 14.6 billion cubic meters of natural gas in China while 22.07 million tons of oil production and 1 billion cubic meters natural gas overseas. (Sinopec, 2011) These efforts provided Sinopec enough reserves to supply the markets’ demands as well as get enough revenue in order to take responsibilities for shareholders and creditors.

### Customers

According to Sinopec (2011), they have five commitments to the customers and public:

1. Make every drop of oil count. Strictly control on and compliance in product quantity, quality and price.

2. Promote energy saving and emission reduction. Develop low-carbon economy and provide safe, healthy and clean products as well as quality services.
3. Ensure our employees to provide efficient, customer-focused and standard services through guidance, training, inspection and performance assessment.
4. Achieve win-win relation with customers through Customer Value Creation campaign.
5. Make continuous improvement. Raise public and customer satisfaction based on all-round supervision and evaluation.

Jiang (2012) said that Sinopec will provide their assistance to the customers, *“We will provide technical support and services, teaching the customers how to use the product effectively.”*

In order to improve the satisfaction of customer and to establish a win-win relation, Sinopec need to ensure high-quality products. Sinopec has its own quality assurance system. According to Sinopec (2011), a new "Quality Management Measures" and "Quality-related Accident Management Regulation", which complement relevant regulations and the detailed quality management methods with clearly defined rights and responsibility, was revised and published to the corporation in 2011. Based on this regulation, Sinopec increased the proportion of First-Grade products in synthetic resins, rubbers and fibers by 3%, 6%, and 10% from 2005 to 2011 (Sinopec, 2011).

Moreover, in order to provide caring services, Sinopec adheres to the management principle of “meeting customer demands and creating value for customers” and consistently improves the service system, innovates in the services model, etc. (Sinopec, 2011). Sinopec has established 19,000 easy joy convenient stores, 3000 more than 2010, by the end of 2011. These multi-functional and non-fuel business will enable customers to enjoy convenient and premium services in the gas stations. Furthermore, since 30% of the fueling consumption is paid with the fuel cards, Sinopec has already issued more than 60 million fuel cards and established value-added services of the cards as well as self-service fuel station, aiming for enriching customers’ experience.

### **Suppliers and Business partners**

As Jiang (2012) said, for suppliers, Sinopec have a strategic framework. They will have a mutual selection under the framework. Other suppliers or partners can join into the framework if they think Sinopec are good while Sinopec can also invite others if they are good enough.

To the suppliers, Sinopec have a strong control on procurement which means they will reject the products supplied from the suppliers who are unconfirmed, not included in the supplier list or without providing quality check report. (Sinopec, 2011)

Sinopec believed that customers are also partners and cooperation can lead to win-win result. According to Sinopec (2011), in order to reach this result, Sinopec has made

large efforts to the exchanges and cooperation with the downstream enterprises. For example, Sinopec has established a biannual technology exchange mechanism with Midea Group which helped Sinopec's High MI and Impact Copolymer PP enter the raw material procurement list for Royalstar and Little Swan washing machines. And Sinopec also partnered with Milliken to upgrade the transport polypropylene and develop the new generation of raw materials with premium safety performance (Sinopec, 2011).

Here Jiang (2012) added *"We need to choose good partners with high quality products as well as good ethics, we need to consider all perspectives. For example, if the supplier is an unethical enterprise, it might produce products with low quality and we will never buy them."* He continued, *"Meanwhile, to some small enterprises, we will even instill our values, philosophy, and management style."*

For example, according to Sinopec (2011), Sinopec directed 47 local plants to meet environmental standards. Sinopec made random inspection and provided visiting instruction and technical training on a regular basis to the local plants. These activities help the business partners to enjoy a better business and environmental situation.

### **Community and the Public**

*"The final goal to operate a corporation is to reward the society."* Just like what Jiang (2012) said, Sinopec conscientiously fulfills the corporate social responsibilities and actively pushes forward the harmonious development of both company and the society in order to build a company which is high responsible and highly respected. (Sinopec, 2011)

Sinopec has signed strategic cooperation agreements with some provinces and cities and has actively participated and promoted local employment and company development (Sinopec, 2011). *"For the communities, we use the coordination of official and civil society organization. We will sponsor the government for the infrastructure construction. And we will sponsor Red Cross and other charity organizations to help others who need help,"* said Jiang (2012), *"We set green boxes at every residential area and the gates of our factory to recycle the used batteries and toner cartridges. We also organize a youth-volunteer activity on every 5<sup>th</sup> June, helping the community, the people, and other small companies who need help to do the environmental protection."* All these efforts aiming to create a safe, convenient, clean and beautiful environment and healthy cultural atmosphere for community residents, was recognized by local government and people (Sinopec, 2011). During the whole development, Sinopec always remembers to reward the society, and to do good things from minor things.

### **Environment**

As a responsible energy and petrochemical corporation, Sinopec pays a great attention to protecting the environment. Sinopec has a green operation with a clean management system covering the whole process from manufacture to consumption, keeping achieving green growth as well as contributing to clear waters, green land,

and blue sky. (Sinopec, 2011)

Sinopec is making clean products and reducing pollution in consumption, discharging fewer pollutants in downstream business and consumption (Ibid). Meanwhile, Sinopec is attached with great importance to the treatment of waste gas, waste water and waste industrial residue. Sinopec has made a great effort to meet the standards of emission and discharge and to minimize their impact on the environment as far as possible. (Ibid)

Jiang (2012) thought that saving energy is the most immediate and effective way to reduce CO<sub>2</sub> emission at present. Through enhanced management, new technologies and equipment, and special emphasis on energy saving in the process of production, Sinopec achieved good results in energy saving and consumption reduction while keep growing the production capacities (Ibid). Hereafter is the results, refining energy intensity dropped by 2%, ethylene energy intensity dropped by 4.3%, saved standard coal equivalent 1,360,000 tons which equals cutting CO<sub>2</sub> emission by 3,350,000 tons.

Here Jiang (2012) summed *“To be environment-friendly and low-carbon-oriented is our mission, responsibility and the cornerstone of balanced and sustainable development.”*

#### **Government and None-Government Organizations (NGOs)**

*“For political responsibility, we are Central Corporation, the lifeline of the nation’s economy. If we don’t do our job well, there will be no economic base and the regime will be unstable. Therefore, we have to take the political responsibility and we must take it well.”* said by Jiang (2012). He mentioned the importance of Sinopec for the government or the nation. To help the regime to be stable is no doubt the responsibility of Sinopec. On the other hand, Jiang (2012) continued, *“Moreover, if we are in trouble, even the government will help us.”* As a result, the corporation and government can reach a win-win situation by helping each other.

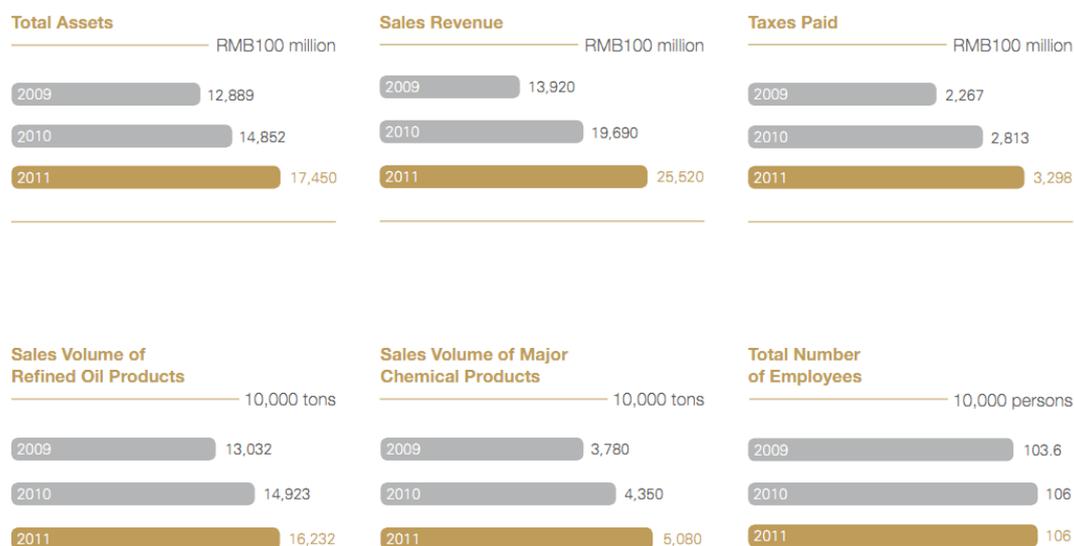
Besides, government, NGOs is another stakeholder for corporation. Jiang (2012) mentioned, *“Other stakeholders like higher authorities and NGOs will also inspect our work, checking whether it is same between what we said and what we did when concerning CSR.”*

#### **4.1.3 Corporate Social Responsibility**

During the process of the interview of Sinopec, the importance of CSR for the business growth of the whole group was emphasized several times. Jiang (2012) mentioned, *“The values of our company and mission statement are demonstrated in several aspects. What we are doing now is to do businesses ethically, to offer products of high quality, to serve people and to offer their better future life. The final goal of running the company is to return on society”*, which is also described in the CSR report of Sinopec in details.

### 4.1.3.1 Economic Domain

According to the CSR report 2011 of Sinopec, we can see the main performance highlight in the past three years as below. The total assets, sales revenue, taxes paid are all increasingly growing up, which are only direct economic activities.



**Figure 5: Performance Highlights (Sinopec, 2011, p. 6)**

In light of Jiang (2012), *“The final economic goal of Sinopec is to make it become one of the most famous companies with a high reputation, while the basic one is to increase the efficiency of oil refining and its relevant productivity as well as avoiding financial deficits. After realizing the basic goal, the company will provide more benefits to the stakeholders to build up positive image of business.”*

Furthermore, Jiang (2012) made a deeper explanation of the reason why Sinopec set up these goals, *“Most of the companies from mainland of China only focused on maximizing profits in the past. With the fast development of economy, our recognition of corporation values, however, has been changed largely. Only emphasizing one’s own profits will absolutely do harm to other stakeholders. The win-win value orientation can help realize sustainable development”*.

Meanwhile, Sinopec has made a lot of efforts on exploring new energy resources. The company has put over RMB 409.3 billion into the investment of energy development from 2006 to 2011 (Sinopec, 2011). Measured oil reserves and natural gas were increased by 356 million tons and 215.7 billion cubic meters respectively, which strengthened the basis of resource for Sinopec (ibid). Besides, Sinopec is contributing to speeding up the imports of foreign resources, opening new energy fields and improving cutting-edge technologies. All above is positively helping promote Sinopec’s economic performances.

