



Swedish University of Agricultural Sciences  
Faculty of Natural Resources and Agricultural Sciences  
Department of Economics

# Identified opportunities and challenges in CSR certification

-The case of CSC9000T in China's textile industry

*Tingting Chen*

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**Supervisor:** Cecilia Mark-Herbert  
Swedish University of Agricultural Sciences  
Department of Economics

**Examiner:** Karin Hakelius  
Swedish University of Agricultural Sciences  
Department of Economics

**Credits:** 30 hec

**Level:** A2E

**Course title:** Degree Project in Business Administration

**Course code:** EX0536

**Programme/Education:** Environmental Economics and Management -  
Master's Programme

**Place of publication:** Uppsala

**Year of publication:** 2012

**Name of Series:** Degree project

**No:** 709

**ISSN** 1401-4084

**Online publication:** <http://stud.epsilon.slu.se>

**Key words:** CSR, social standards, CSC9000T, textile and apparel industry,  
Chinese government, competitive advantage



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# Acknowledgements

First and foremost, my sincere thanks go to my wonderful supervisor Cecilia Mark-Herbert from the Department of Economics at the Swedish University of Agricultural Sciences. Thank you for your ideas, comments and suggestions; thank you for your constant encouragement and moral support; thank you for your helpful materials; and thank you for sharing your precious time with me. I have been so inspired and motivated by your guidance, and having you by my side has been invaluable on this academic journey.

I would also like to express my gratitude to my classmates. Thank you so much for sharing your insights and experiences with me; thank you for passing on information that you believed would be useful to my thesis; and thank you for comforting me when I felt lost.

Finally, I want to thank my mum, my dad and my friends. Thank you for all those things you have done to accompany, support and understand me throughout this difficult process.

# Abstract

Corporate Social Responsibility (CSR) issues have been received much attention in business and management practises globally. Jensen & Yeh (2009, 3) state that “*The agenda of Corporate Social Responsibility (CSR) has emerged as a factor in the process of globalization, and Chinese companies may sometimes feel pushed into this agenda without a clear understanding of the rationale behind it*”. China’s textile and apparel industry, a manufacturing-based economy with its products bounding up with the consumers worldwide, has been facing enormous pressure to take CSR initiatives, particularly in relation to environmental issues and labor standards. The launch and implementation of CSC9000T, based on a consumer-oriented and scientific sustainable development philosophy is a milestone to the development of the industry.

This study aims to understand the conditions for implementation of corporate responsibility standard, CSC9000T in China’s textile and apparel industry. The theoretical framework is designed closely embracing the aim in an exploratory research design. Multiple cases based in China are conducted in order to identify the motives, perceived benefits as well as challenges associated with implementation of CSR and CSC9000T in Chinese textile and apparel enterprises.

Findings suggest that the Chinese textile and apparel enterprises have begun to realize the importance of implementing CSC9000T management standard. The companies are politically supported and benefit from participating in CSR engagement. However, the current situation in China’s textile and apparel industry also presents lots of challenges to a widespread adoption of CSC9000T social standard. The current context for CSR development in China can be described as low level of CSR awareness and concerns, lack of training and education programs, highly implementation costs, as well as the ineffective enforcement of laws and regulations, all of which are threatening the CSR and CSC9000T progress.

The motives for implementing CSR and CSC9000T in Chinese corporations have initially been driven by international pressure groups and consumer expectations. In recent years, the Chinese governmental authorities have taken a role of encouraging CSR activities. Changes in the international trade environment and increased awareness of needs for “a low carbon economy” have also promoted this process. The conditions, both internal and external, for Chinese enterprises to embrace CSR initiatives are associated with challenges. If CSR is seen as a process of awareness, enterprises should first focus their efforts internally, to educate employees and formulate company policies. The role of the Chinese government and relevant authorities is to strengthen and legitimize the corporate efforts made. Investments and certification processes that at first may be associated with challenges and costs may become grounds for differentiation and competitive advantage on a global market.

# Sammanfattning

Ansvarsfrågor för företag, ofta refererat till som CSR, Corporate Social Responsibility, har fått allt mer uppmärksamhet under de senaste decennierna. En ökad medvetenhet om globala frågor som rör CSR utpekade som en stark drivkraft för företag i bland annat Kina. Denna drivkraft utgör ett motiv för företagen att arbeta med ansvarsfrågor, men den bakomliggande logiken är inte alltid lika tydlig för företagen som praktiskt skall hantera ansvarsfrågorna. Ett exempel på en industri som mött dessa förväntningar är Kinas textilindustri. Förväntningarna från omvärlden har lett till utveckling av en standard som är anpassad för just textilindustrin i Kina, CSC9000T. Den är grundad i konsumentdrivna frågor och utgör något av milstolpe i utvecklingen av mer hållbart företagande.

Den här studien beskriver förutsättningar för implementering av standarden CSC9000T i Kinas textilindustri. I en explorativ ansats jämförs fallstudier av företag som valts ut utifrån att de är certifierade (CSC9000T) och lokaliserade till en viss region i Kina. Fokus i studien ligger på att identifiera motiv och utmaningar i certifieringsprocessen.

Resultaten i studien ger en bild av att de studerade företagen har en viss intern insikt i motiven för att vara certifierad. Det externa motivet, förväntningar från omvärlden och regeringen utgör dock en stark pådrivande kraft. Situationen i Kinesisk textilindustri innebär en utmaningar för certifiering som kan sammanfattas i bristande insikt om ansvarsfrågor i allmänhet, begränsad utbildningsnivå i många företag, kostnader för att implementera standarden i en prispressad industri för att bli certifierade av en tredje part och en ineffektiv lagefterlevnads kontroll i allmänhet. Alla dessa faktorer utgör utmaningar för en vidare acceptans för och tillit gentemot standarden.

Motiven för att implementera ansvarsprogram och bli certifierad (med CSC9000T) har i ett initialt skede drivits av internationella aktörer, framför allt textilåterförsäljare i västvärlden. Under senare år har den kinesiska regeringen tagit rollen som ambassadör för att driva på CSR i allmänhet och implementering av standarden i synnerhet. Internationella exportkontakter innebär också en ökad medvetenhet om vikten av rena miljöfrågor i industrin. Även om påtryckningar och förväntningar primärt riktas mot företagen utifrån är det viktigt att företagen först fokuserar sitt arbete på internt arbete för att öka medvetenheten om ansvarsfrågor. Det innebär bland annat utbildningssatsningar och förändrade företagsstrategier. Regeringens och myndigheternas roller blir främst att stödja företagen i deras arbete – för att stärka ansvarsperspektiv och propagera för positiva långsiktiga effekter som resultat för investeringar och insatser som görs idag, både i ett nationellt och ett globalt perspektiv. Investeringarna antas utgöra förutsättningar för differentiering som är en grund för att skapa konkurrensfördelar på en pressad internationell marknad.

## 摘要

企业社会责任问题已经广泛引起世界范围内企业管理者们的高度重视。作为日益影响全球化进程的因素之一，中国企业，尤其是维系国计民生的中国纺织行业，在环境问题和劳工权益问题上面临着世界各国施以的巨大压力。CSC9000T，一个坚持“以人为本，可持续发展”的社会责任管理体系的开创与实施成为国内纺织行业的一个重要里程碑。

本文的研究目的在于了解 CSC9000T 社会责任管理体系在中国纺织行业的实施状况，以具体案例为客观对象，深入研究纺织企业执行 CSC9000T 的动机以及实施过程中的利与弊。理论框架的构建紧密围绕主题展开，属于探索性研究。

研究表明，CSC9000T 的实施给中国纺织行业注入了新的生命和活力，但同时也面临很多压力与挑战。目前，企业社会责任在中国的发展状况可表述为：企业社会责任意识低下，培训教育项目缺乏，体系执行费用昂贵以及相关法律条文的匮乏，这些都阻碍社会责任建设和 CSC9000T 的有效执行。

中国纺织企业实施企业社会责任建设的最初动机来源于国际社会舆论压力。近年来，由于国际贸易环境的改变和“低碳经济”的大力倡导，中国政府采取一系列积极有效的鼓舞措施来履行和加强纺织企业社会责任建设，如果我们将履行社会责任建设看成是一种意识觉悟的培养，那么中国企业首先应该加强企业内部文化发展，制定相关公司方针决策，而后由政府部门加以合法化和政策。企业社会责任建设是一项长期投资和风险并存的艰巨任务，但这将无疑有利于中国纺织行业增强其核心竞争力，确保在国际舞台上的长远发展。

# Abbreviations

AA1000	AccountAbility 1000
BSCI	Business Social Compliance Initiative
BV	Bureau Veritas
CNTAC	China National Textile and Apparel Council
CNY	Chinese Yuan (China's currency, also known as RMB)
CoC	Code of Conduct
CSC9000T	China Social Compliance 9000 for Textile & Apparel Industry
CSR	Corporate Social Responsibility
CSR-GATEs	China Sustainability Reporting-Guidelines for Apparel & Textile Enterprises
CSR-VRAI	China Sustainability Reporting-Verification Rules and Instructions
CSV	Creating Shared Value
DNV	Det Norske Veritas
FDI	Foreign Direct Investment
GRI	Global Reporting Initiative
MNEs	Multinational Enterprises
NGOs	Non-governmental Organizations
OECD	Organization for Economic Cooperation and Development
SBD	Sustainable Business Development
SA8000	Social Accountability 8000
SBD	Sustainable Business Development
WBCSD	World Business Council for Sustainable Development

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# 1 Introduction

Sustainable Business Development (SBD) is coming of age into the 21<sup>st</sup> century which is embraced by leading multinational corporations as a strategic framework (Rainey, 2006). SBD aims at integrating enterprises performances into economic, environmental and social objectives to create long-term success through effective business strategies (*ibid*). In the context of economical globalization throughout the world, one of the major corporate challenges is associated with competition numerous companies struggle with perceived. One way to create values is to pay special attention to social ethics and corporate social responsibility. Corporate Social Responsibility (CSR) nowadays is a widespread business phenomenon within corporate world. A general increasing awareness of CSR is expressed in a number of ways, including “*sustainability reports, philanthropic activities, private-public partnerships and third-party certifications of social and environmental standards*” (Malmberg & Mark-Herbert, 2010, 58).

In China, CSR has been firstly reflected and implemented in textile industry. Forced by international supply chain, the first inspected Chinese factories were the garment enterprises located along the southeast coast, processing and supplying products for major international brands and retailers. In the current stage of social responsibility initiatives, the textile industry has become pioneer of China's self-model and an effective way to explore and test the implementation of social responsibility (CNTAC, 2006).

Corporate Social Responsibility (CSR) has been on the agenda for the textile industry (Stigzelius and Mark-Herbert, 2009), requested by both international and domestic stakeholders. For example, in the early 1990s, U.S. labor and human rights organizations launched the "anti-sweatshop movement" in clothing and footwear industry, after exposure by news media for using "sweatshop" system to make production, Levi-Strauss, the U.S. apparel manufacturers developed the first Code of Conduct in 1991. Afterwards, many well-known enterprises established their own codes of conduct, which gradually evolved into "Code of Conduct Movement" with a far-reaching international impact (CNTAC, 2006).