When seeking for the economic profits, Sinopec doesn’t neglect to environment-protecting. *“The oil industry is a highly dangerous industry with a large*

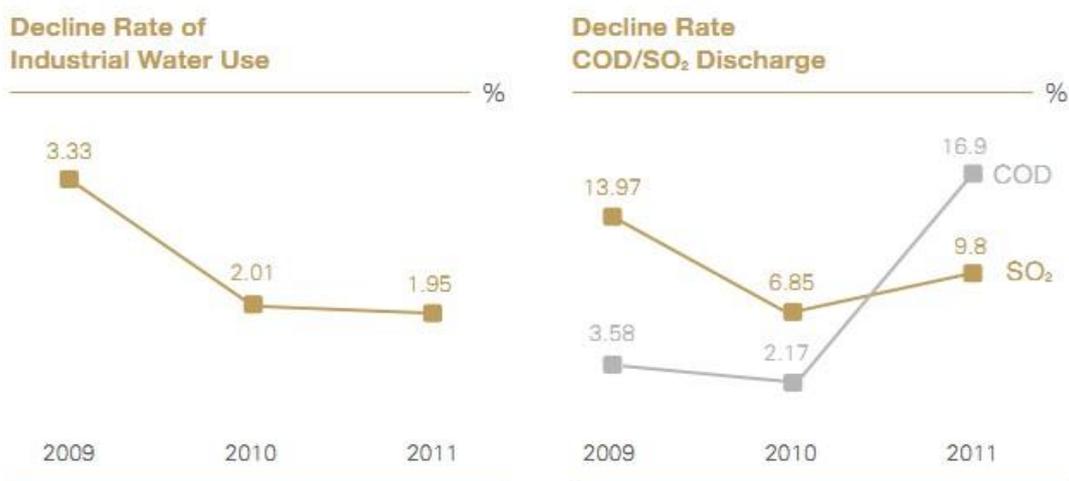
number of harmful and toxic substances”, Jiang (2012) said, “so we have taken it into consideration and carried out some effective approaches such as establishing water-purified equipments to decrease the level of pollution and purchasing an environment-monitoring vehicle of RMB 50 million.”

As a national monopolized company, Sinopec sometimes has to face to the oil crisis. According to Jiang (2012), “there is a huge stress for Sinopec to deal with the price of oil products, especially the gasoline sold to drivers. Even if the company has to accept the fact of the loss of revenues, it still must keep the prices of energy and stabilize the markets. Otherwise, the image of corporation will be destroyed and the society will also easily get into chaos.”

#### 4.1.3.2 Legal Domain

Generally, Sinopec has a whole set of strict managing system for the operation. The company believes good business management is the basis of Sinopec’s sustainable development (Sinopec, 2011). After the reorganization on the basis of the former China Petrochemical Corporation in 1998, Sinopec has developed a well-organized and efficient-running managing structure in the way of compliance, audit, internal control, discipline supervision, anti-monopoly and anti-corruption (ibid). Further perfecting the governance system and giving respect to the laws and regulations of industry and countries do help ensure the stakeholders’ benefits, promote effective operations and sustainable development (ibid).

Regarding the issue of environment-protecting, Sinopec has designed a whole process clean management system and put it into daily operations. During the past three years, it has made a good effect and the decline rates of industrial water use, COD/SO<sub>2</sub> discharge are both satisfying. Jiang (2012) also emphasized, “our company owns a quality-controlling team with more than 500 employees. All products from our factories have to pass the test ISO 14001, which is an international standard of environment management”.



**Figure 6: Performance on environment-protecting (Sinopec, 2011, p. 6)**

On the other hand, Sinopec is actively taking more CSR beyond the existing laws asking to do. As what Jiang (2012) said, *“The company has improved the level of oil products such as standards of emissions by itself to reach the goal of protecting environment before our government makes requirements.”*

#### **4.1.3.3 Ethical Domain**

Sinopec has paid a great attention on ethics when undertake CSR. According to Jiang (2012), Sinopec believed that the ethical issues in social responsibilities are nothing more than not cheating on the products. He continued, *“This is the baseline for our corporation, and it is have to be done. We prohibit such a phenomenon occurs. If it happens, we will punish the parties severely.”*

In recent 10 years, Sinopec are focusing on the ethical education for employees. That is to tell them, all of the employees represent the SINOPEC when they go out of the corporation. Since the products of Sinopec are not the end product, customers can not see or feel the company directly. *“That’s why if we want to establish a good ethical image on the corporation, we must do it through our employees,”* said Jiang (2012).

Sinopec advocates that paying reward the best to the society and this is the purpose of the corporation. Sinopec believed that the best pay back refers to material, products, and spiritual, doing good thing for help customers and communities.

In order to reach this target, Sinopec has created a norm of professional ethics for their employees, which is said by Jiang (2012), *“to keep the principle, to keep the discipline, to keep the credit, which is also the core value of our corporation.”*

Sinopec believed that only if people are healthy, could they can have time and resources to pursue happiness and other kinds of self-improvement. Physical and mental health of employees is not only the basic human needs and interests, but also the source and foundation of Sinopec’s development (Sinopec, 2011). Therefore, to be ethical, the main efforts of Sinopec is to create a better workplace environment, said Jiang (2012), *“That is to make you feel pleased and comfortable, including the interpersonal relationship, the tidy, clean, security of working environment. We try to be human-oriented, for example, let the chairs and tea-cups for operators and other facilities as comfortable for them as possible.”*

Furthermore, when concerning economic profits, Sinopec does not see any contradiction between profits maximum and being ethical. Jiang (2012) said: *“As far as so on, they cannot become a contradiction anymore. As we the values advocate in our corporate culture, we try to integrate them as far as possible. If it is contradictory, the corporation won’t be respectful.”*

For many years, the corporate culture of Sinopec has been guiding the employees to realize every core value of the company in the daily work (Sinopec, 2011). Here Jiang (2012) proved, *“The deepest concern in our corporate culture is whether we do it by hands, or by minds, or even by hearts. Every workers, they come to work is for*

*searching his own value. If we take good care of him, give him enough respect, show him what we are doing is right and helpful, he will admit our value and culture. Therefore, he will work by heart. Then there will be no problems in quality control, cost reduction, productivity, etc. Otherwise, there will be many problems.”*

#### **4.1.4 CSR Practices**

From the point of view of development strategies, Sinopec added low-carbon development strategy to promote the commitments to CSR (Sinopec, 2011). Taking the social responsibilities is not only reflected on vision statements or related slogans, but on practical behaviors the company is undertaking. According to the Sinopec's CSR report 2011 and the contents of interview from Jiang, there are 3 aspects which mainly demonstrate how Sinopec put its CSR into practice successfully.

##### **Green and Low-Carbon Development**

Thanks for the contribution of technology improvement; Sinopec Tianjin Company successfully saves more water through dealing with more than 10 million tons of waste water and producing 2.25 million tons of reused water (Sinopec, 2011). Depending on the reuse of oily waste water, 140 thousand tons of water can be provided for refining equipments each month (ibid).

Meanwhile, Sinopec Zhongyuan Oilfield is contributed to a optimizing balance between land exploitation and environment-protecting, which shows its high responsible attitude to the public (Sinopec, 2011). With the introduction of advanced and environment-beneficial drilling technologies and land rehabilitation technologies, less pollution of soil results from surface operations (ibid).

##### **Care for Employees**

As the key source of Sinopec's growth, the company is taking different approaches to improve the level of physical and mental health of employees (Sinopec, 2011). The No. 1 production team, belonging to Sinopec Northwest Oilfield, is working at the northern edge of the Taklimakan Desert, where almost no one lives. Considering the lonely and upset state due to the isolated desert, this team chose and sent psychological consultants to Urumqi for training in order to realize the mental problems of employees and provide corresponding solutions for their mental health (ibid).

There are 80% of the foreign employees from Muslim countries working in the Saudi Arabia exploration project of Sinopec Shengli Geophysical Exploration (Sinopec, 2011). Because of their special religious belief and custom, the Chinese employees don't eat pork, drink wine or discuss on religious taboos. Tents are specially put up on the camp base to make it convenient for their routine prays (ibid).

##### **Return on Society**

During the period of exploring the Puguang gasfield, Sinopec did a lot of social work.

The company offered a large amount of money as the compensation for 2500 local residents who had to move away and built a new community equipped with natural gas pipelines and all daily utilities. Besides, the company also helped to establish a local school, a general hospital and a bridge to make residents more convenient and improve the living conditions (ibid).

Jiang (2012) also mentioned in the interview, *“as a monopolized corporation, Sinopec must shoulder more social responsibilities for society. When the Wenchuan Earthquake occurred in 2008, Sinopec took actions positively, building pipelines to send oil products and supplying natural gas to the place of the most demands. The total donation of the whole group in three years reached RMB 308 million with the gas supply of 7.823 billion cubic meters in the disaster-hit areas.”*

In spite of rewarding the domestic society, Sinopec is also devoted to public welfare undertakings abroad. The aromatics engineering project team of Sinopec in Kazakhstan provided three local children with aids such as new clothes, shoes and stationery, which supported the financing activity of the poor children back to school launched by the Kazakhstan government (Sinopec, 2011).

## **4.2 Shanghai Light**

### **4.2.1 Company Background**

Shanghai Light Industrial International Development Corporation Limited (hereinafter referred to as “Shanghai Light”) is a small and medium sized company newly established in 2002 with 80 employees and around 9 million Euro turnovers. Shanghai Light is specialized in import and export trading as well as their own products, which include hardware, stainless steel, costume, commodity and so on. After the ten years business operating, the company has built up solid selling network with more than 3000 clients from about 100 countries. In order to improve the core competence of the company and its products, a new research and development center has been established lately.

### **4.2.2 Stakeholders**

According to Yin (personal communication, May, 11, 2012), Shanghai Light has several kinds of stakeholders such as Owners, Employees, Customers, Suppliers, Community, Environment and Government as well as None Government Organizations. Shanghai Light has been aware of establishing a win-win relation with these groups.

#### **Employees**

Shanghai Light has 80 employees, which will have a strong impact upon the company. Shanghai Light try to establish a good relation with employees by keep the equality among them through reasonable working time and rewarding system (Yin, 2012). It is

also regarded as unethical to delay the salary for employees. *“Shanghai Light has a wage level which is better than the average level. As a result, the life quality of our employees will be better than others,”* said by Yin (2012). Besides, Yin (2012) admitted that it is also impossible to be totally equal among the employees due to different positions and skill they have, but at least he will respect all of them. Therefore, the employees are satisfied with the company and become more motivated.

### **Shareholders (Owners)**

Shanghai Light has its owner instead of shareholders, because it is not a listed company. The relation with Shanghai Light and its owner cannot be changed unless it has been sold to others. Yin (2012) suggested that *“For the company, there is no point in bargaining with the owner about how much and when should the money be transferred to him. We must ensure his interest. Because he is the owner of the company and the company is always connected with him.”* Moreover, the owner will determinate the nature and the position of company, which will influence the way how company develop in future (Yin, 2012). Therefore, Shanghai Light undertakes the responsibility to their owner by guaranteeing profits and interests.

### **Customers**

Customers are regarded as the most important group of Shanghai Light’s stakeholders according to Yin (2012). The way Shanghai Light establishing relation with customers is being in strict accordance with the contract. Yin (2012) said *“We need to ensure the quality of works and products and to provide better services as many as possible. There are many steps in doing business, we need to take others’ interests and benefits into account so that the business relation can be win-win and lasts for a long time.”* Having the high quality services, maximizing the interests and benefits of customers is the key factor for gaining a continuous profits as well as taking responsibility to customers. Besides, Yin (2012) proposed that the relation between Shanghai Light and customers is dynamic, which means it will change depends on the occasion needs.

### **Suppliers**

Once getting order from customers, Shanghai Light will not only search for one supplier but for several ones, because they need to compare the quality-price of each supplier. The one with better service and quality as well as reasonable price is obviously worth establishing a long-run relation with (Yin, 2012). Shanghai Light will have a regular check of performance upon those good suppliers while only have one time cooperation with those bad suppliers, which means the relation with suppliers is also dynamic.

### **Community**

Yin (2012) said that *“We always have a harmonious relation with the community that we are located in.”* The community will notice Shanghai Light if they have need to raise money or they have trouble and Shanghai Light will always help them through economic means (Yin, 2012). Meanwhile, Shanghai Light will hire cleaning staff and

guards from the local community to solve the problem of employment.

## **Environment**

Shanghai Light cares about the environment. As a result, the products that they purchase from the suppliers must be environment-friendly (Yin, 2012). If the products are not environment-friendly, they will not be sold to the customers. Yin (2012) continued, *“We will inspect the factory, to see whether the emission or waste is under control and whether it is environment-friendly”*. Products which do not meet the requirement of protecting environment will not be purchased from the suppliers.

Besides, Shanghai Light has recycle boxes in their company. They collect used ink cartridges and toner cartridges as well as batteries. Yin (2012) said, *“We try to be environment-friendly in our daily operation, not to print as far as possible.”*

## **Government and None Government Organizations (NGOs)**

As Yin (2012) said, Shanghai Light does not have much contact with the government. However, they do have relation with several none government organizations, such as regulatory authorities, testing organizations, third-party certification organizations. These organizations will check the performance of Shanghai Light, to see whether they are qualified enough or not.

### **4.2.3 Corporate Social Responsibility**

As the owner and manager of the company, Yin (2012) has already paid attention to CSR for a long time and had a clear and deep knowledge of how to integrate CSR into companies' strategy as well as what is CSR. Yin (2012) believes that a credible and valuable corporation is sure to be with CSR all the time. Also, he claims, *“actually I didn't recognize the importance of taking CSR when the company was set up at the very beginning. What we were focusing on was only earn money and get profits. However, with the development and expansion of business, I found myself need to rethink the mission statement of the company. I want to make my company become a distinctive one much different from others. Thus, I consider doing more beyond business itself. That should be CSR as you said.”*(Yin, 2012)

#### **4.2.3.1 Economic Domain**

When referring to the economic goals of Shanghai Light, Yin (2012) states that the basic business target is to complete sales plans and earn money so as to ensure survival of the company. With the continuous efforts, he is expecting to make his own brand well known in China and even all over the world. Yin (2012) admits, *“To make profits maximized is our business benchmark. We are trying our best to cut down operating costs”*. Besides, after realizing profits maximum, individuals' contribution, fairness and CSR issues are taken into consideration when conducting revenue distribution (Yin, 2012).

As a relatively small size company in China, what Shanghai Light is thinking at the very first is to improve productivity and sales performance that can make a lot of direct economic benefits for the company. But also, Yin (2012) emphasizes that his company is concerning about sustainable development when carrying out economic activities. *“What we are doing now has to be contributed to the future development. For example, in the environment-protecting aspect, we own a set of strict requirements to deal with the toxic waste office supplies specially. On the other hand, the products manufactured by ourselves have to be safe for the environment and we put efforts on checking the import products to identify whether it does harm to environment.”*(Yin, 2012)

Referring to the benefits Shanghai Light has obtained from shouldering CSR, Yin (2012) states that there is an obvious improvement in the quality of products and managing system in spite of more investment on the process. *“Sustainable business idea and mode helps us keep profitability as well as long-term wealth because we have been promoting business image ourselves as well as sales revenues by means of considering taking CSR.”*

#### **4.2.3.2 Legal Domain**

Yin (2012) affirms that the company is always running under the business legality from the establishing moment. *“Shanghai Light has passed ISO9000 and ISO14000, which are quality management systems and environment management standards respectively”* (Yin, 2012). Meanwhile, we are trying to make our exported products corresponding with the standards of local market by means of recognizing related laws.

Although Shanghai Light is not a big company in trading and manufacturing industry, the company still pays attention to the existing regulations and also find some potential changes sometimes (Yin, 2012). *“What is more difficult for us compared to large companies is that we are unable to take subsequent measures to deal with the change immediately although we are willing to do. Mostly it is because of the limited resources we can take around us”* (ibid). Still, Shanghai Light, as what Yin (2012) states, is trying to do more on CSR out of basic requirements of laws. *“We are nowadays applying for the qualification of being a member of SA8000, which is a newly established standard on social responsibility management system. We are keen on requiring ourselves doing better”* (Yin, 2012).

#### **4.2.3.3 Ethical Domain**

Yin (2012) stated that making profits is one part of corporate ethic, *“A company that does not make profits is unethical.”* The reason is that, according to Yin (2012), the revenue of the company is not only for the company, it includes several parts such as tax, public management, and public expenditures, etc. Yin (2012) said that Shanghai Light has a good economic performance therefore it pays the tax, meeting the

requirements quiet well.

Besides paying tax, Yin (2012) thought that education on employees is another important part of corporate ethic. He continued, *“We need to educate every employee so that they will realize that everyone has social responsibility when working for our company. Your income is not only for yourself, but also for the tax to society.”* (Yin, 2012) With the effort on education, the employees in Shanghai Light are quiet civilized and moral and behave well in all perspectives, and they are willing to help each other if anyone meets trouble (Yin, 2012). Therefore, Shanghai Light has an ethical atmosphere within the company, and has been being municipal civilized unit for ten years.

Shanghai Light thought there is no contradiction between pursuing economic profits and being ethical. Yin (2012) said *“We want to make profit, because this is part of ethic. At mean time, we want to make profit through an ethical way and we cannot cheat, be illegal, etc.”*

Shanghai Light paid attention on ethic, which distinguished them from other ordinary companies, making comparative advantages which are high level managing platform, high credits, and longtime relation with customers. However, it also has difficulties such as low support from the government and banks due to the scale and size of company (Yin, 2012). He emphasized, *“We will take the social responsibility step by step. The first step is concentrating on economic goal so that we can have the base for future steps.”* (Yin, 2012)

## **5. Analysis**

The analysis chapter will start from the within-case study of each company. The empirical findings will be analyzed in detail according to the relevant theories reviewed before. After that, a cross-case study will be conducted to further compare the factors behind driving companies for CSR activities.

### **5.1 Sinopec Group**

#### **5.1.1 Stakeholders**

It is found that Sinopec, as a MNC, has many kinds of stakeholders such as employees, shareholders and creditors, customers, suppliers and business partners, community and the public, which are all internal stakeholders categorized by Freeman (1984) as well as environment, government and none-government organizations (NGOs), which are external stakeholders in Freeman's (2003) more extensive model for stakeholder theory. Sinopec believed that the trust and support from them are essential to the sustainable development and steady growth of the corporation. This is due to the perceptions of each kinds of stakeholders are crucial to any kind of enterprises and such expectations will have a main impact on the corporations (O'Riordan and Fairbrass, 2008). As suggested by Ambler & Wilson (1995), Sinopec has established mutually-supportive and mutually-beneficial relations with these stakeholders for win-win cooperation. They care a long-term sustainable development rather than a short-term profit. Hereafter, we are going to analyze these stakeholders one by one, aiming for understand how and why Sinopec take the responsibilities to all his stakeholders.

#### **Employees**

In the interview, Jiang (2012) mentioned that employees are the most important stakeholder for Sinopec and there would be no corporation without employees. This statement provided strong evidence that employee is one of the primary stakeholder which corporations must rely on in order to survive (Clarkson, 1995). Sinopec has six commitments to their employees, for example, to raise their awareness as the master of the company, to improve the working and living environment for them, to help and improve their quality as well as provide career development. All these commitments are trying to fulfill the needs of all employees as human being, which argued by Miller (2003) that recognizing the needs of everyone is one of the goals of sustainable development. By making such six commitments, Sinopec not only recognized the needs of employees, but also made a great effort to satisfy them.

By improve the workplace environment, Sinopec made the employees feel pleased and comfortable during the working time, which will also contribute to improve the life quality of employees. Because if employees feel happy and comfortable when working for a company, they will definitely bring delight moods back to daily life,

therefore improve the life quality. This is also a social measure to drive the practical application of Triple Bottom Line (Slaper & Hall, 2011)

The authors also noticed that Sinopec fairly focuses on the development of employees. They have made great progress in the training for employees, which can be seen by Figure 3 and Figure 4 in Empirical findings. It can be found that the number of the full-time training is increasing by years. And even in the same group of stakeholders, Sinopec cares about all kinds of employees such as senior executives, senior professionals and senior technicians as well as normal trainees. This great effort in employment will be an economic measure according to Slaper and Hall (2011). Sinopec satisfied the expectations of its employees through all these approaches can be considered as socially responsible based on Longo et al.'s (2005) argument.