## 1.1 Problem background

Chinese companies have been key drivers and have contributed to remarkable economic growth of China's development for past decades (Jensen & Yeh, 2009). As a rapidly increasing number of Chinese companies entering into joint venture with overseas business partners, Chinese companies are becoming part of global supply chains and in the process of becoming global citizens (*ibid*), moreover, foreign direct investment (FDI) in China has become prevailing trend in recent years, therefore, the concept of CSR and its related policies strongly required by foreign companies to Chinese suppliers and other business associates to comply with their codes of conduct (*ibid*)

However, most Chinese companies, especially those who expand their businesses internationally, “*they often feel pushed into the CSR agenda without a clear understanding of the rationale behind it*” (Jensen & Yeh, 2009, 4). In the context of this situation, Chinese companies are encouraged to “*abandon this reactive stance and acquire their own understanding of and capacity to apply a CSR approach to their business*” (Jensen & Yeh, 2009, 4).

China's textile industry is highly internationalized in Chinese manufacturing industry (Liu & Cheng, 2009). Along with the increased Chinese textile exports and textile trade frictions with U.S. and EU, the global corporate social responsibility movement began to penetrate China's textile trade and had a greater impact on this labor-intensive industry. Foreign multinational importers or buyers began to examine the behavior of Chinese textile enterprises from the perspective of CSR in labor rights, working conditions and environmental issues etc. These reoccurring reviews and media reports have increased expectations of corporate responsibility which has led to more and more multinational companies proposing CSR standard certification requirements in the procurement.

CSR standards may become another important means of import restriction in developed countries the same as anti-dumping, environmental protection and intellectual property (Liu & Cheng, 2009). Promoting social standards is supposed to better integrate the China's textile and apparel industry into the global supply chain and meet the requirements of the international market (*ibid*), further improve competitive advantages of the businesses and benefit all stakeholders involved (CNTAC, 2010). In this context, China's first corporate social responsibility standard, CSC9000T was developed at an industrial level by CNTAC (China National Textile and Apparel Council) in 2005. CSC9000T (China Social Compliance 9000 for Textile & Apparel Industry) is based on China's laws and regulations, international standards and China's particular conditions (*ibid*) which acknowledge the need for sustainable development. Therefore, they are all important CSR references taken by government within industry regulation policy.

## 1.2 Problem

As the continuous growth of global textile and garment trade, Asia, especially China, plays a more important role in the global supply chain (Sun, 2010). China is gradually losing its traditional competitiveness in production costs, while other Asian countries are speeding up the development. Pressures on Chinese enterprises are becoming increasingly fierce (*ibid*). Chinese companies are therefore seeking to “*move up the value chain and adopt advanced technology*” (OECD, 2008, 164). International society and stakeholders of global supply chain are paying more attention to the healthy and sustainable development of China and other Asian countries. CSR, fair trade, environmental issues and human rights come under the spotlight (Sun, 2010).

At present, the competitiveness of China's textile industry is quite weak and the development is associated with difficulties (Du, 2010). In year 2008, the main difficulties facing China's textile industry were domestic macroeconomic policy adjustments, international financial crisis, barefoot appreciation of CNY (the Chinese currency), the structural shortage of prominent labor, in addition, increased environmental pressure and raised raw materials, energy transport as well as labor costs further obstruct its development (*ibid*).

The current challenges of China's textile industry are associated with industrial upgrading, structure adjustment, scientific and sustainable development as well as multilateral trade friction (Du, 2010). Therefore, CSR has emerged as an inevitable priority for China's textile and apparel industry in relation to sustainable development and international business trade, in other words, strengthen the CSR initiatives is one of the important measures to promote competitive advantage of China's textile industry.

### 1.3 Aim and delimitations

The aim of this study is to understand the conditions for implementation of corporate responsibility standard, CSC9000T in China's textile and apparel industry. The study aims to address the following research questions:

- What are the perceived motives for businesses to implement corporate social responsibility (CSR)?
- What are the opportunities and challenges associated with the implementation of CSC9000T?
- How can China's textile industry create increased competitive advantage by showing corporate social responsibility?

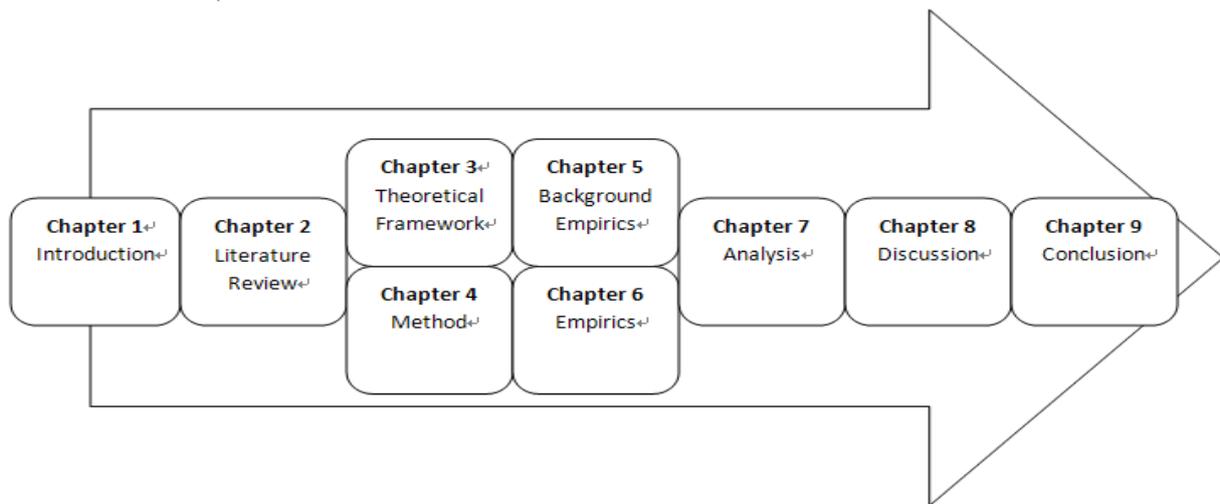
There is a need for some delimitation due to the complex and extensive nature of this research field. First of all, the focus of the study is to identify the perceived benefits and challenges of implementing corporate responsibility standard in reality. It is the general view, from management's perceptions of the standard rather than other stakeholders' perspectives due to time constraints. However, the different stakeholder group theory will be explored here to understand the motives and pressures businesses face with for implementation of CSC9000T.

The choice of theories was guided by the study aim to provide a holistic analysis of implementation conditions of CSC9000T. Therefore, the theories are introduced in this study mainly to identify what are the motivations, benefits and challenges and how to improve competitiveness, associated with a certification.

The method of this paper adopts a qualitative, multiple case-based and exploratory study approach in which based on using documents. Secondary data are the main sources in this study because of time constraint and the reliability of the data. Email contacts with selected corporate representatives were not received as productive as they are supposed to. External communications hence become the main source of empirical data collected to fulfill the aim of this study. The condition for the implementation process are presented in a snapshot view with some historical data to provide a context for the interpretations (Robson, 2002).

### 1.4 Outline

The outline of the thesis, illustrated in Figure 1, is intended to give the reader a picture of the structure of the study. Chapter 1 provides readers with a wide problem background of the chosen research area, problems, the aims and delimitations, outline as well as definitions of key concepts.



**Figure 1. Study structure**

Chapter 2 offers an in-depth literature review on the topic of implementation corporate responsibility standard, giving rise to relevant issues and theories that may be applied in solving the research problems. The theoretical framework of this thesis in which the empirical findings will be analyzed are covered in chapter 3, while the method approach used in this study is provided in chapter 4.

Chapter 5 offers background empirics which give context to the empirical research findings present in chapter 6. In chapter 7, the findings are analyzed based on the applied theories, after which they are discussed in chapter 8. Finally, chapter 9 concludes this study and identifies further research areas.

## 1.5 Definition of terms

A discussion of definition of concepts used in this project is explained as the perspectives of corporate responsibility differ among authors and actors. This section aims at defining a number of central concepts used in this study.

**Sustainable Business Development (SBD)**: SBD is perceived as an important component of the wide concepts of sustainability and sustainable development (Rainey, 2006). Sustainable business development aims at integrating enterprises performances into economic, environmental and social objectives to create long-term success through effective business strategies (Rainey, 2006).

**Corporate Social Responsibility (CSR)**: CSR is a commonly used term that concerns about measuring and improving business performance on economic, social and environmental dimensions and reporting to its stakeholders. Although CSR is recognized as a growing concern in a globalized economy and being at the top of businesses' agenda, there is still no sign of consensus on its structures, procedures or rules. Corporate responsibility, corporate citizenship, corporate social opportunity and responsible business are some of its variant terms (Cooke & He, 2010).

**CSR Standards**: A standard can be defined as “a widely agreed set of procedures, practices and specifications” (EC 2001, 28). CSR standards are those certifications on social and

environmental issues reporting for business responsibilities, at the same time, making comparisons between business practices and their reports easier (Zadek, 1998). Social Accountability 8000 (SA8000), AccountAbility 1000 (AA1000) and the Global Reporting Initiative (GRI) are some of the most commonly spread standards (Ligteringen & Zadek, 2005).

China National Textile and Apparel Council (CNTAC): CNTAC is a nationwide federation of all textile-related industries in China. It is a non-profit social intermediary organization in a voluntary form and is composed of a series of juridical entities of domestic textile institutes. The aim of CNTAC is to provide services in the modernization construction of China's textile industry (CNTAC, 2010).

China Social Compliance 9000 for Textile & Apparel Industry (CSC9000T): The CSC9000T management system was introduced by CNTAC in 2005. It is the first industrial social standard, taking into account China's laws and regulations, Chinese special characteristics and international standards (CNTAC, 2006). There are 12 key elements covered in the CSC9000T, the most part of which concerns labour standards, environmental protection and fair competition are included as well. As a social standard, the CSC9000T is expected to integrate into corporates' Codes of Conduct and policies to reduce business risks and achieve their final goals by continual improvements. (*ibid*).

# 2 Literature review

This chapter provides a literature review that offers an understanding of corporate perspectives of sustainable development. The key findings from literature on corporate responsibilities and related issues such as the concept of sustainable business development and social standards are highlighted. The concept of sustainable business development is considered first in order to lay the foundation of the broader context for the content to follow.

## 2.1 Sustainable business development (SBD)

Sustainable business development (SBD) is a long-term commitment towards economic growth, environmental protection and social harmony that go along together (Tencati *et al.*, 2004). It is perceived as an important component of the wide concepts of sustainability and sustainable development (*ibid*). Sustainable business development aims at integrating enterprises performances into economic, environmental and social objectives to create long-term success through effective business strategies (*ibid*). SBD

According to Charter & Tischer (2001), business can take into account sustainability by considering economic prosperity, environmental quality and social equity. This is referred to as “the triple bottom line” (Elkington, 1998). Figure 2 provides an overview of the linkages between SBD and sustainability.