Meanwhile, Sinopec can get such benefits as easier hiring of the best talent, higher retention of top talent and increasing employee productivity (Papmehl, 2003). This is because once the employees feel being respected and fulfilled their self-achievement or career development, they will become more loyal to the corporation and more effective in producing and they would like to share the good experience with others so that talents from outside would like to become one of the corporation.

### **Shareholders and Creditors**

It is obvious that Sinopec needs to take the economic responsibility for shareholders and creditors, because Sinopec has to ensure their investment worthy and to reach sustainable development by continuously investment, according to the interviewee. Just like what Carroll (1991) stated in his Pyramid of CSR, the corporation should first strive to make a profit. All efforts on maximization of profits should be consider as an economic domain and the responsibility in this domain includes providing a return on investments to owners and shareholders (Carroll, 1979). Taking the economic responsibilities for shareholders and creditors is the first step of taking corporate social responsibility. Friedman (1970) proposed that “the business of business is business,” which explained the core value of CSR is to focus on increasing profits and create values for shareholders. By taking the economic responsibility, Sinopec can establish a strong and sustainable relation with the shareholders, therefore, reaching the sustainable development.

In order to take this responsibility, Sinopec invested a lot of money in expanding reserves and production. Since the oil reserves are limited and the demands of the markets are unlimited, Sinopec needs to have enough reserves to meet the demands so that Sinopec can gain continuous profit and reach a sustainable development. Such activities will help the company to build a competitive advantage and become easier to maintain profitability in a long-run (Whittaker, 1999). Once Sinopec meet the expectation of its shareholders and creditor, which is to get the investment returned and value-added, Sinopec takes responsibility well towards this specific group of stakeholders.

## **Customers**

Similar to the employees, Sinopec also has five commitments to the customers. Sinopec have its corporate value which is called make every drop of oil count. This indicates that Sinopec promise the quality of the products and services, to ensure the customers can get efficient, customers-focused services to raise the satisfaction. As Mirvins and Googins (2006) suggested, Sinopec pays great attention on customers due to this kind of stakeholder groups will have a strong impact upon the corporation. If Sinopec does not take the corporate social responsibility and has not established a long-term relation with the customers, the customers will lower their loyalty to Sinopec and the market share will decrease. This indicated that without the commitments to customers, economic domain suggested by Slaper and Hall (2011), Sinopec cannot get economic benefits, therefore, lose the ability and capacity to take other social responsibility in further steps.

However, Sinopec did this well. They managed to satisfy the expectations of the customers by two means. First, within the corporation, Sinopec has its own quality assurance system with clear and detailed responsibility in the producing process. Having this system, they can have control on the quality of the products. As result, the number of first-grade products increases every year. Second, outside the corporation, Sinopec improved the service system by making innovation in the services model, for example, establishing easy joy convenient stores with extra services and non-fuel business, issuing fuel cards with value-added services to customers, enriching customers' experience. Moreover, after selling the products, Sinopec even provides technical support and services to the customer, teaching them how to use it effectively. By doing these commitments, Sinopec established strong, affective, long-term win-win relations with customer and can be considered as socially responsible (Longo et al., 2005, Ambler & Wilson, 1995).

## **Suppliers and Business Partners**

In this section, Sinopec has its own strategic framework to select suppliers and business partners. This is because the corporation wants to choose suppliers with both high quality products and good ethics. For example, if the supplier is not ethical, and only pursue the maximum of the profit, it cannot be social responsible and the quality of the products will be poor. In this case, such an unqualified supplier or business partner will harm the image and reputation of Sinopec, which will get Sinopec involved in a bad condition (Udayasankar, 2008).

In order to have good reputations and future benefits, Sinopec made several efforts. First, Sinopec have a strong control on procurement, which means if the supplier is not qualified and not ethical, Sinopec will reject the products from it. This is to be responsible for others, because that supplier may become ethical and be responsible to the society after being rejected by Sinopec for several times. Unlike what Longo et al (2005) and Ambler and Wilson (1995) argued, Sinopec started to care about the relation between one stakeholder to another, not just between Sinopec. This is actually one step forward than other corporation, because by caring more stakeholders in one

time, Sinopec can take more social responsibility and therefore, have more competitive advantage.

Second, Sinopec is trying to establish a win-win and long-term relation with suppliers and business partners through technology exchange and cooperation and by helping and guiding them to have right values, philosophy, and management style. For example, technology exchanges with Midea Group help both parties to have good quality products and gain economic benefits. And by helping several local plants to meet the environmental standards, Sinopec help them to enjoy a better business and environmental condition. Although the relation with suppliers and business partners seem more like economic domain, however, we did find that Sinopec combine other ethical, social, and environmental concerns in it (Phan & Wall, 2010).

### **Community and the Public**

Although Freeman (1984) categorized this section as an internal stakeholder, however, in the perception of Sinopec, they think this is an external group, due to they don't have directly control on this group. Nevertheless, this section is very important for Sinopec. Because Sinopec believes that the final goal to operate a corporation is to reward the society. Sinopec actively pushes forward the harmonious development of both company and the society, which is a process of building a high responsible and highly respected company. Harmonious development is a tradition Chinese philosophy, which means corporations should care more about others' benefits and think more about social, environmental, ethical perspectives, in order to reach a sustainable development.

Sinopec meets the expectation of this group of stakeholders through economic means and environmental means as well as ethical means. With the profits from economic domain, Sinopec has the ability to be ethical (Windsor, 2001 & Carroll, 1991). Sinopec sponsors and supports the government for the infrastructure construction, the base of community's development, which will benefit the whole community and public by providing convenience and stimulating the economic development. Moreover, Sinopec also sponsors Red Cross and other charity organizations for an ethical purpose. In the environmental issues, Sinopec will organize a volunteer activity on every June, helping the community to protect the environment. This regular activity indicates that Sinopec pay a great attention on environmental responsibility when consider the benefits of community and public.

Definitely Sinopec can get good reputation by fulfill the expectations of community and the public by combine the economic, environmental, and ethical values (Udayasankar, 2008). At mean time, Sinopec will solve the problem on reducing risk and financing, because the government as well as the community will help Sinopec if it is involved in trouble (Papemhl, 2003). Here a win-win relation between Sinopec and community and the public can be found. This is attributed to the CSR considerations and activities of Sinopec.

## **Environment**

As an energy corporation, Sinopec are deeply attached with the environment, an external stakeholder. Sinopec makes great efforts on green operation with a clean management system covering the whole process from manufacture to consumption. This is another mix of economic, environmental, social, ethical responsibilities which engaged with Elkington's (1999) triple bottom line and Schwartz and Carroll's (2003) three domains of CSR. Sinopec has a complete waste management, reducing the pollution in consumptions, etc. and save the energy consumption by enhanced management, new technologies and equipment. As a result, Sinopec reached good results in environment protection.

This effective protection of the environment and prudent use of natural resources is the goal of sustainable development (Miller, 2003). And there is always a potential needs for a mix consideration of economic, social, and environmental values (Eason & Dagg, 2006). By controlling the energy consumption, waste management, Sinopec can reduce the expenses in manufacturing and increase the productivity (Slaper & Hall, 2001, Ppamehl, 2003). Such benefits will contribute to Sinopec's competitive advantage. This has been proved by many researchers like Porter and Kramer (2006) and Fombrun and Shanley (1990) that MNCs can build competitive advantage by mixing non-economic elements as well as by building a good image of corporation. Moreover, we found that to be environment-friendly and low-carbon-oriented is Sinopec's mission and responsibility to reach sustainable development.

## **Government and None-Government Organizations (NGOs)**

This group, to some extent, is similar with community and the public. However, there are some differences between them. Since Sinopec is a Central Corporation, it must have close relation with the government. This is determined by the nature of the corporation. Sinopec should take the economic responsibility to not only its shareholders and creditors but also the government, because without the economic base, the regime will be unstable therefore the nation will under chaos. Taking the economic responsibility is for taking the social and political responsibility. This finding suggested that Sinopec always has strong, affective, long-run relation with governments due to the nature of the corporation. Nevertheless, Sinopec still needs to keep an eye on both ethical and environmental values when taking the economic responsibility, because corporation should create social, environmental, ethical values rather than just economic profits (Phan & Wall, 2010) in order to be real responsible and reach sustainable development.

NGOs, as an external stakeholder, will monitor the economic, social, and environmental performance of corporation (Hallbäck, 2011; Mirvins & Googins, 2006). Sinopec does have some higher authorities and other NGOs which will inspect their work, checking whether it is in consistent between what they said and what they did concerning CSR. However, since NGOs is a secondary stakeholder, it has little influences on corporation (Clarkson, 1995). This could be the reason why Sinopec did not make so many efforts to consider NGOs.

## 5.1.2 Corporate Social Responsibility (CSR)

According to the concept of CSR defined by WBCSD, CSR is *“The commitment of business to contribute to sustainable economic development, working with employees, their families and the local communities”* (Jamali, 2006, p.811). It can be interpreted that environmental issues and stakeholders’ benefits as well as the basic financial revenues are all the indispensable parts of the business growth. As a huge integrated monopolized company in energy and chemistry industry, Sinopec Group is actively taking all kinds of approaches to shoulder its social responsibilities in the aspects of environmental protection, community development, stakeholder rights etc. (Sinopec, 2011). All of them are corresponding with the core value of CSR and benefit the company both in the short-term and long-term business growth.

### 5.1.2.1 Economic Domain

Generally, it is quite normal for a company to take the profit maximization as its business principles, which is also the basis of existence of a company. Based on the statistics of the past three years, the sales revenue of Sinopec has increased from RMB 1, 392 billion to RMB 2,552 billion, while taxes paid has been added from RMB 227 billion to RMB 330 billion (Sinopec, 2011). These variables are included in the economic measures by Slaper and Hall (2011). However, based on the argument of Davidson (2009), the business purpose of companies shouldn’t be only limited in maximizing economic profits if taking CSR into consideration. It implies other relevant elements must be taken care of when realizing profits maximization.

Carroll (1979) argued that corporation responsibilities in economic domain should also contain exploring new resources and promoting technological level, which is called as indirect economic activities. According to the CSR report (Sinopec, 2011), Sinopec is actively exploiting new energy resources in the past few years. By the large amount of investment from 2006 to 2011, measured oil reserves was increased by 356 million tons while natural gas was added by 215.7 billion cubic meters, which largely relieved the stress of domestic demands. Besides, the improvement of advanced technologies helps the company change oily waste water to reused water provided for refining equipment. It can save a large amount of water for society and decrease the cost of oil refining (Sinopec, 2011). Also, soil pollution is cut down by environment-beneficial drilling and land rehabilitation technologies. The exploration of new resources and the progress of technologies increase oil refining efficiency and productivity. This kind of advantage is then used for return on society. This is in accordance with what Jiang (2012) mentioned before, *“The basic economic goal is to increase the efficiency of oil refining and its relevant productivity as well as avoiding financial deficits. After realizing the basic goal, our company will provide more benefits to the stakeholders to build up positive image of business”*.

But he also emphasized afterwards, *“After realizing the basic goal, the company will provide more benefits to the stakeholders to build up positive image of business”*

(Jiang, 2012). Udayasankar (2008) argued that MNCs also can get benefits by means of building a good reputation, which is regarded as one of the internal drivers of big companies. Environment-protecting, which is viewed as one of the core value of CSR, is well carried out by Sinopec recently (Jamali, 2006). Since the petroleum industry is always accompanied with plenty of dangerous and toxic substances, (Jiang, 2012) stated that *“by installing water-purified equipment and purchasing environment-supervising vehicles, we have successfully decreased the level of pollution”*. Pappmehl (2003) regarded environment control as one of the TBL to measure and account the performance of corporations. Therefore, these environment-protecting behaviors not only help Sinopec hold the bottom line in environmental dimension, but also positively improve the business image of the whole company.

In terms of the concept by WBCSD (2001, as cited in Jamali, 2006), the commitment of corporations includes the contribution to the local communities. Community development is identified as one of the essential elements of CSR. In order to explore a new gas field, Sinopec provided local residents with plenty of money as compensations of moving away. Moreover, the company positively took the responsibility of constructing a new community with all daily utilities. New schools, hospitals and bridges are built up for the support of local social development (Sinopec, 2011). Many researchers have proved that MNCs can accumulate competitive advantages by taking use of non-economic elements (Porter & Kramer, 2006; Fombrun & Shanley, 1990). Although the company spent a lot of money on the things out of its own business, these positive behaviors earn much more than the expenditures for Sinopec, such as the good image of business. Hanke and Stark (2009) believed that CSR strategies can help corporations form a splendid image in front of stakeholders. What Sinopec did has proved it correct.

### **5.1.2.2 Legal Domain**

Whatever excellent economic performance a company has, it still needs to be complaint with related laws and regulations. Hallböck (2011) took law pressures as the external driver of MNCs. Sinopec believes good business governance does drive its sustainable development. Thus, the company has developed a well-balanced and smoothly-running organizational structure to ensure compliance, internal control, discipline supervision and so on (Sinopec, 2011). Schwartz and Carroll (2003) stated that the society requires companies to be legal when operating their businesses. Also, Jamali and Mirshak (2006) argued that realizing economic goals under the context of meeting legal demands is what the society is willing to see.

Under the framework of environment-protecting laws, Sinopec has invested a lot in the solutions to eliminating pollution and saving resources (Sinopec, 2011). The rates of industrial water use and COD/SO<sub>2</sub> discharge are both keeping lowering in the past three years (ibid). Besides, Jiang (2012) claimed that all oil products are obliged to pass the international standard of environment management ISO 14001. This is an active compliance to the legality and shows the consciousness of social responsibility.

It also corresponds with the research by Mirvins & Googins (2006) that laws and regulations will drive and affect MNCs to make their CSR grow up. The good behaviors of legality become a cornerstone of establishing positive business image for the stakeholders.

Anticipation of laws is categorized as the part of legal domain and it requires companies realize the possible changes of regulations and take subsequent measures (Schwartz & Carroll, 2003). When asked on this point, Jiang (2012) replied that it is a pity that Sinopec isn't able to do that even if it is a huge company. But he also mentioned that *“Our company has improved the level of oil products such as standards of emissions to reach the goal of protecting environment before our government asks us to do it”*. There is no doubt that it is a definite behavior to improve business value of the company in social level as well as in legal one, which promotes sustainable development to some extent.

### **5.1.2.3 Ethical Domain**

The ethical responsibility is a higher level of CSR beyond the legal dimension (Solomon, 1994). According to Schwartz and Carroll (2003), the fulfillment of expectation from society is the main content of ethical domain. It is also categorized as an external factor to drive the CSR development of MNCs (Hallbäck, 2011). When the Wenchuan Earthquake happened in 2008, Sinopec took actions immediately and provided local victims with oil products and natural gas as well as economic aids for their daily living, which is introduced in the interview. Besides, the project team of Sinopec in Kazakhstan joined in the local financing activities and made donations to three poor children regularly. These behaviors reflect on the company's duty and commitment to the public expectation, which is viewed as deontological standard in ethical domain (Schawartz & Carroll, 2003).

According to Slaper and Hall (2011), equity and quality of life are considered as the parameters of social measures. Employees' rights are reflected on the core value of corporations (Jamali, 2006). How to make employees and other stakeholders feel comfortable and free during the work time has become one of the most important benchmarks of measuring the social and ethical responsibility. Sinopec advocates to meeting employees' demands of physical and mental health, which shows on their personal interest and other expectations (Sinopec, 2011). Jiang (2012) also stated that what Sinopec is contributing now is to form a tidy, clean and safe working environment. The company shows sufficient respect to the employees, taking care of them and admitting individuals' value and culture. It can create extra values for the company since there will be a great improvement in quality control, productivity and cost reduction when employees are absorbed in the contribution of business growth. This is also a good reason to explain why there is nearly no contradiction in Sinopec between maximizing profits and being ethical.

Leudal (2011) argued in terms of his research that MNCs may get into trouble with the local political, legal environment without any effective approaches to change the

situations. What is interesting is Sinopec seems not to be strongly influenced by these culture gaps. On the contrary, the company has performed well how to cope with this kind of problem. The employees working in the Saudi Arabia exploration project of Sinopec Shengli Geophysical Exploration account for 80%, which is from Muslim countries (Sinopec, 2011). To show respect to their religious belief and habits, those Chinese employees stop eating pork, drinking alcohols and talking about religious taboos. Sinopec also puts up special tents for the convenience of religions' daily prays. The measures Sinopec has taken are good examples for other MNCs with the similar situations. It not only meets the rights of employees as stakeholders, but also changes the original barrier of business growth to the driver of improving employee loyalty and creating social value.

## **5.2 Shanghai Light**

### **5.2.1 Stakeholders**

Shanghai Light has both internal stakeholders and external stakeholders such as employees, owners, customers, suppliers, community, environment as well as Government and None Government Organizations (NGOs) (Freeman, 1994; Freeman, 2003). Shanghai Light considered the internal stakeholders especially customers are the most important part as pointed out by Clarkson (1995) that company cannot survive without these primary stakeholders. Since the affection by each stakeholder is different, Shanghai Light pays more attention on internal and primary stakeholders because they need to survive and make economic profits at first.

#### **Employees**

Shanghai Light realized the importance of their employees, because employees can always have great impacts upon companies especially in SMEs (Spence & Lozano, 2000). Therefore, it is crucial to take good care of employees' health and welfare (Ibid). As Yin (2012) said, the wage level in Shanghai Light is higher than average level, which indicated that employees in Shanghai Light can have better life quality and become more satisfied with the company. Respecting all the employees is another approach taken by Shanghai Light to let the employees feel respected and become more motivated (Ibid). This is how Shanghai Light established a long-run relation with their employees.

#### **Shareholders (Owners)**

According to Spence and Lozano (2000) and Jenkins (2006), SMEs operate business in a different way, because they are dependent on the owner compares with a structured management team in MNCs. Yin (2012) supported this opinion by saying that the owner will determinate the nature and the position of company, which will influence the way how company develop in future. Therefore, to be responsible to the owner is of first importance when running a company. Shanghai Light takes this responsibility through an economic domain, return the required money back to the

owner in time, which is return on investment suggested by Carroll (1979).

However, this is the only thing that Shanghai Light does with the owners, because the relation among them is pretty much stable since this is the nature of SMEs.

### **Customers**

To be responsible for the owners, Shanghai Light needs to keep the profitability, which means they should have a good relation with customers (Yin, 2012). As said by Yin (2012) “*We need to ensure the quality of works and products and to provide better services as many as possible*”. Schwartz and Carroll (2003) stated that those activities aiming to increase sales will denote the maximization of profits or share value and can be considered as taking the economic social responsibility. Shanghai Light is focusing on the quality of products and services, making profits, meanwhile, taking the social responsibility. However they did not realize it. This situation makes sense because SMEs have already done some SCR activities, but failed to use the professional way to define them (Roberts et al., 2006).

Shanghai Light is aware of establishing a win-win relation with customers, but the driver is to have a long-run business which indicates profit-oriented (Yin, 2012). However, the relation is always dynamic due to the occasion needs, which implies that Shanghai Light is not really care about long run non-economic benefits which is in contrast with Ambler and Wilsons’ (1995) opinion that corporations should establish a long-term and strong and affective relationship with different kinds of stakeholder rather than only care about the short-term profit.

### **Suppliers**

The relation between Shanghai Light and its suppliers is similar with the relation between customers and Shanghai Light. The difference is that this time Shanghai Light changes its role from supplier to customer. They try to have a long-run relation with suppliers by having a regular check of their quality performance, which shows that Shanghai Light may only care about the quality of the products. As a result, Yin (2012) said that the relation between suppliers is also dynamic, because one can always find a new supplier with high quality and low price.

### **Community**

Shanghai Light has a good relation with the local community as suggested by Yin (2012), “*We always have a harmonious relation with the community that we are located in.*” Carroll (1979) stated that the responsibilities in economic domain include creating jobs. Shanghai Light takes this economic social responsibility by hiring cleaning staff and guards from the local community, creating jobs for them. Schwartz and Carroll (2003) argued that corporation should fulfill the expectation of society in order to take the ethical responsibility. Shanghai Light did this by donating to the community. However, this is the basic things and does not cost too much.