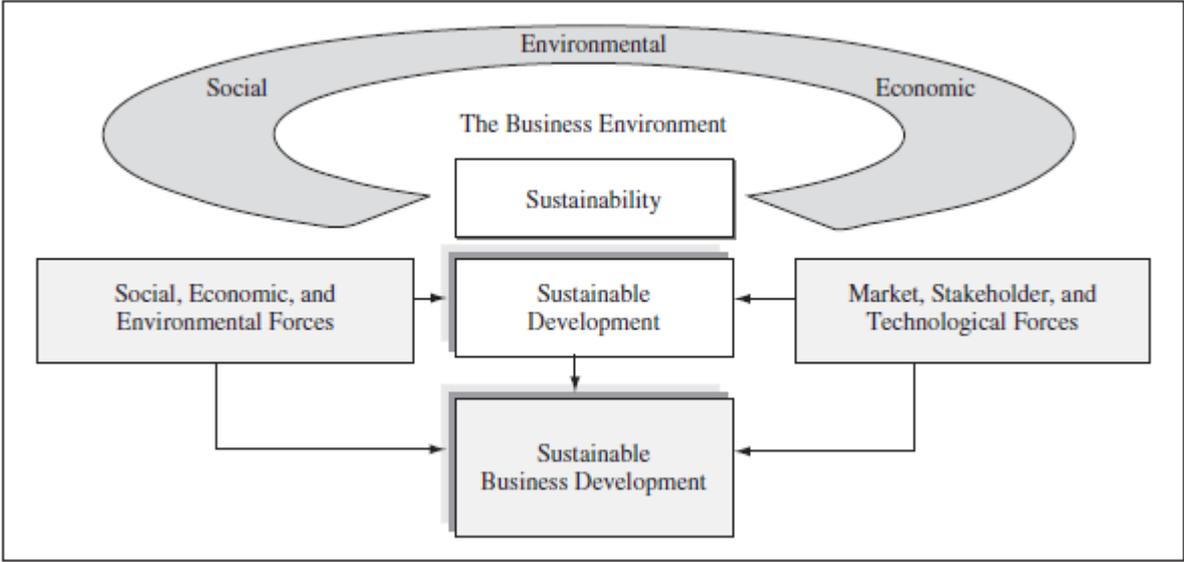


Figure 2. An overview of the linkages between SBD and sustainability (Rainey, 2006, 35)

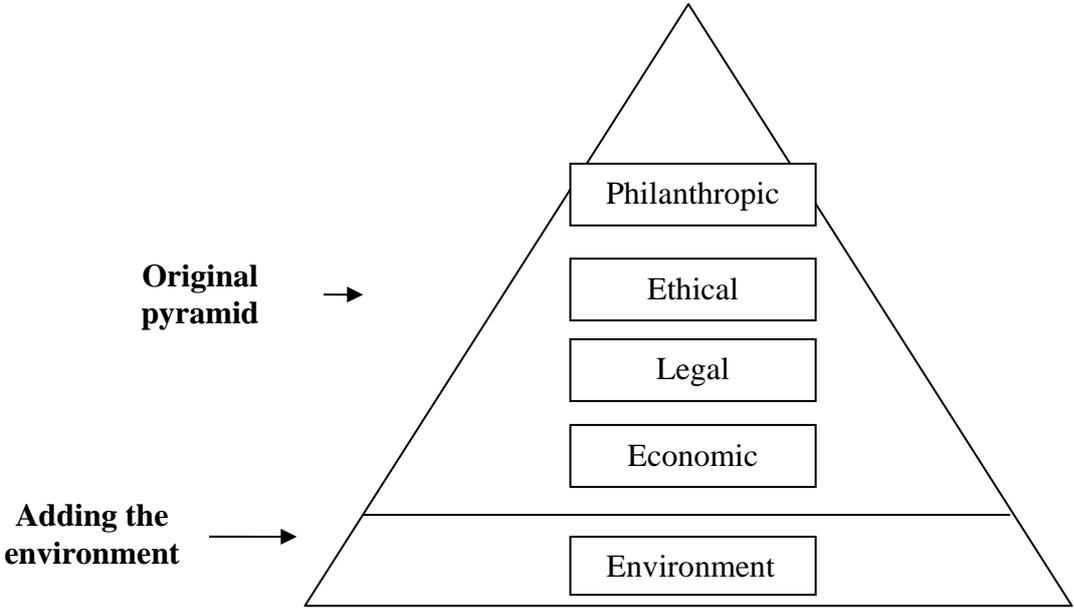
We can see from Figure 2 that sustainable business development (SBD) can be reached through the initiatives (social, economic and environmental forces, or market, stakeholder and technological forces) and sustainable development strategies of corporations. The long road toward sustainability involves incorporating SBD principles into the design and the development of new products and new technologies over time.

## 2.2 Corporate social responsibility (CSR)

The study of CSR can trace back to the 1950s and it focused primarily on philanthropy originally (Carroll, 1979; Garriga & Melé, 2004). Despite many debates on defining corporate social responsibility (CSR), there is still no sign of consensus on what the concept of CSR really means (Carroll 1979, Bhattacharya and Sen 2004, Crowther and Capaldi 2008). Corporate responsibility, corporate citizenship, corporate social opportunity and responsible business all belong to its various terms (Cooke & He, 2010).

In the report “Making Good Business Sense” (2000) by the World Business Council for Sustainable Development (WBCSD), CSR was defined as “*the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and social at large*” (www, WBCSD, 2011, 8). Such a definition is in line with sustainable development and CSR, together with economic growth and ecological balance are considered as three backbones in modern business world.

Carroll (1991, 42) argued that “*CSR is a multi-dimensional construct embracing four sets of responsibilities: economic, legal, ethical, and philanthropic*”. According to her, the total four components of corporate social responsibility can be depicted as a pyramid (see Figure 3), which each of these responsibilities “*should be fulfilled together and in parallel rather than within a sequence*” (Cooke & He, 2010, 356).



**Figure 3. Carroll’s Pyramid of Corporate Social Responsibility with “environment” as the new foundation (adapted and modified from Carroll, 1991, 42)**

From Figure 3, the economic, legal, ethical, and philanthropic responsibility consists of the original four responsibilities of a company, which can be simply depicted as making profits, obeying laws, behaving ethically and being a good quality business citizen (Carroll, 1991). Carroll’s pyramid of CSR is “predicted upon the economic responsibilities of the firm” (*ibid*, 41), the other three responsibilities mean respectively: to comply with regulatory and legal requirements; to act in accordance with the social ethics, and to be a good corporate citizen by

contributing to the community’s quality of life (*ibid*). However, keep the concept of triple bottom line in mind, adding the environment as the new foundation of the pyramid which implies that the economic, social and environmental areas should be linked together and the businesses’ responsibilities are supposed to deliver economic prosperity, environmental quality and social equity simultaneously (Elkington, 1998).

Example of definitions on corporate social responsibility can be gathered through an extensive review of literature, both from journal articles and web pages (Dahlsrud, 2008). The original source of CSR definition was retrieved when “a web page made reference to a definition articulated by others” (*ibid*, 3), and therefore, CSR is sometimes used interchangeably with its variant terms, like corporate responsibility or corporate citizenship. In order to avoid any confusion, CSR is a unified application used instead of other terms in this study.

Cooke & He (2010, 356) explained “*The different definitions of CSR share a common feature: the belief that companies have a responsibility for the public good – but they emphasize different elements of this*” from the perspective of Blowfield and Murray (2008). According to Dahlsrud (2008), all the definitions of CSR that referred to the same dimension can be grouped together and a coding scheme is a useful tool to help analyze. There are five dimensions in which each one can reflect the corresponding content of the phrases.(see Table 1).

**Table 1. The five dimensions of CSR, the coding scheme and examples of phrases that refer to the dimensions (Dahlsrud, 2008, 4)**

Dimensions	The definition is coded to the dimension if it refers to	Example phrases
The environmental dimension	The natural environment	'a cleaner environment' 'environmental stewardship' 'environmental concerns in business operations'
The social dimension	The relationship between business and society	'contribute to a better society' 'integrate social concerns in their business operations' 'consider the full scope of their impact on communities'
The economic dimension	Socio-economic or financial aspects, including describing CSR in terms of a business operation	'contribute to economic development' 'preserving the profitability' 'business operations'
The stakeholder dimension	Stakeholders or stakeholder groups	'interaction with their stakeholders' 'how organizations interact with their employees, suppliers, customers and communities' 'treating the stakeholders of the firm'
The voluntariness dimension	Actions not prescribed by law	'based on ethical values' 'beyond legal obligations' 'voluntary'

Table 1 shows an outcome of the definition analysis in each dimension of CSR. They are “describing a phenomenon” (Dahlsrud, 2008) by using either one separate dimension or several mixed dimensions that showing corporate social responsibility (CSR) turns out to be a vital strategy for companies to survive and compete in a ruthless market environment in

recent decades. In a condition where market's shift and customers' preferences are becoming more complicated and unpredictable, adding CSR initiatives into business practices could be a wise choice for pursuing greater benefits for companies.

## 2.3 Social standards

A standard can function as “*a form of voluntary regulation directed towards social actors, individuals or organizations*” (Stigzelius and Mark-Herbert, 2009, 48), which is not political or scientific outcomes (Beschoner and Muller, 2006). Instead, they emerge internally from business problems that have grown increasingly critical to business social performances and practices where others may come from different standardisation organizations (*ibid*). Some of the most widespread standards for accountability and reporting are (Ligteringen & Zadek, 2005), for example, Social Accountability 8000 (SA8000), AccountAbility 1000 (AA1000) and the Global Reporting Initiative (GRI). The first two standards are some kind of management systems which provide frameworks to guide business operations, while the third one can be seen as a guideline concerning how to measure and communicate business behaviours (*ibid*).

Following Pearson and Seyfang (2001, 50), the social standards can be understood as being “*voluntary self-regulatory tools that are applicable to specific firms, or group of firms, and thus certain groups of workers at certain times*”. The advantage of social standards is that they are a pragmatic approach that organizations and people can follow to look at their processes and to take a more active approach to management. Standards, like individual codes of conduct are mostly voluntary when compared to regulations formed by states, however, in practice a third party can make it difficult for actors to avoid a standard, for example, buyers are more willing to purchase products that comply with particular standards (Stigzelius and Mark-Herbert, 2009), including quality system ISO 9000, environmental system ISO 14001 as well as social accountability international standard SA8000.