## **Environment**

Shanghai Lights does not deal with natural resources, but they still pay attention on environment. However, it is more indirect method. For instance, *“We try to be environment-friendly in our daily operation, not to print as far as possible.”* (Yin, 2012) Moreover, Shanghai Lights will inspect the factory, checking the emission or waste management, ensuring the quality of products. Once again, quality-oriented, indicates that they care more about the economic profits. However, during the process, Shanghai Light more or less has combined economic perspective with environmental perspective and has generated their competitive advantage, the quality of their products. (Whittaker, 1999; Slaper & Hall, 2011)

## **Government and None Government Organizations (NGOs)**

Shanghai Light does not get enough support from the government and this can be considered as a barrier for Shanghai Light when taking CSR activities (Roberts et al, 2006). However Shanghai Light has a close relation with non-government organizations such as regulatory authorities, testing organizations, third-party certification organization. This is because Shanghai Light need to be approved by these organizations therefore distinguished itself from others. Fulfilling the expectations from these NGOs will contribute to increasing the image of Shanghai Light as well as to generate competitive advantage, reducing management cost, increasing quality of products (Yin, 2012; Vyakarnam et al, 1997).

## **5.2.2 Corporate Social Responsibility (CSR)**

According to Lee, Fairhurst and Wesley (2009), more and more companies are striving for integrating social and environmental responsibilities into their daily operation since CSR is getting essential for companies. Shanghai Light, as a small and medium sized company in terms of the EU standard, also has clearly realized the importance of putting CSR into business practice (Yin, 2012). The owner of Shanghai Light, Yin (2012) states, *“actually I didn’t recognize the importance of taking CSR when the company was set up at the very beginning.....I want to make my company become a distinctive one much different from others. Thus, I consider doing more beyond business itself.”* It can be seen that whether to take CSR as the part of SMEs’ strategy mainly depends on the owners’ mind. As they recognize the value of CSR, they are willing to move to get touch with it.

### **5.2.2.1 Economic Domain**

Earning money and making profits is the basic target for a company’s daily operation and is socially required (Windsor, 2001). It shows that economic performance is playing an important role in shouldering social responsibilities. When inquired about the company’s basic economic goals, Yin (2012) affirms that it is to make money and maximize profits to ensure survival of the company, which is in accordance with the so-called positive economic influence argued by Schwartz and Carroll (2003).

Based on the perspective of Davidson (2009), profits maximization is not the only business purpose of companies. Although Shanghai Light was only focusing on how to get money as much as possible at the very early moment, the company changed to take account of other social responsibilities needed to take with the development of business later on (Yin, 2012). That means the company begins to go forward in a way of sustainable development.

The economy must grow up under the context of the balance of both social and environmental systems (Anon, 2000). Environmental protection has been listed in the core values of CSR (Jamali, 2006). In light of Slaper and Hall (2011), waste management is regarded as one of the environmental measures. *“What we are doing now has to be contributed to the future development. For example, in the environment-protecting aspect, we own a set of strict requirements to deal with the toxic waste office supplies specially”* (Yin, 2012). It obviously demonstrated that Shanghai Light is caring about other social elements like environment except maximizing profits.

In order to attract more SMEs to pay attention to CSR, the benefits they can get from relevant economic activities have to be examined. According to Whittaker (1999), those who contribute to social and environmental dimensions except economic ones are tend to obtain more competitive advantage and easier to keep profitable as well as gaining long-term wealth. Profits, customer loyalty and business image can be largely improved by means of commitments of CSR (e.g. Brown & Dacin, 1997; Drumwright, 1996; Maignan & Ferrell, 2001; Murray & Vogel, 1997; Sen & Bhattacharya, 2001; Sen et al., 2006, as cited in McDonald & Rundle-Thiele, 2008). In the recent years, a big improvement occurs in the quality of Shanghai Light’s products and its governance system although plenty of capitals have been invested in (Yin, 2012). Higher quality of products can attract more new customers as well as maintain older customers, which obtains customers’ trust and support. Improvement of managing level helps company reconcile the troubles in the operation of corporations. Therefore, the efficient of business running will be largely increased and the profits follow up subsequently.

### **5.2.2.2 Legal Domain**

The basic requirement for companies in legal domain is to obey the law (Carroll, 1999). It is also regulated by society similar to the economic level (Windsor, 2001). Yin (2012) states that Shanghai Light is always operating its business legally from the start. According to Schwartz and Carroll (2003), behaviors taken by companies must be in compliance with the laws. *“Shanghai Light has passed ISO9000 and ISO14000, which are quality management systems and environment management standards respectively”* (Yin, 2012). Through strictly following the related industry standard, Shanghai Light can run its business under the context of safe laws environment. It can help the company focus on its own value creation and business growth.

Except for compliance, avoidance of civil litigation and anticipation of law are also

categorized into legality (Schwartz & Carroll, 2003). According to Yin (2012), Shanghai Light examines its exported products carefully in terms of local market standards so as to prevent from potential lawsuit in case of disqualified products. Although, Shanghai Light sometimes realizes certain laws to be changed, it is much more difficult than big corporations to take measures because of the limited social resources such as information network and financial capitals (Yin, 2012). This is corresponding with the perspective of Roberts et al. (2006) namely, SMEs don't master sufficient information and support when taking CSR. Therefore, SMEs are easily getting into trouble with certain constraints like human and financial resources.

Despite that, Yin (2012) claims that, *"We are nowadays applying for the qualification of being a member of SA8000, which is a newly established standard on social responsibility management system. We are keen on requiring ourselves doing better"*. The barriers exist in front of Shanghai Light, the owner, however, is still trying to take more responsibilities beyond the company ought to take. This kind of positively volunteer behaviors will help Shanghai Light to get a high score in the heart of stakeholders.

### **5.2.2.3 Ethical Domain**

Schwartz and Carroll (2003) argue that companies need to take ethical responsibilities as a reflection to the social and stakeholders' expectation. Consequential standard, as one of the three standards in ethical domain, asks companies to take actions for value creation of stakeholders (ibid). According to Yin (2012), *"we need to educate every employee so that they will realize that everyone has social responsibility when working for our company"*. By means of the training programs, the employees working in Shanghai Light can be of higher moral and more collective with each other, which drive them to be more collective and to contribute more to the company's strategy.

In terms of Solomon (1994), those corporations who take ethical responsibilities into consideration have had an ethics idea beyond regulations and laws. However, Roberts et al. (2006) claims that SMEs have taken some CSR actions but failed to do in a professional way. Yin (2012) states that the employees working in Shanghai Light have denoted a lot of goods and money to society and also served on bus terminals as volunteers. Compared with those big companies, these behaviors are only on the basic level of demonstrating ethics. Still, it does help the company build a positive brand image and obtain public recognition.

### **5.3 Cross Analysis**

In this section, two single cases will be compared in order to find the similarities and differences. The first part focuses on the stakeholders while the second one focuses on CSR.

Based on the within case analysis, the authors found out how do MNCs and SMEs shoulder CSR to realize sustainable development. Therefore, a table is created to show the crucial elements (see Table 2). And this table will guide the authors to discover the driver behind these activities, which fulfill the purpose of this study.

**Table 2: The performance of the companies behaved by a CSR approach**

		Sinopec	Shanghai Light
Stakeholder	Employee	<ul style="list-style-type: none"> <li>- raise employees' awareness as the master of the company</li> <li>-improve working and living environment</li> <li>- provide career development</li> </ul>	<ul style="list-style-type: none"> <li>- make efforts on wage level</li> <li>- respect employee personally</li> </ul>
	Shareholder/Owner	<ul style="list-style-type: none"> <li>- ensure the return of investment</li> <li>-invest more in business</li> </ul>	<ul style="list-style-type: none"> <li>- ensure the return of investment</li> </ul>
	Customer	<ul style="list-style-type: none"> <li>- quality assurance system</li> <li>- innovation in service model</li> </ul>	<ul style="list-style-type: none"> <li>- informal quality control system</li> </ul>
	Supplier/Business Partner	<ul style="list-style-type: none"> <li>- own strategic framework</li> <li>- attention on ethic</li> <li>- help and guide partners</li> </ul>	<ul style="list-style-type: none"> <li>- attention on the quality of products</li> </ul>
	Community/Public	<ul style="list-style-type: none"> <li>- support infrastructure construction</li> <li>- regular volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>- hire cleaning staff and guards</li> <li>- donation</li> </ul>
	Environment	<ul style="list-style-type: none"> <li>- waste and energy consumption management system</li> </ul>	<ul style="list-style-type: none"> <li>- purchase green sub-products</li> <li>- not use printer frequently</li> </ul>
	Government/NGO	<ul style="list-style-type: none"> <li>- take political responsibility</li> <li>- get supports</li> </ul>	<ul style="list-style-type: none"> <li>- be approved by NGOs</li> </ul>
CSR	Economic	<ul style="list-style-type: none"> <li>- increase efficiency and productivity as well as avoiding deficits</li> <li>- explore new energy resources (natural gas) and improve advanced technology ( oily water reused)</li> <li>- install and purchase special equipment to cut down pollution</li> </ul>	<ul style="list-style-type: none"> <li>- earn money to ensure its survival</li> <li>- improve quality of products and governance</li> <li>- strictly cope with toxic waste office supplies</li> </ul>
	Legal	<ul style="list-style-type: none"> <li>- develop a well-balanced and smoothly-running managing system</li> </ul>	<ul style="list-style-type: none"> <li>- pass required industry standard (ISO9000, ISO14000)</li> </ul>
	Ethic	<ul style="list-style-type: none"> <li>- meet employees' physical and mental needs, show respect</li> </ul>	<ul style="list-style-type: none"> <li>- provide training program (morals and skills)</li> </ul>

### 5.3.1 Stakeholders

It is showed in the Table 2 that both Sinopec and Shanghai Light have internal stakeholder as well as external stakeholders. And they have the same groups including Employees, Shareholders (Owners), Customers, Suppliers, Community (The public, Environment, Government and None government Organizations). However, each company has different approach to establish relation with their different stakeholders.

For the employees, Sinopec considers them as the most important stakeholder while Shanghai Light does not. Sinopec has several commitments to their employees, such as to raise their awareness as the master of the company, to improve the working and living environment, to provide career development. Compared with Sinopec, Shanghai Light only makes effort on the wage level and respecting the employees personally. The reason might be Sinopec, as a multinational corporation, has constructed a structured commitment system while Shanghai Light, due to the size of the company, does not have the ability to have such a formal way but just by paying salary to employees and respecting them personally. Another reason is that Sinopec realizes the potential benefits behind caring employees' needs as human beings, which are increased productivity, quality employment. However, Shanghai Light failed to foresee it.

For the shareholders or owners, Sinopec noticed that in order to reach sustainable development, they need to ensure the return of investment from shareholders while Shanghai Light returns the money back to the owner just because he is the owner of the company and he can decide everything. Sinopec also realized that to be social responsible, they need to have profitability, which is the economic base in accordance with Carroll's (1991) statement. By noticing this point and having enough financial resources, Sinopec has the possibility and ability to invest more in their business, and get more revenue as a result. However, Shanghai Light is not aware of this point.