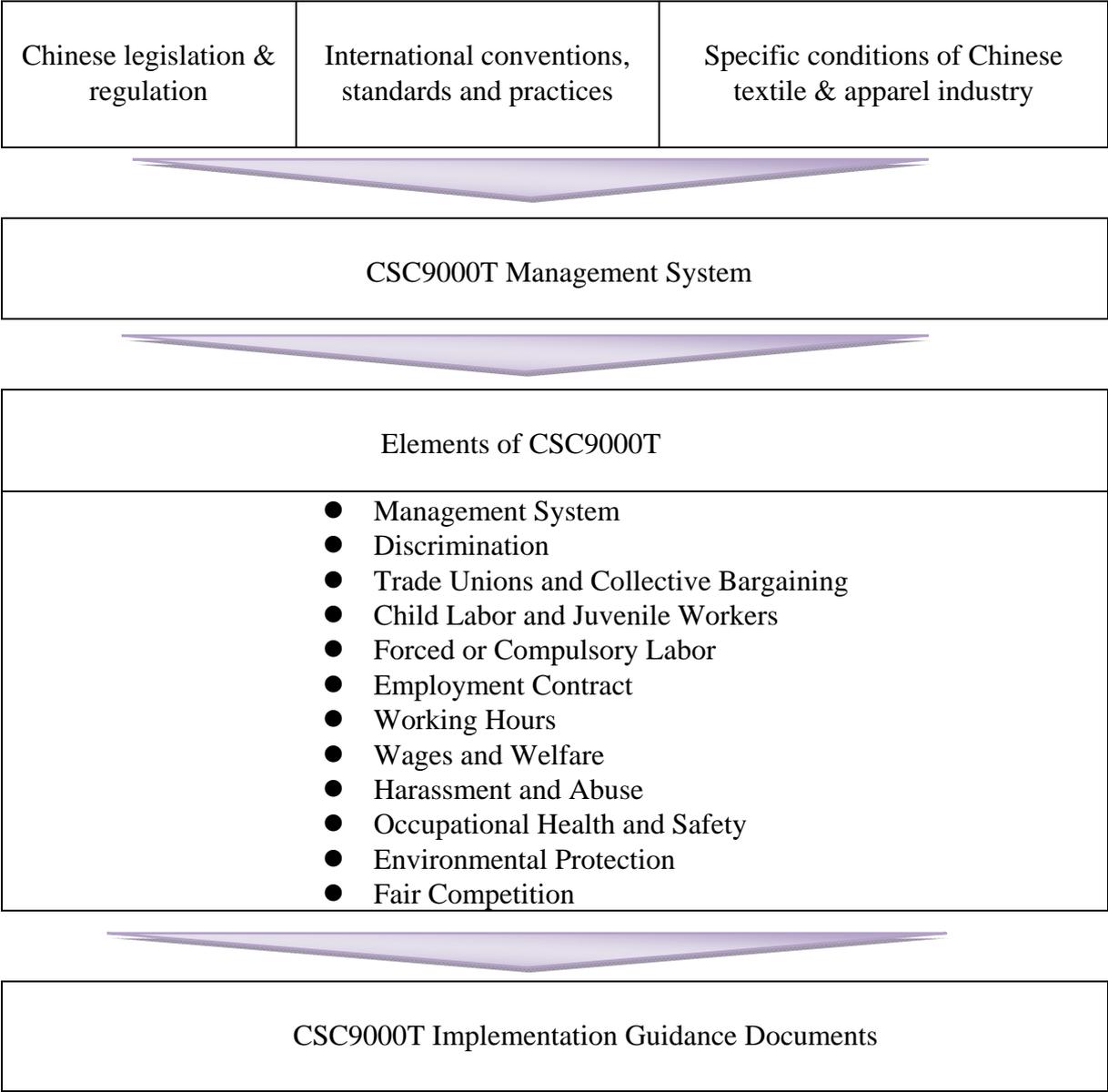
One purpose of using CSR standards is to help enterprises clear the misunderstandings of the concept of corporate social responsibility and get the correct recognition, the other is to practice and improve socially responsible business behaviours (Ligteringen & Zadek 2005). The standards can be seen as a new way in raising CSR concerns that managers require, but rather than a substitute of government laws and regulations (*ibid*). Normally a standard is developed and audited by a third party and it can be seen as a voluntary agreement, however, some standards are now adopted by most leading companies in their management process and these companies require their external business partners to do so to better fulfill CSR practice, from this point of view, the standards becomes almost coercive (Brunsson & Jacobsson 2002). The perceived benefits and challenges associated with CSR standards will be presented in the later part.

## 2.4 China National Textile and Apparel Council and CSC9000T

China National Textile and Apparel Council (CNTAC) is a nationwide federation of all textile-related industries in China. It is a non-profit social intermediary organization in a voluntary form and is composed of a series of juridical entities of domestic textile institutes. The aim of CNTAC is to provide services in the modernization construction of China's textile industry (CNTAC, 2010). Work out the guidelines and rules to supervise the performance of

the industry, set-up the self-discipline working system and protect the interests of the industry there are CNTAC’s main scope of services (*ibid*).

The CSC9000T (China Social Compliance 9000 for Textile & Apparel Industry) social responsibility management system was developed by CNTAC in 2005, based on China's laws and regulations, international standards and Chinese particular conditions (CNTAC, 2006). The CSC9000T is the first corporate social responsibility standard for the textile and apparel industry in China (Ho, 2005). So far, over 200 Chinese textile and apparel companies have implemented CSC9000T (CNTAC, 2010, 3). Figure 4 outlines the design process of CSC9000T and its contents (CNTAC, 2010).



**Figure 4. Overview of the design of CSC9000T (CNTAC, 2010, 4)**

It can be seen from Figure 4 that the CSC9000T covers 12 key elements, the most part of which concerns labour standards, environmental protection and fair competition are included as well (CNTAC, 2010). As a social standard, the CSC9000T is expected to integrate into corporates’ Codes of Conduct and policies to reduce business risks and achieve their final

goals by continual improvements (Liu & Cheng, 2009). “It is commonly acknowledged that the CSC9000T is setting the tone for future developments in Asia and demonstrates a commitment by Chinese companies to take ownership of CSR in their supply chains” (Jensen & Yeh, 2009, 6).

## 2.5 Advantages and Disadvantages of CSR standards

According to Ligteringen & Zadek (2005), there is no agreed framework of social responsibility standard for businesses to reference (*ibid*). Each company can set their tailored standards based on corporation strategy, business goals and stakeholders concerns applying to business practices (*ibid*). However, these different range of standards used by companies from different industries and various geographical regions that all make them a common goal, namely to drive companies’ performance in line with ultimate sustainable development.

From the perspective of individually and in combination, CSR standards can help to drive companies’ performance and benefit them by providing the predictable advantages (See Table 2). Giving legitimacy to the company through negotiation with relevant stakeholders or based on some obvious social contracts; providing benchmarks to other companies by showing what the right thing to do is. Besides CSR standards provide continuous improvement and help convey companies’ commitments and performances both internally and externally. Meanwhile, it must be aware that challenges and risks are also produced during CSR standards application to the sustainable business development.

**Table 2. Advantages and disadvantages of CSR Standards**

Advantages of CSR standards	Disadvantages of CSR standards
<ul style="list-style-type: none"> <li>■ Legitimacy (COPOLCO 2002, 66; Ligteringen &amp; Zadek, 2005, 2)</li> <li>■ Benchmarks (Ligteringen &amp; Zadek, 2)</li> <li>■ Functional Tool (Ligteringen &amp; Zadek, 2)</li> <li>■ Basis for learning and engagement (Ligteringen &amp; Zadek, 2)</li> <li>■ Clear communication (Ligteringen &amp; Zadek, 2)</li> <li>■ Simplification (Brunsson &amp; Jacobsson 2002, 169)</li> <li>■ Identifying relevant issues (Ligteringen &amp; Zadek, 2)</li> <li>■ Competitive advantage (COPOLCO 2002, 66)</li> </ul>	<ul style="list-style-type: none"> <li>■ Standards fatigue (Future, 2005; Ligteringen &amp; Zadek, 2)</li> <li>■ Questionnaire fatigue (Calder &amp; Culverwell, 2005, 57; Grayson &amp; Hodges, 2004, 258; Hockerts &amp; Moir, 2004, 93; Knox &amp; Maklan, 2004, 514)</li> <li>■ Governmental responsibilities are pushed to the industrial arena with all the costs it implies (Stigzelius &amp; Mark-Herbert, 2009)</li> </ul>

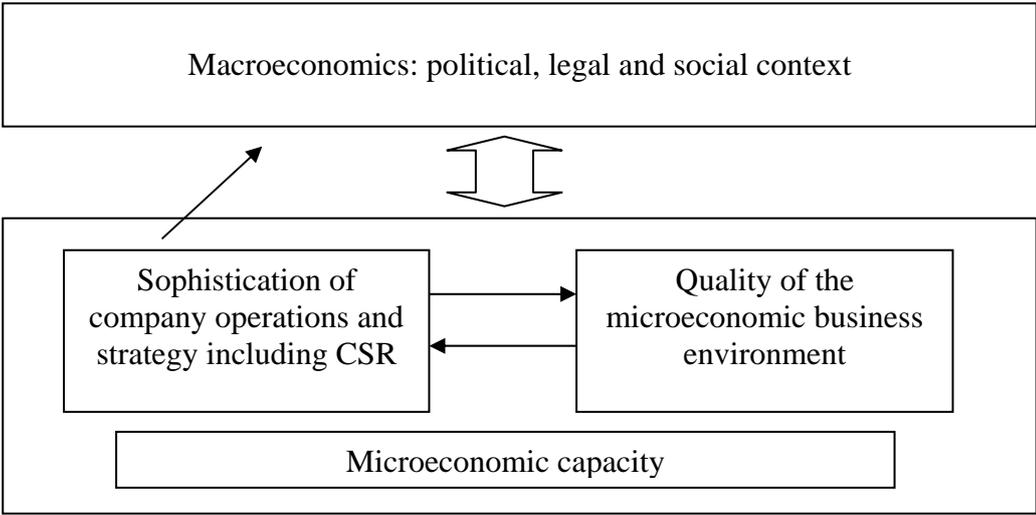
The most common problematic issue that many managers experienced is “standards fatigue”, which is a kind sense of confusion about how to apply from multiple choices of CSR standards, which should be used, how to implement in what kind of circumstance, how to relate and report transparently (Ligteringen & Zadek, 2005). The “questionnaire fatigue” can be identified in responding stakeholders demand information on company’s performance related to social and environmental aspects. The information could be collected differently depending on each stakeholder’s needs (Knox & Maklan 2004). According to Stigzelius &

Mark-Herbert (2009), another challenge associated with the implementation of CSR standards is the highly costs with the government engagement.

## 2.6 CSR and corporate competitiveness

*“The business of business is business”* (Gugler & Shi, 2008, 4) was stated in New York Times magazine in 1970 by Milton Friedman, a Nobel Prize winner, which indicated that CSR was excluded being a factor to affect corporate competitiveness (Gugler & Shi, 2008). However, the concept of CSR has evolved dramatically over time *“from mere philanthropy action to the so-called strategic CSR to integrate CSR into firm’s core business operation through innovation, therefore, enables CSR to be an important part of corporate competitive strategy”* (Gugler & Shi, 2008, 4).

Professor Michael Porter’s *“The Competitive Advantage of Corporate Philanthropy”*, which is regarded as the most well-known pioneer work that ties CSR with corporate competitiveness (Gugler & Shi, 2008). A philanthropic approach might give some direct social achievements instead of a long-lasting returns as it can still be easily withdrawn by the company (Larsson, 2011; Halme & Laurila, 2009). Therefore, Porter and Kramer (2003) presume that *“a strategic approach to corporate philanthropy can better align both economic and social objectives”*(*ibid*, 4). In general, the determinants of company’s competitiveness have two dimensions (See Figure 5): macroeconomics and and microeconomic foundations, from the perception of Porter (1990 & 1998) cited in Gugler & Shi (2008) .



**Figure 5. CSR is a factor of competitiveness by acting at three levels (Gugler & Shi, 2008, 5, adapted from GCR, 2006, 53)**

Figure 5 shows a clear structure that CSR as a corporate’s strategy has been involved into the stated determinants to affect the company’s competitiveness. In other words, the so-called strategic CSR, namely integrates CSR into a company’s core operation to enable it to be an important part of the company competitive strategy. The macroeconomics includes political, legal and social aspects, and the microeconomic foundations rest on two interrelated areas, namely firm’s sophistication and strategies including CSR, and business environment in which they operate.

However, when CSR issues are considered as an important component of firm’s strategies and sophistications, supported and echoed by many business managers especially from famous world brands (Gugler & Shi, 2008), a more critical voice of CSR raised recently argues that CSR programs are only reputation-driven for many companies to build up good corporate images or so-called “Greenwash Phenomena”. Porter & Kramer (2011) bring up a new concept named creating shared value (CSV). They emphasize that CSV should be advocated instead of CSR in a broader sense where “*something that has not common in reputation-driven CSR initiatives*” (*ibid*, 76). Table 3 gives a general scope about how shared value differs from corporate social responsibility.

**Table 3. Differences between CSR and CSV (Porter & Kramer, 2011, 76)**

<b>Corporate social responsibility (CSR)</b>	<b>Creating shared value (CSV)</b>
<ul style="list-style-type: none"> <li>➤ Value: doing good</li> <li>➤ Citizenship, philanthropy, sustainability</li> <li>➤ Discretionary or in response to external pressure</li> <li>➤ Separate from profit maximization</li> <li>➤ Agenda is determined by external reporting and personal preferences</li> <li>➤ Impact limited by corporate footprint and CSR budget</li> </ul>	<ul style="list-style-type: none"> <li>➤ Value: economic and societal benefits relative to cost</li> <li>➤ Joint company and community value creation</li> <li>➤ Integral to competing</li> <li>➤ Integral to profit maximization</li> <li>➤ Agenda is company specific and internally generated</li> <li>➤ Realigns the entire company budget</li> </ul>
Example: Fair trade purchasing	Example: Transforming procurement to increase quality and yield

Table 3 summarizes the differences between CSR and CSV from the aspects of their value, citizenship, innate character, agenda and impact. In both cases, CSR and CSV are corporate activities that comply with laws and ethical standards, and reduce harms to society.

### 3 Theoretical framework

The chapter starts with identifying the motives for corporations to implement CSR initiatives. This is followed in turn by an analysis of stakeholder groups of the company, CSR and CSR related standard, as well as benefits and problems associated with implementation of a social standard. In discussion chapter, I will give a description of how to improve competitive advantages by showing increased corporate social responsibility in China’s textile industry by illustrating the impact of CSR on corporate competitiveness through enhanced marketability, reputation, regulatory risk mitigation as well as innovation.

#### 3.1 Motives for implementing CSR initiatives

Research on motives for CSR initiatives reveal in three aspects setting conditions for CSR: pressures for external stakeholder, identifiable business benefits and risks, and internal drivers such as company capabilities (Roberts, 2003). Table 4 shows motives for implementing CSR initiatives in terms of external and internal driving forces.

**Table 4. Motives for CSR initiatives**

<b>Motives</b>	<b>Examples</b>	<b>Authors (year)</b>
External drivers	Pressures from different stakeholder groups (Figure 5)	Lippmann (1999); Dowling (2001); Roberts (2003);
Potential business benefits or risks	Reduced costs/ differentiated product and market; Damaged reputation /declined market share	Green <i>et al.</i> (1996); Roberts (2003);
Internal drivers	Corporations’ leadership, business visions and companies’ core capabilities	Drumwright (1994); Walton <i>et al.</i> (1998); Bowen <i>et al.</i> (2001); GEMI (2001); Roberts (2003); Rainey (2006)

Businesses are more likely to implement CSR and “ethical sourcing initiatives” (Roberts, 2003) if external concerns are much related to the company’s core business and external stakeholder pressure is strong. Usually NGOs are regarded as a major external driver for enterprises to perform environmentally and socially responsible because the corporations can be forced through “social blackmail” by an active minority of stakeholders, such as NGOs to behave responsibly (Henderson 2001; Knox & Maklan 2004; Munilla & Miles, 2005). Government also plays a key role in encouraging CSR behaviours among businesses (OECD, 2008). Implementation is also more likely happened if perceived benefits from action or risks from inaction like reluctance and resistance could be identified by enterprises.

Internal drivers are normally identified by businesses themselves, including corporations’ leadership and capabilities, and business visions etc. Retaining qualified employees, protecting brand reputation, managing corporate risks, enacting CSR-related regulations and spreading CSR awareness among employees are typical examples from internally.

The CSR initiatives are more likely to be successful and sustained longer if motives come from internally more than external pressures. Strong supports across the organization from top managers to basic employees is a significant success factor with increasing CSR engagements. A proactive business vision and positive corporation culture can feed the CSR process in a long run than the purely reactive ways forced by external stakeholders pressures. National politics support, on the other hand, is also an indispensable success factor for companies behaviours towards sustainable development and social responsibility.

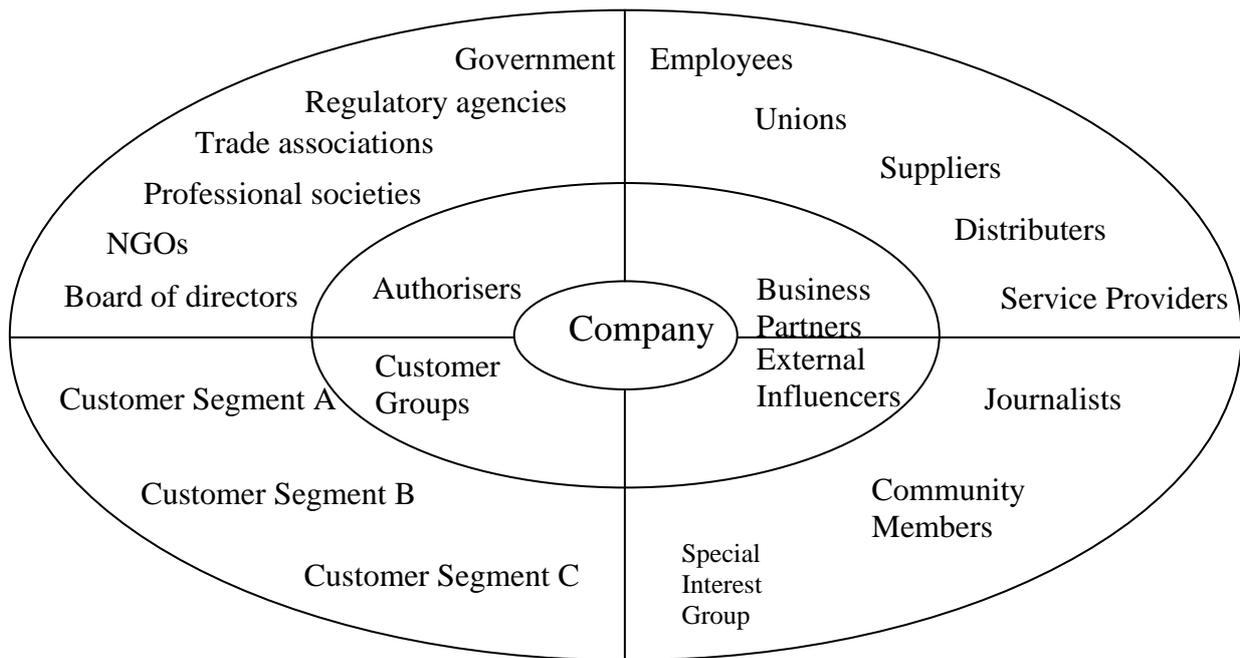
In the following section, stakeholder theory will be introduced to give an analysis of different stakeholder groups of a company and what roles they have in relation to corporate conduct.

## 3.2 Stakeholder theory

*“The stakeholder model has received increasing appreciation over the past two decades as an effective method to secure the long-term sustainability of companies”* (Jensen & Yeh, 2009, 8). As a part of strategic management, managers need to take a view on which stakeholders that have the greatest influence and what expectations they need to pay more attention to. The Global Reporting Initiative (GRI), which is a multi-stakeholder network of organizations and experts, offers a more elaborate definition in the following box.

*“Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and/or services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organization”* (Jensen & Yeh in the G3 Guidelines of GRI, 2009, 8).

A stakeholder analysis offers a division of individuals and groups with regards to their roles and influence of corporate conduct. Generally speaking, the stakeholders include shareholders, investors, employees, suppliers, customers, NGOs, media, and special interest groups, etc. Each of them have different impacts on the company’s strategy (*ibid*). Figure 6 illustrates four stakeholder groups, according to Roberts (2003).



**Figure 6. Corporate different stakeholder groups (Roberts, 2003, 162, adapted from Dowling, 2001)**

Roberts (2003) divides the stakeholders with regards to their role in relation to the corporation in four groups; authorisers, business partners, external influences and customers. Each of these groups are more closely presented below.

*Authorisers* include policy makers, regulatory agencies, government and NGOs who provide the authority for a company to function and monitor its performance as well. Their increasing interests in CSR and supported laws, regulations and policies is an important motive for the implementation of standards in a Chinese context.

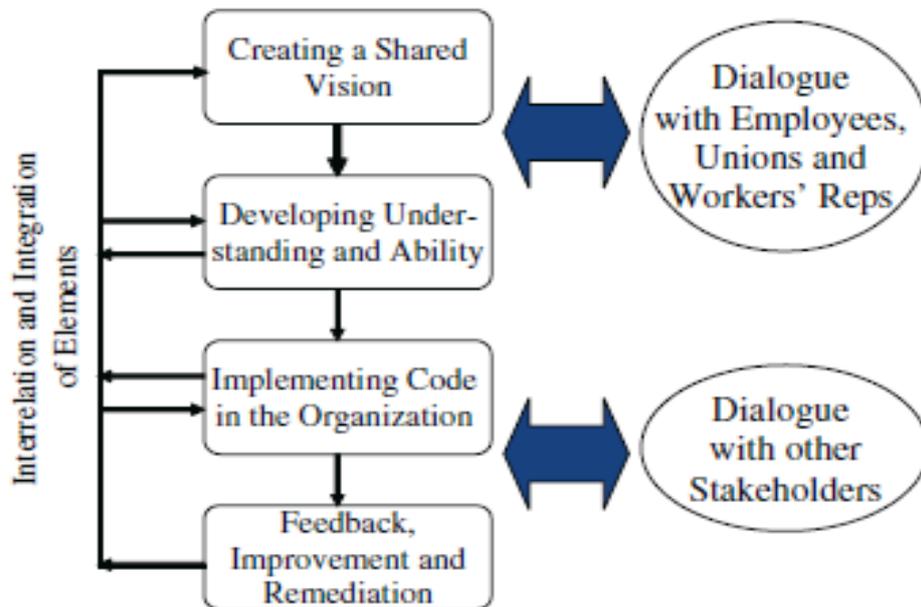
*Business partners* refers to a group stakeholders who can facilitate the operations of the company. They normally include a wide range of people like employees or suppliers or distributors. The companies with prominent CSR performances are more attracted by their business partners.