For the customers, both Sinopec and Shanghai Light pay great attention on the products and services provided to the customers. However, they have different approaches. Sinopec has its own quality assurance system with clear and detailed responsibility in the producing process while Shanghai Light does not. Again, this is due to the scale and size of the company. Moreover, Sinopec also makes innovation in their service model, providing value-added extra services. As a result, Sinopec has a strong relation with its customers while Shanghai Light only has a dynamic relation. This is because Shanghai Light pays too much attention on the products itself and ignoring the needs of customers as well as facing strong competition.

For the suppliers and business partners, Sinopec has its own strategic framework to select suppliers and business partners due to the size and scale of the corporation. Both Sinopec and Shanghai Light cares about the quality of the products from suppliers, however, Sinopec pays attention on the suppliers' ethic while Shanghai Light only cares the economic value. As a multinational company, Sinopec helps and guides its suppliers and business partners to have right values, philosophy, and

management style. They start to think about the relation between stakeholder and stakeholder, which seems like too difficult for a SME like Shanghai Light to achieve.

For the community and the public, Sinopec believes that the final goal for running a corporation is to reward the society. Having a huge amount of money capital, Sinopec has the ability to support the infrastructure construction which is the base for the developments of community, public and even the nation. Moreover, Sinopec organizes regular volunteer activities to help the community. This is determined by the nature of Sinopec, a central corporation, which means taking responsibility towards the society is its destiny. However, as a SME, Shanghai Light is not involved in this issue so much. The only thing they do is hiring cleaning staff and guards from local community, solving the basic problem of employment, and donating, which is a basic requirement of ethic.

For environment, Sinopec is deeply involved in this stakeholder due to its industry. Therefore, Sinopec has a complete waste and energy consumption management system. By doing this, Sinopec can gain competitive advantage because this will reduce the cost in manufacturing and increase the productivity as well as establish a good image of corporation. On the other side, although Shanghai Light is not involved with environment due to its industry, they still pay attention on protecting environment. However, what they are doing is not as effective as Sinopec is doing, because Shanghai Light can only purchase environment-friendly sub-products from their suppliers and do not use printer as far as possible.

For government and none-government organizations, Sinopec and Shanghai Light have different focus. Sinopec, as a central corporation, has a close relation with government while Shanghai Light, as an ordinary enterprise, has more connection with none-government organizations. This is because, as mentioned in Sinopec's within case analysis, they need to take the political responsibility, which is a new dimension for corporate social responsibility. Moreover, by taking responsibility for government, Sinopec can gain more supports from the government. However, Shanghai Light makes contact with none-government organizations because they want to distinguish from others. Being approved by these organizations can increase the image of company as well as reducing management cost, therefore, become more competitive.

### **5.3.2 Corporate Social Responsibility (CSR)**

As it can be read from the Table 2, the current situation which Sinopec and Shanghai Light are staying in are quite different when concerning taking social responsibilities. Sinopec is actively taking its social responsibilities by all approaches in different kinds of aspects such as environment-protecting, community development and stakeholders (Sinopec, 2012). While Shanghai Light has been paying more and more attention on CSR although the owner neglected its importance during the early time (Yin, 2012). The result reveals small-medium sized companies more rely on its owners and entrepreneurs idea when carrying out CSR. They have no experience and

resources about CSR when built up. That cannot be compared with those big companies at the same level, because they have already master and control a large amount of information and resources they need for building an organized system of taking social responsibilities. The system supports the behaviors and help companies do in a professional way and appoint special persons for supervision.

Referring to the basic goal of running business, both companies reach a consensus of economic benefits. However, Shanghai Light tends to earn money to ensure company's survival (Yin, 2012), while Jiang (2012) states, "*the basic economic goal is to increase the efficiency of oil refining and its relevant productivity as well as avoiding financial deficits*". As a SME, Shanghai Light has to try its best to compete with other strong competitors in order to survive. It drives the company focus more on the results. By contrast, Sinopec, which has stand on a safe level all over the industry, emphasizes more on the processes and approaches of making profits.

Then it can be easily seen that Sinopec has done a lot of work on exploring new energy resources and promoting its technology (Sinopec, 2012). The former results in plenty of resources newly found like natural gas, which subsequently contributes quite a few economic return to the company. The latter such as oily water reused technology, help cut down the cost of oil refining, which improves economic efficiency indirectly. Compared with Sinopec, Shanghai Light makes some contribution on the improvement of quality of products and governance (Yin, 2012). Since the company has established only ten years, it still has a lot to modify. To start from the basic aspects is a good choice concerning with its business scale and limited resources.

Environmental protection, considered as one of the core value of CSR, cannot be neglected when doing economic activities (Jamali, 2006). Considering the energy industry always accompanying with dangerous and poisonous substances, Jiang (2012) claims, "*by installing water-purified equipments and purchasing environment-supervising vehicles, we have successfully decreased the level of pollution*". Thanks to advanced technologies, Sinopec is able to decrease the soil pollution level during operations (Sinopec, 2012). Due to the special industry and nature of national company, Sinopec has more duties and commitments than other firms to take account of environment-protecting. The public and society expect Sinopec to do, but also the company is actively willing to do it. This is a two-way process. However, it does not and has little possibility to happen on Shanghai Light. It has much less capital and resources invested in purchasing environment-protecting facilities like Sinopec. "*In the environment-protecting aspect, we own a set of strict requirements to deal with the toxic waste office supplies specially*" (Yin, 2012). Limited by its internal economic elements, the performance Shanghai Light behaves here tends to be a narrow sense. Sinopec performs on a broader sense to meet the needs of society. Despite that, both companies are doing in their own ways to carry out the ideas of CSR. Differences on approaches and contents, but the goal is the same.

According to Hallbäck (2011), pressures of regulations have become the external driver of MNCs. Except for the industry laws, Sinopec itself has developed a

well-balanced and completed governance structure so as to ensure operation supervision, compliance, process control etc (Sinopec, 2012). What Shanghai Light has done here is to pass quality management systems (ISO9000) and environment management standards (ISO14000). Besides, in terms of Yin (2012), the company is applying for the qualification of social responsibility management system (SA8000). It can be believed that Sinopec has also passed relevant industry test standard. However, it is not enough for such a huge company. As there are a large number of stakeholders such as employees working in Sinopec, it requires the company equipped with a set of organized managing system internally although it consumes a lot of resources and forces to do it. As for the Shanghai Light, the so-called drawback namely, small scales, here is considered as certain advantage. The company doesn't need to cost too much on internal management and can move the money onto the improvement of products and services. What it should do is just to be compliant with the public industry standard.

After discussing on the legal domain, it is necessary to move to the ethical responsibility, which is viewed as a higher level of CSR (Solomon, 1994). Many researchers (Slaper & Hall, 2011; Jamali, 2006) argue that employees' demand is the core value inside. Sinopec keeps meeting employees' demands physically and mentally, which demonstrates the company is showing sufficient respect to the workers (Sinopec, 2012). Yin (2012) advocates that Shanghai Light provides training programs to employees so that they can develop themselves on morals and skills under the help of the company. It is no doubt that Shanghai Light is trying to offer help for employees' future development. Compared to the pulling help, Sinopec specializes in forming a safe, positive, motivated working environment by ensuring individuals' value and culture. It is more like a pushing help because it encourages and drives employees to make personal progress by themselves.

The different influencing factors behind the behaviors taken by the companies are listed in the Table 3 as below, which is created as the summary of the cross-case study above. From that table, it can be obviously seen and understand the reason why Sinopec and Shanghai Light are driven to take CSR strategies to operate their business.

Based on the within-case and cross-case analysis, it is clearly found that the CSR way in which Sinopec and Shanghai Light perform for the goal of sustainable development and the potential causes behind. Look back to the framework of this study, it is demonstrated that certain internal or external motivations such as competitive advantage and business image drive MNCs or SMEs to make their stakeholders satisfied in CSR approaches respectively. Different scales of companies behave differently in economic, legal and ethical domains. The commitment and contribution to stakeholders further help companies to improve their business power. Thus, they are more promising to realize the final goal of sustainable development socially as well as in economic and environmental aspects.

**Table 3: The influencing factors of the companies performing in a CSR way**

		Sinopec	Shanghai Light
Stakeholder	Employee	<ul style="list-style-type: none"> <li>- realize the potential benefits</li> <li>- large scale and size of company</li> </ul>	- does not see the potential benefits
	Shareholder/Owner	<ul style="list-style-type: none"> <li>- have enough financial resources</li> </ul>	- resource strained
	Customer	<ul style="list-style-type: none"> <li>- large scale and size of company</li> <li>- care non-economic benefits</li> </ul>	<ul style="list-style-type: none"> <li>- small and medium size</li> <li>- only care economic benefits</li> </ul>
	Supplier/Business Partner	<ul style="list-style-type: none"> <li>- ethical value</li> <li>- large scale and size of company</li> </ul>	<ul style="list-style-type: none"> <li>- economic value</li> <li>- small and medium size</li> </ul>
	Community/Public	<ul style="list-style-type: none"> <li>- nature of company</li> </ul>	- economic value
	Environment	<ul style="list-style-type: none"> <li>- industry required</li> <li>- reduce cost</li> <li>- increase image</li> </ul>	- not involved in
	Government/NGO	<ul style="list-style-type: none"> <li>- nature of company</li> <li>- political responsibility</li> </ul>	<ul style="list-style-type: none"> <li>- be different</li> <li>- reduce cost</li> </ul>
CSR	Economic	<ul style="list-style-type: none"> <li>- much less competition pressure, pay attention to processes and approaches</li> <li>- much financial return and improvement of its efficiency through exploring new energy resources and updating technologies</li> <li>- the oil industry does potential harm to society (people, environment)</li> <li>- the public expect a lot on big companies</li> <li>- behave in a broad sense</li> </ul>	<ul style="list-style-type: none"> <li>- compete with strong competitors, more emphasize on results</li> <li>- limited by its business scale and access to resources</li> <li>- constrained by its internal economic factors</li> <li>- behave in a narrow sense</li> </ul>
	Legal	<ul style="list-style-type: none"> <li>- plenty of stakeholders inside (employees) ask Sinopec equipped with well-organized governance system internally</li> </ul>	- have no need to build complex managing system due to small size
	Ethic	<ul style="list-style-type: none"> <li>- let individuals feel safe, motivated and valuable during working</li> <li>- pushing help, influencing indirectly</li> </ul>	<ul style="list-style-type: none"> <li>- expect to see personal solid progress</li> <li>- pulling help, guiding directly</li> </ul>

## 6 Conclusions

This section includes three parts. The first part focus on answering the research questions as well as presents the findings that are generalized by the authors during the analysis of the cases. The second part provides managerial implication based on the findings of the study. In the end, recommendations for further research are given based on the limitation of this study.