*External influencers* have a significant interest in corporate behaviors because of its impact on others. They could be media and community members who tend to exert influence over the company for adoption of industry standards.

*Customers* can be divided into different customer segments related to different interests of the company's products. More and more consumers impress a company on its CSR performance than the products brand or financial factors (Enviroics, 1999).

### 3.3 The implementation of the standards

In order to address the issue of implementing codes of conducts (CoC), an integrated management approach is presented which is regarded as the feasible approach applied to footwear, apparel and retail sectors (Mamic, 2005). The common elements of this management system generally cover the four areas (*ibid*), see Figure 7.



**Figure 7. Framework for implementing management system for CoC (Mamic, 2005, 83)**

Creation of a vision: It is not always easy to embark on a CoC implementation in a company both in its own operation and throughout the whole value chain, thus developing a vision at MNE level in the very first place could provide an outline for the company what it is going to achieve with CoC implementation. To make sure subsequent decisions and actions to be sustainable, senior managers are required to recognize the complexity in the whole development process. At supplier level, usually representatives are elected from the MNE to conduct presentations for suppliers concerning with “whats, whys and hows” of the CoC program (Mamic, 2005).

Developing understanding and ability: Understanding the vision related with CoC principles by employees and suppliers throughout the value chain is one of the most challenges, and this requires multiple communications and training to whom the CoC will be addressed. It would be more complex in MNEs since foreign operations are included as well and communications and training are needed to be tailored properly applying to different languages and cultures (*ibid*).

Integrating the CoC into operations: Incorporating CoC into operation of a company throughout its value chain arises another question about which department will take responsibility for the implementation and how it will be structured to integrate CoC and itself into other corporate functions (*ibid*).

Feedback, improvement and remediation: Monitoring system is set to discover the problems and get feedback. It can be divided into internal and external monitoring system. Internal monitoring system refers to conduct the audits of suppliers to ensure consistent management of implementing CoC principles throughout a company’s operational functions and it can be done by MNE internal staff, while external monitoring system refers to engage consultants externally to conduct the audits and inspect CoC programs throughout its supply chains (*ibid*). In the MNEs, auditing is always associated with monitoring system and gets together to provide corrective action plans or remediation with supplier factories (*ibid*).

### 3.4 Benefits perceived with the standards

The term “standard”, in a broad sense, can be used to refer to “*generic concepts and normal ways of thinking*” (Larsen & Haversjo, 2001, 461), in this study concerning management. In recent years, standards are more widely used to address increasing problem areas, such as environmental problems, human rights, global ethics, health hazards and social responsibility (*ibid*). All of these issues are enjoying highly discourse and exposure in public.

Different enterprises will use different standards due to the company size, business type, market orientation and stakeholders concerns (Ligteringen & Zadek 2005). But overall, the use of standards by companies from different geographical regions and various sectors has a common goal, namely to help promote sustainable development and fulfill the corporate social responsibility (*ibid*). The following benefits perceived with the use of standards, individually and in combination, are generally provided, according to Ligteringen & Zadek (2005) and Brunsson & Jacobsson (2002).

- Legitimacy: they are based on what are expressed in international contacts or negotiated by relevant stakeholders.
- Normative clarity: they provide benchmarks to companies by showing what it is right to follow.
- Functionality: they have an important coordinating function to make actions mutually compatible and guide companies to integrate their commitments into business practices.
- Basis for learning and engagement: they can make continuous improvements based on PDCA model (see Appendix), feedback and experience
- Clear communication: they help transmit companies’ goals, commitments and behaviours externally and internally.
- Simplification: they reduce the complexity and diversification, making a chaotic world more ordered and this makes the enterprises easier to operate and coordinate actions as well.
- Materiality: they can help companies identify and address all the relevant issues.
- Competitive advantages: standardizations can help bring advantages in the shape of large-scale production, especially in the labour-intensive industry, textile and clothing sector, for example.

The benefits listed above show that a certain amount of standards can help promote national and international trade and are good for enterprises to operate businesses orderly. According to Brunsson & Jacobsson (2002, 170), “*Standards are often regarded as highly legitimate rules, which make it possible to achieve coordination without a legal centre of authority (that is, a nation-state or a world state)*”. A widespread use of product standards and so-called “soft law”, which are considered as a means to better integration enjoy high priority in the EU (*ibid*).

### 3.5 Challenges with the standards

The benefits perceived of using standards are apparent and do have all sorts of positive effects, however, the challenges associated with standards cannot be neglected. The challenges with the use of standards are generally provided in the following, according to Brunsson & Jacobsson (2002), Ligteringen & Zadek (2005) and Stigzelius & Mark-Herbert (2009).

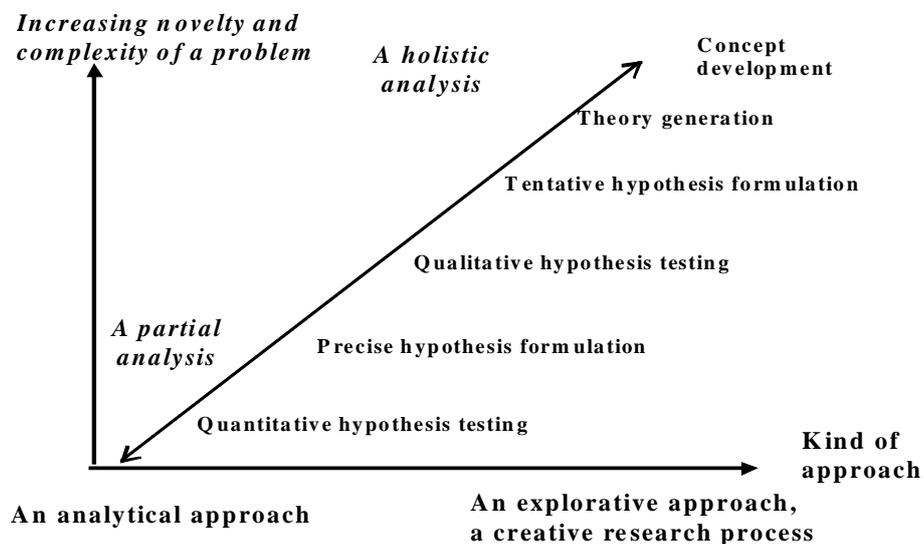
- Lack of diversity: the standards result in a high degree of similarity which are seen as something undesirable by many organizations, businesses or individuals who prefer to be distinctive instead of alike.
- Lack of free: standards are seen as constraints somehow whereby people and products are to be shaped in a uniform manner without their own choices and decisions.
- Standards fatigue: many average managers are leaving in a situation with a number of dilemmas, such as what, which and how to apply and proceed when they are facing numerous standards without a single framework of generally accepted one.
- Questionnaire fatigue: this is another problematic issue addressed by different stakeholders who ask for information relevant to corporations' environmentally friendly performances repeatedly based on their own needs and wants.
- Costly implementation: the governmental responsibilities are pushed to the industrial arena with all the costs it implies. In other words, the companies may be hampered by costly regulations that impose highly costs to implement CSR standards without confident benefits for future in return.
- Business visions recognition: Mamic (2005, 83) in her framework for the implementation process of codes of conduct mentioned the importance of *understanding of the vision by employees and suppliers*. A short of awareness and misunderstandings run through the enterprises, especially in those small and medium-sized companies with tight budget engaging in the CSR initiatives has no doubt a big challenge for a successful implementation.

In most cases, standards are seen as “*a promise of greater freedom and less uniformity in areas that have previously been heavily controlled by directives*” (Brunsson & Jacobsson, 2002, 171). All the same, they are also criticized by representing a form of regulation or using as a CSR tool to support legal compliance by government (*ibid* ; OECD, 2008). Critics of this kind are expected to call for more formal organizations, like governmental authorities to intervene and guide properly.

## 4 Method

Business research refers to “*the application of the scientific method in searching for the truth about business phenomena*” (Zikmund *et al.*, 2010, 5), which covers a wide range of phenomena, including generating and evaluating ideas and actions, defining business benefits and challenges, understanding business process and monitoring employee and organizational performance (*ibid*). In this study the perception of benefits and challenges of implementing a standard will reflect a number of stakeholders perspectives. No one truth can give the whole answer. This is why it is important to present the context as well as key stakeholders views.

Figure 8 shows the more explorative and creative a research approach is, the more novel and complex a problem implies. Consideration of the research topic in this thesis, an inductive qualitative method with a creative and exploratory process is applied.



**Figure 8. How increasing novelty and complexity of a problem affects the research approach and desired research contribution (Nyström in Mark-Herbert, 2002, 17)**

This thesis is primarily written from corporates’ perspective to give a holistic analysis of the motives, opportunities and challenges associated with implementation of corporate social responsibility (CSR) standards, and how CSR can be used as a way to increase enterprises’ competitiveness. Therefore, the method used in this thesis can be summarized as inductive, explorative and qualitative.

### 4.1 Choice of method

While a quantitative research design tries to obtain accurate and precise results through statistical sampling approach, the qualitative research is more concerned with exploring a context-bound phenomenon (Brockington & Sullivan, 2003). It seeks to understand the world through “*interacting with, empathising with and interpreting the actions and the perceptions of its actors*” (Fredricsdotter & Stigzelius, 2006, 3).

A qualitative method was chosen because it is appropriate given efforts to understand a phenomenon, CSC9000T certification, in a specific context (the Chinese textile and apparel

industry). Towers and Chen (2008) indicate that the interests in gaining a better understanding of the corporate conditions in the textile and global fashion sector has led to “*the use of inductive qualitative methodologies to broaden the knowledge base*” (*ibid*, 628).

The case study, as a strategic approach, focuses on understanding contemporary events in a dynamic world and addressing specific questions with respect to them (Eisenhardt, 1989). Multiple cases were studied in a collection of data from a variety of sources in a natural and contemporary setting in an ambition to triangulate, in other words, validate data (Yin, 1991).

## 4.2 Choice of case studies

According to Eisenhardt (1989), a case study is “*a research strategy which focuses on understanding the dynamics present within single settings*” (*ibid*, 534). Usually case studies can involve both single and multiple cases with numerous levels of analysis (Yin, 1984), which typically combine data collection methods such as interviews, observations, questionnaires as well as archives and the data could be either qualitative, quantitative or both (Eisenhardt, 1989). Yin (2003) highlights that “*multiple-case study approaches are generally considered to be more robust*” (*ibid*, 46). There are various aims which case studies are suitable such as building theory, testing theory or providing description (*ibid*). This paper is to test theories from empirical observations in an abductive process of analysis. The motives for Chinese businesses to implement CSR, the visible benefits and challenges of implementation of CSC9000T, and the impact of CSR on corporate competitiveness are analyzed in the analysis part.

### 4.2.1 Choice of country and sector

The textile and apparel industry in China is chosen here for my study research because textile products have been played an important role in national economics, employment increasing, marketing booming, prices stabilization as well as international payments balance (The Development Report on China’s textile industry, 2006). After joining the WTO, China’s textile industrial trade accounted for a quarter of the world trade, becoming genuine export country in the textile and apparel production in the world (*ibid*).

In both national and international contexts, the textile and apparel industry has always been forced to awareness of CSR due to its highly exposures by media (Gu, 2009). Issues that have been exposed include poor work condition, violation of labor rights and negative environmental impacts. Both NGOs and media exposed the textile and apparel industry to a critical scrutiny (*ibid*). In recent years, the Chinese government and textile industry association have unceasingly strengthened the performance of enterprises social responsibility management, but because of the short development history of CSR in China, plus the immature consumption model. There are still a lot of problems existing among enterprises (*ibid*). Therefore, this paper is based on the CSC9000T management system to study its contribution to textile sector in social responsibility (*ibid*).

### 4.2.2 Choice of case companies

According to Eisenhardt (1989, 537), the choice of cases is an important aspect of testing theory from case studies in a hypothesis testing research because “*the population defines the set of entities from which the research sample is to be drawn*” and the appropriate selection of cases can “*control extraneous variation and help to define the limits for generalizing the findings*”. In this study, I selected cases from a list of the CSC9000T-certified Chinese textile and apparel enterprises. The companies were first reviewed by reading their CSR reports in

order to identify the closest theme-related study units. The research process relied on theoretical sampling, i.e., the unit company is theoretically sampled rather than random selection (*ibid*). The three units of case companies abbreviated as Huafu, New Wide and Jingwei were chosen finally in terms of the company's ownership, industrial segmentation, location, market orientation and CSR status.

- Ownership-the selected textile and apparel enterprises are all listed companies, which implies they are operating in a capital market.
- Industrial segmentation-the focused companies in this case studies are the textile industry with minor segmentation differences: textile manufacturing and textile machinery product.
- Location-the three companies comes from relatively concentrated and developed regions because the enterprise's CSR cognition and information transparency are directly related with the regional economic development.
- Market orientation-the companies operate in a similar market environment, both domestic and overseas.
- CSR status-all of the three enterprises were certified by CSC9000T management system standard and they are selected from the first group of domestic CSC9000T pilot enterprises with a common basis of implementation context.

### 4.3 Literature review

The literature reviewed in this study was conducted in multiple stages. A systematic method of literature collection which consists of three phases was applied to guide the literature review of this study for the purpose of ensuring the relevant articles are widely covered. Backman (2008) identifies a quite similar logic method including three steps: namely consulting, internet searching and manual search.

The systematic method of literature search consists of three phases illustrated as below:

1<sup>st</sup> phase:

The most beginning point for finding relevant literature for this study was recommended by my supervisor. The literature that was of relevance to my current topic had been advised primarily guiding my next further chosen articles on the related research field. The initial review also provided me the opportunity to pick my keywords or search terms on a solid basis. For example, the key words as “CR” (or CSR), “standards”, “competitiveness”, “textile industry” were used for targeting the range of journals in the first place. Simultaneously, I was trying to use any possible synonyms or various forms of these words above to produce a wide range of potential relevant literatures, which were screened later to ensure only related ones were kept. In light of this study's specific interest in China's textile industry, the relevant search terms are showed as

C(S)R\* AND standards/codes of conduct\* AND competitiveness/competitive advantages\* AND textile industry/garment industry/fashion scene\* AND China/Chinese market\*

2<sup>nd</sup> phase:

The computer based searching in databases has been used to access to the literature provided by Swedish University of Agricultural Science. The main databases, for example, Econlit and Emerald, Epsilon, JSTOR, SAGE Journals, Scopus, SpringerLink, ScienceDirect have all been selected to give a broader perspective of the subject of my study as well as the specific relevance to this academic study. Specific journals, such as Electronic Journal of Business Ethics and Organization Studies (EJBO) have also been reviewed. The search has been demarcated in terms of publication years (most accessible articles are reported during last two decades) or additional important search terms (e.g., CSR drivers and its various forms).

3<sup>rd</sup> phase:

Finally, the manual search was used to browse books of interest in library and go through bibliographies of articles from earlier works, which we called the snowball technique (Ridley, 2008) to detect the potential related articles. Literature and research papers received from my supervisor were taken into account as well. Overall, the literature review could be considered as an iterative process kept ongoing throughout the research paper.

## 4.4 Identification of a theoretical framework

A literature review was conducted before in order to identify a relevant theoretical framework which links the empirical data with these models and therefore fulfill the research aim. Based on my research subject and questions, CSR drivers and stakeholder theory, the implementation process of standards, theories related to benefits and challenges of CSR standards were selected as my theoretical framework in this project.

Stakeholder theory was chosen to explain the drivers for Chinese businesses to implement CSR, at the same time to provide an overview of all stakeholders involved. The stakeholders of a company generally include investors, employees, suppliers, distributors, government bodies, customers, trade associations, local communities etc, but such a list is not conclusive and should be customized depending on the needs of the companies. Roberts (2003) divided the stakeholders into different groups, which seem to be more holistic and inclusive than a simple outlines.

The general theories gathered by Brunsson & Jacobsson (2002), Ligteringen & Zadek (2005) and Stigzelius & Mark-Herbert (2009) serves as useful tools for identifying the opportunities and perceived benefits growing from conducting responsible business performance and assessing the challenges involved as well. The implementation process of standards was chosen here in order to give readers a deep understanding of common challenges faced with Chinese textile and apparel enterprises.

As for the correlation between CSR and corporate competitiveness, Gugler & Shi (2008) give a detailed explanation of how the CSR affect the corporate competitiveness and from which ways it could be reached, which provide a strong background for discussion.

## 4.5 Document studies

Robson (2002, 348) indicates that “*although the use of physical trace measures has never achieved much more than curiosity value in the social sciences, there has been substantial interest in the analysis of a particular kind of artefact: the document*”. Using documents is the main source of collecting empirical data in this study because of time constraint and the

reliability of secondary data. The documents are primarily the written documents, whether this can be books, academic journals, articles, magazines, newspapers, letters or reports, sometimes they can also be extended to cover non-written documents such as movies, television programmes, photos and pictures (Robson, 2002). Documents studied in this thesis are mainly case companies CSR reports, either within their annual reports or, for most separate sustainability reports issued, and websites of companies, government and professional bodies. The most recent CSR reports have been used to exploit opportunities and challenges perceived by implementing CSC9000T, additional information from company websites have been used to complement and update the published reports.

If we reduce the focus of investigation to corporate annual reports, those documents are actually highly useful sources of information being regularly produced and offer a comparative study analysis during the reporting period (Guthrie *et al.*, 2004). However, Flick (2009, 262) describes documents as “*Communicative devices*” which implies that “*all forms of data reaching a public domain can be considered part of the accountability-discharge activity of an organization*” (Guthrie *et al.*, 2004, 287). In other words, documents or annual reports are created for sort of specific reason. Some argue that the external reports aim at providing information of companies’ CSR practices and achievements to their stakeholders. Porter & Kramer (2006, 3) expresses that “*glossy CSR reports that showcase companies’ social and environmental good deeds*” is the most common corporate response, “*neither strategic nor operational but cosmetic*”. Therefore, it is important to keep in mind that various forms of communications by a company should be monitored and it is impossible to assure that all communications have been identified (Guthrie *et al.*, 2004).

Personal interviews based on the practical experiences of interviewees (Cooper and Schindler, 2006) would have been a way of complementing and validating the CSR reports of case companies. However, many efforts were given to try to capture more in-depth perspectives on implementation of corporate social responsibility standard, CSC9000T in Chinese textile and apparel enterprises, they finally were not received as productive as they are supposed to. Interviews with corporate representatives of CSC9000T certified companies was not an option due to resource constraints and difficulty in gaining access. The uncertified companies showed that they are still in the initial stage with the CSC9000T standard and most of them don’t have formal written CSR reports. Second data collections from CSR communication documents of certified enterprises hence become the choice of fulfilling the objective of this study.

According to Robson (2002), a so-called “grey literature” which consists of publications and reports from NGOs can be used along with peer-review works for the purpose of providing more empirically document studies. The NGOs can include CNTAC, OECD, Fair Trade Center etc who can provide the substantial information to the global or national textile and apparel industry as a background. Larsson (2011, 17), from the view of Backman (2008) states also that “*the grey literature has in many cases been cross-checked and complemented by peer-review journal articles, which is a way of validating data*”.

## 4.6 Data collection and analysis

The data collected in this thesis based on qualitative data from documentary analysis. According to Robson (2002, 349), “*A common approach to documentary analysis is content analysis*”. Instead of direct techniques used such as survey and questionnaire, interviews, observation, it is indirect and taken as an “*unobtrusive measure*” (*ibid*, 349), but it is possible

to analyse “*the contents of documents or other articles which have been collected directly for the purpose of your research*” (*ibid*, 349-350). As a technique for gathering data, it includes codifying qualitative and quantitative data into various groups or categories based on selected criteria in order to derive patterns for presentation and reporting (Guthrie *et al.*, 2004). Qualitative data can easily get overwhelmed because of the rapidly cumulation and the flexible data analysis for qualitative approach (Robson, 2002). Content analysis therefore seeks to analyze published information “*systematically, objectively and reliably*” (Guthrie *et al.*, 2004, 287).

A proposed data analysis model consists of five consecutive steps specifically illustrated as follow by Cresswell (1998) and Stake (1995) in order to get a deeper recognition.

#### 1) Organization of details about the case

For the selected case companies, their CSR reports and separate sustainability reports were in the first place given much attention to collect and analyze in a descriptive approach, complementing with other information available at each company’s websites. A step-by-step method is used for collecting important information when looking through these documents. The first review started with companies CSR report to get basic information of the organizations. In the following continuous reviews, the reports were studied more carefully to identify the relevant themes or codes, and documents from other solid sources were conducted simultaneously in order to validate data provided in companies’ external communication report.

#### 2) Categorization of data

Thematic coding is a common data analysis method in the qualitative research, which implies that themes or codes are typically related to research questions and can be derived from empirical data. “*They are retrieval and organizing devices that allow you to find and then collect together all instances of a particular kind*” (Robson, 2002, 477). This approach was used here to make it possible to organize the substantial qualitative data and compile them in the selected themes, and enable a comparison of the selected case companies.

#### 3) Interpretation of single instances

The empirical data collected from case companies was interpreted individually with the help of theoretical framework, as a basis for the empirical analysis in order to address findings from theories might relating to the specific case for single findings. Better means of displaying the research findings can be described as matrices, charts, networks etc (Robson, 2002).

#### 4) Identification of patterns

The collected data from the empirical findings of each specific case company were to some extent compared and aggregated to identify patterns on a large basis. The results were analyzed in the analysis part, followed by further wide discussion.

#### 5) Synthesis and generalization

In this step, an overall conclusion about “*what things mean from the start of data collection, noting patterns and regularities, posing possible structures and mechanisms*” (Robson, 2002, 476) are drawn and further research fields can be identified by using existing theoretical framework. Miles and Huberman (1994) stress at the same time this step should be accompanied throughout by a verification process.

# 5 Background for the empirical study

In order to give the reader an insight into opportunities and problems associated with implementation of corporate social responsibility standards within the textile industry, this chapter briefly provides a context for the CSR development in China first, followed by showing the implementation conditions of CSC9000T in Chinese textile and apparel companies.