### 6.1 Findings

Having analyzed the cases, the authors at present have the possibility to provide answers towards the research questions which will also fulfill the purpose of this thesis at mean time.

Just for reminding the reader, the first research question of this thesis was:

#### **i) How do MNCs and SMEs shoulder Corporate Social Responsibility to realize sustainable development?**

The study has shown that both Sinopec, as a MNC, and Shanghai Light, as a SME, are aware of taking corporate social responsibility. However, the used approaches and contents could be different. Despite the difference, the main direction of both companies is taking corporate social responsibility through economic, legal, and ethical domain.

Sinopec almost thinks about the interests and benefits of all kinds of stakeholders. For instance, to employee, they have formal commitments including improve the workplace environment, provide career development, Sinopec cares about employees by fulfill their needs as human beings. However, Shanghai Light only pays salary to employees. Although the owner will respect the employees, but still, employees might be means to success for the company. Another example has been found is that Sinopec support the infrastructure construction and has complete waste and energy consumption management system which will have a strong impact upon the society and environment. However, Shanghai Light does its work in a more personal and less affective way such as not use printer as far as possible, hire cleaning staff and guards from local community, make some donation.

It can be concluded that multinational corporations combine economic, environmental, social value together when considering how to shoulder corporate social responsibility. MNCs actively take their corporate social responsibility by all approaches and efforts in different kinds of aspects such as environment-protecting, community development, and interests of all stakeholders. On the other hand, small and medium-sized enterprises pay more attention on economic values when undertaking corporate social responsibility. This implies that no matter how big or how small the company is, it have been involved with corporate social responsibilities as long as it is established in the society.

After describing the way how companies shoulder their corporate social responsibility, it is possible to discover the reasons behind them, therefore the second research question as following, can be answered:

**ii) What factors are driving companies to perform in undertaking corporate social responsibility?**

The study has shown that companies can reach sustainable development through recognizing the needs of everyone, effective protection of environment, maintaining high and stable economic growth, which can be considered as being social responsible to all relevant stakeholders. There are several potential benefits, directly or indirectly, behind sustainable development, for instance, easier hiring of the best talent, increasing employee productivity, reducing costs, increasing revenue, gaining competitive advantages. These benefits are the general drivers that make companies undertake CSR. However, not all drivers are the same.

Any behaviors are triggered by certain potential factors, which are divided into two parts: internal factor and external factor. Based on the cross-case study already done, several influencing elements are found as below. Externally, competitive pressures among businesses, social expectation and focus become the main factors. MNCs have to experience more than SMEs, which pushes MNCs shoulder much more CSR in front of stakeholders. Internally, the well-balanced and smoothly-running governance system can help MNCs take CSR in a more professional way by virtue of their sufficient information and resources. In spite of limited business scale, the behaviors of taking social responsibilities by SMEs are more realized through the owners' desire. Hanke and Stark (2009) argued before that carrying out CSR strategies can bring companies a distinctive image to their stakeholders. But here, based on the case study before, a further conclusion is CSR strategies definitely help SMEs build a positive business image, but for MNCs, it is more like recognition of its brand, which is defined as brand image.

Through the observation, one interesting finding is carried out, that is in contrary to Jenkins' (2006) argument, SMEs managers or owners might not have as much as interest compared with the management team of MNCs, however, the real situation at least in Shanghai Light is that, the manager's own experience on CSR has contributed a lot towards the perception of CSR on company level. Nevertheless, SMEs still face problems when committing CSR due to the size and scale of the company, which has a strong impact on the access to key resources such as capitals, labors, networks. They only want to distinguish themselves from other ordinary enterprise so that they can get comparative advantages, such as more loyalty customers and high quality products. Therefore, it is implied that, behinds all the CSR activities, the fundamental driver is economic benefits, more simply, money. This is reasonable because as a SME, the initial goal is to survive under the competitions. After growing to a certain scale, SMEs may have more resources and information to conduct CSR, considering environmental, social values as well just like MNCs.

Moreover, another interesting finding is carried out, that is, a new domain of CSR is

found. According to Sinopec, it is called political social responsibility. This is because the nature of the corporation, Sinopec is a central corporation which is owned by the nation. Therefore it is Sinopec's responsibility, mission or even destiny to make sure that the regime or the political power is stable by providing economic base, because economic base determines the superstructure. No matter in socialistic society or capitalism, it is the same, for example, the government of United States rescued General Motor to avoid bankrupt. They do this because such a MNC like GM has significant impact on society's economy, environment, and even the political power. As a result, political domain, as a new dimension of CSR especially for MNCs is worth studying for future research.

## **6.2 Managerial Implications**

Since this thesis has only studied two companies and other companies has different situation as well as experience, it is difficult to make an universe suggestion for all kinds of companies but is possible for these two specific companies.

For Sinopec, as a multinational corporation, they have pretty enough resources and information to commit their corporation social responsibility. Therefore all they need to do is to keep the right track and pace, continuously caring the interests and benefits of all stakeholders. However, consumers always complain about the high price of refined oil, petrol and diesel oil. Therefore it would be better for Sinopec to make more innovations in the producing process in order to improve the productivity, reducing the cost of production. And let the consumers benefit. This is because ordinary people will say negative thing about Sinopec if the price of refined oil is too expensive as it has directly connection with consumers despite the fact Sinopec has already done a good job in other aspects of corporate social responsibility.

For Shanghai Light, as a small and medium sized company, or precisely, medium sized company, the suggestion is obviously in the findings of this thesis. That is, the manager should be aware of combining economic, environmental, social values all together instead of just focusing on economic outcome. It would be better if the manager try to establish a structured organization or system to ensure the quality of products, and to pay more attention on the extra services of products, because such efforts will decrease the distance between SME and MNC. Moreover, by taking more non-economic elements in to consideration, Shanghai Light will also gain benefits just like what Sinopec has gained.

## **6.3 Recommendation for Further Researches**

Since this study has already found some similarities of taking social responsibility according to the different industries, it is necessary to study further based on more empirical data through a quantitative research method and statistical approach, to see whether these results are still the same or not.

Moreover, the chosen company, Shanghai Light, a SME with 80 employees and a turnover of 9 million Euro, which is much closer to medium sized company. Therefore, it would be worthy of study on smaller companies, especially new-established companies, about how they commit CSR or do they commit CSR.

Due to the fact that the given study is conducted under a Chinese context, which implies that political elements such as government play a vital role in CSR, therefore, it would be interesting if further researchers conduct studies under a European or United States context to see whether the political dimension still exists in capitalist societies.

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## **Appendix**

### **Interview Guide**

#### **Instructions:**

Here is a list of the interview questions based on our thesis. We categorized all questions into five parts as following to make it clear for the interviewees. As for the questions, you don't need to reply every question in detail. What we pay attention to is the general ideas and main points. Offering some examples will be helpful for our recognitions. Thanks for your contribution to our thesis indeed!

#### **General Questions**

1. Have you paid attention to corporate social responsibility (CSR) before?
2. What do you think of CSR? (something relevant to the comprehension of the term)
3. Has CSR been applied to the daily operation of your business?
4. Why do you choose to apply CSR to business or not?
5. Which areas does your corporation involve when taking approaches of CSR?
6. What do you think of your drivers and barriers (internal and external) of conducting CSR (Any problems and challenges have to be faced; offer some detailed info please)?

#### **Economic**

1. What is your object of business in economic aspect? (the basic and the final one)
2. Which do you prefer, between direct economic (e. g: maximizing profits) activities and indirect economic activities (e. g: promoting image of business)?
3. Do you concern the sustainable development when maximizing profits or share values?
4. What factors do you take into consideration for economic activities?
5. How do you keep the balance between the maximization of profits and environment-protecting? (By using products, advertising, marketing approach etc.)
6. Is there any positive promotion for your business growth when taking CSR?
7. To which extent does CSR influence the value creation of your company?
8. Which aspects is it demonstrated in?
9. Do you think sustainable mode of business can help your firm keep profitability as well as creating long-term wealth?

10. What do you think of its positive or negative aspects in terms of your firm?

### **Legal**

1. Are you always keeping legality of business in running your corporation?
2. How do you do to keep the equity among employees?
3. Facing strict laws of environment in European Union, what have you done for your products and processes to obey the laws?
4. Do you often realize the possible change of laws in relevant business areas?
5. If so (realize the changes), do you take some subsequent behaviors to modify in a short time? If not, tell the reasons please.
6. Are you willing to do more on CSR beyond the existing laws asking what you should do?
7. If so, what kind of activities are you planning to do? If not, tell the reasons please.

### **Ethical**

1. Have you considered ethical responsibilities for society and stakeholders in spite of primary economic goals?
2. Do you take ethical responsibilities actively in your daily operation?
3. If so, what have you done for it? (some detailed examples) If not, tell some reasons please.
4. Which approaches have you chosen to improve your employees' quality of work and lives, what's more, to increase their satisfaction level?
5. Is it easy for your company to get access to social resources? (tell the reasons please)
6. Have you done some environment-friendly volunteer activities before?
7. If not, how will you consider doing it?
8. What activities you're doing can reflect duties or commitments taken by your firms?
9. Do you think there is a contradiction between realizing profits goals and taking ethical responsibilities?
10. What do you think of the comparative advantage over other competitors generated by strategic commitments in sustainable development?
11. Are there any short-run or long run advantages due to the activities of CSR by your company?
12. How do you combine economic prosperity, environment control and social responsibility together when conducting CSR?

### **Stakeholder**

1. Which kinds of stakeholders do you have in your business operation?
2. Which is the most essential for the growth of your company?
3. How do you establish strong long-term affective relationships with these stakeholders?
4. According to the different stakeholders, will you change your focus on the concrete aspects (economic profits; social, environmental and ethical values) when establishing relationships?
5. How do you create relevant values for stakeholders?

### **Final question**

Do the CSR activities contribute to the sustainable development of your company? If so, what benefits can you gain through the approaches? (e.g. employment, productivity, cost-reducing, financing, reputation)