## 5.1 CSR development in China

The normative concepts of benevolence and righteousness from Chinese philosophical tradition give grounding to the modern concept of corporate social responsibility (CSR), according to some Chinese scholars (Jensen & Yeh, 2009). The CSR movement was introduced into China in the mid-1990s, when multinational enterprises started to impose different codes of conduct in international supply chains to textile and garment factories under the pressure of anti-sweatshop activities worldwide (Gugler & Shi, 2009; Chan & Ross, 2003). Table 5 illustrates the three different phases of CSR development in China.

**Table 5. Evolution of CSR in China (Gugler & Shi, 2009, 13)**

<b>Phase 1 (1996–2000)</b>
Multinational companies started to impose supplier codes and began auditing Chinese factories. At this stage, CSR is still a new concept to many Chinese. Chinese government, public, media and domestic Chinese enterprises had limited awareness of the topic. Media coverage of CSR is also scarce.
<b>Phase 2 (2000–2004)</b>
The CSR movement was pushed by international organizations and NGOs. Chinese suppliers recognized the increasing pressure from excessive auditing and CSR compliance requirements. Several government departments, Ministry of Labor, the Ministry of Commerce and the Chinese Enterprise Confederation all set up CSR committees to investigate if international organizations and MNEs are applying labor conditions as barrier to trade. The government chose to adopt a “wait-and-see” approach toward CSR activities.
<b>Phase 3 (2004 – 2011)</b>
CSR became a buzz word across enterprises and went beyond export processing companies to domestic and state-owned enterprises. Chinese government silently shifted from a passive approach to active participation, such as creating home grown CSR standards to maintain Chinese corporate competitiveness in global market.

The CSR development in China, as Table 5 showed, experienced from initial limited awareness to “wait-to-see” attitude to finally be actively supported by the Chinese government. There is an anecdotal phenomena presenting in phase 2, which two opposite forces concern CSR movement issue existing simultaneously, greatly increasing the profile of CSR on one side and continuous inactive approach on the other side.

Although most Chinese companies are just getting started with a recognition and learning process on CSR initiatives (Gugler & Shi, 2009), and many of them are still reluctant to address social issues related to their business operation, the Chinese government has already raised sustainability policies to national agenda in terms of macro-level (*ibid*). President Hu Jintao highlights to create a harmonious society, which “*embodies the idea of encouraging*

*business contribute to sustainable social and economic development” (ibid, 13). He also stresses that it is crucial to make social equity to all in terms of personal rights. According to him, “justice, the rule of law, equity and professional ethics constitute the foundation of the Harmonious Society promoting sustainable, rapid and coordinated economic growth and common prosperity for the whole people” (Jensen & Yeh, 2009, 1).*

Many large-sized enterprises perceive that the active engagements of increasingly CSR initiatives can offer them a better chance to go globally and become more competitive, especially among export-oriented businesses and factories (Gugler & Shi, 2009). However, it’s important to keep in mind that most of these companies are motivated in participating in CSR initiatives largely by the short-term business financial interests and contracts securing from international buyers (*ibid*). Participation in the UN Global Compact for many Chinese companies is only formalism or be taken as a fashionable way to do so (*ibid*).

One specific issue on CSR engagement in China presents a geographical disparity, which implies the different regional levels of economic development and sectoral focus (Gugler & Shi, 2009). Normally the most advanced regions with highly awareness and engagement of CSR locate in the southeast coastal provinces of China, where a large number of small to medium-sized enterprises, including manufacturing, textile and garment factories, export businesses, and most foreign invested businesses are based (Gugler & Shi, 2009; Zhang, 2006).

To sum up, as China is in the process of becoming global citizen in modern times, Chinese government and enterprises have more and more recognized that understanding CSR and engaging actively in CSR initiatives have become indispensable for Chinese enterprises getting close to the international market and keeping global competitive (Jensen & Yeh, 2009). However, because the concept of sustainable development or CSR is still new to many Chinese business managers, and widespread misunderstanding of regarding CSR as business burden, trade barrier, short-term financial interests or social philanthropy, a long-lasting constructive work of CSR initiatives are needed to publicize and address much more by Chinese government and related associations and organizations.

## 5.2 Implementation status of CSC9000T in Chinese textile and apparel enterprises

Chinese textile and apparel industry has been under public scrutiny in the first place by multinational enterprises imposing supplier codes of conduct and auditing Chinese factories (Gugler & Shi, 2009). At present, there are three main operation forms that CSR movement has impact on Chinese textile and apparel companies, which are respective social auditing by international purchasers, international standard SA8000 certification and CSC9000T training mode through PDCA (see Appendix) process (Tang, 2007).

CSC9000T is China’s first corporate social responsibility management system at industrial level, developed by CNTAC in 2005. Its approach is to implement legal and international convention norms by improving enterprises management system (CNTAC, 2006). So far, over 200 Chinese textile and apparel companies have implemented CSC9000T (CNTAC, 2010, 3). The development of CSC9000T has been experienced several stages (Table 6):

**Table 6. Development stages of implementation of CSC9000T in Chinese textile and apparel industry (derived from various sources)**

<p><b>2006:</b> CNTAC launched social responsibility experimental work, identifying one industrial cluster and 10 pilot enterprises as the first CSC9000T pilot units according to the representative factors, such as their foundation status, ownership forms, district distribution and the scales etc (Dong, 2007).</p>
<p><b>2007:</b> A “10+100+1000” project has been initiated at the end of 2006 and widely spreaded in Chinese textile and apparel companies in 2007 in order to promote the CSC9000T implementation. The project “10+100+1000” means choosing 10 industrial clusters as pilot regions from 100 domestic textile industrial clusters, and selecting 100 backbone enterprises from identified 10 industrial clusters to establish social responsibility management system, at the same time, the project aims to provide CSR training to over 1000 small and medium-sized textile and garment enterprises and bring up about 1500 CSR managers for them (<i>ibid</i>).</p>
<p><b>2008:</b> 2008 new version of CSC9000T management system were developed towards a more comprehensive CSR system in China (CNTAC, 2010). Meanwhile, CSC9000T implementing enterprises are required to applied to China Sustainability Reporting-Guidelines for Apparel &amp; Textile Enterprises (CSR-GATEs), which is China’s first sustainability reporting guidance system released in 2008 by CNTAC, to guide the social reporting practice of textile and apparel companies (<i>ibid</i>). Reports prepared according to CSR-GATEs are required to be verified by the third party, in line with China Sustainability Reporting-Verification Rules and Instructions (CSR-VRAI), and verified reports will be endorsed by CNTAC (<i>ibid</i>).</p>
<p><b>2009:</b> The lasting two years project “10+100+1000” brought to a successful ending and created an increasingly active CSR engagement nationwide (CNTAC, 2010 ). The first ten companies released their corporate social responsibility reports according to CSR-GATEs, all verified by Bureau Veritas (BV)or Det Norske Veritas (DNV) (<i>ibid</i>).</p>
<p><b>2010-2011:</b> Cross-audits to be conducted in 2010 to test the compatibility and differences between two systems: CSC9000T and BSCI (Business Social Compliance Initiative). The purpose of doing so is to complement driving forces and mechanisms for each other and get better cooperation and recognition along their supply chain. Continuing CSC9000T implementation work and trying to spread its successful experience to other industries and sectors. The implementing enterprises of CSC9000T are expected to reach 500 by the end of 2011 and the reporting enterprises according to CSR-GATEs to reach 100 at that time (<i>ibid</i>).</p>

To sum up, CSC9000T is taking root in Chinese textile and apparel industry and the implementation of CSC9000T will be helpful to improve CSR management in textile and apparel enterprises, fulfill people-oriented scientific concept of development, strengthen CSR constructive work, and ensure sustainable development.

## 6 Empirical study

In this chapter, the results from the case studies are presented by first introducing the background information of case companies, followed by brief descriptions of implementation situation of CSC9000T in these textile and apparel enterprises. The research questions addressed in the beginning are provided in each case company.

### 6.1 Presentation of the case companies

Since the objective of this study is to investigate CSR and CSC9000T implementation in Chinese textile and apparel enterprises, three companies with this kind of information are selected to present briefly in the following paragraphs to provide an overview to the reader. They are CSC9000T certified textile and apparel enterprises.

#### 6.1.1 Huafu Top Dyed Yarn Melange Co., Ltd.

Huafu Top Dyed Yarn Melange Co., Ltd., for short, Huafu was founded in 1993. It is a global manufacturer and supplier of middle-high grade and innovated yarn with its headquarters locating in Shenzhen Province in China. It has become one of the largest melange yarn enterprises in the world after 18-year development (www, Huafu, 1, 2011). Huafu centered on providing melange yarn with features of fashion, environment friendly and technology, it also provides such as dyed yarn, semi-worsted yarn and open-ended spinning yarn to meet its customers' needs and demands (*ibid*).

Huafu Brand has developed into an international brand in melange industry and ranks top in the global market share. Its products are mainly exported to dozens of countries and regions like Europe, America, Japan, Korea, Hong Kong, Macau, and Southeast Asia, becoming the first choice of many famous international brands, such as H&M, ZARA, POLO, GAP, UNIQLO etc, and domestic brands, for example Metersbonwe, Semir, Li Ning, and Septwolves etc (www, Huafu, 1, 2011). "Care for people, Color the world" is the corporate mission and "Becoming a world-class yarn kingdom through the endeavor of several generations" is a vision of Huafu (www, Huafu, 2, 2011). The company has been received CSC9000T certification in 2008.

#### 6.1.2 New Wide Group

New Wide Group was established in 1975 in the location of Taiwan, emerging from New Wide Enterprises Co., Ltd. The major products are various knitted fabrics and the company is also devoted to the manufacturing (www, New Wide, 1, 2011). Driven by the business strategy "Assured Quality, Quick Response, Successful Innovation", New Wide keeps growing to meet global market demands. With the effort of 35 years, it has become an international enterprise covering three business divisions: knitted fabrics division, dyeing and finishing division, and garment division (*ibid*). Its major customers include international well-known brands such as Adidas, PUMA, Reebok, EXPRESS, Kappa and domestic famous leisure sports brand like Niling, Anta etc, at the same time, it is also the main suppliers of global supermarkets, Wal-Mart, JCPenney and so on (New Wide, 2010).

New Wide inputs service to its performance instead of only being a manufacturer. The successful vertical integration of the company brings it a strong strategic business network. New Wide has set up worldwide manufacturing factories and network service like in the mainland of China, Cambodia, Kenya and in the U.S. (*ibid*). New Wide aims at "becoming a

model global company, in which people, processes and equipment meet the highest worldwide standards” (www, New Wide, 2, 2011). The company has been awarded CSC9000T certification in 2009.

### 6.1.3 Jingwei Textile Machinery Co., Ltd

Based on the former 50-year-old Jingwei textile machinery factory, Jingwei Textile Machinery Co., Ltd., abbreviated as Jingwei was established in 1995, which is a high-tech enterprise with ISO9001 quality certification (Jingwei, 2010). Jingwei has been yearly dedicating itself to Chinese textile industry developments and is the largest domestic supplier of cotton manufacturing with complete sets of equipment (www, Jingwei, 1, 2011). By the end of 2009, the company owns more than 20 subsidiaries and branches with 13,000 staff (*ibid*). At present, Jingwei mainly produces a complete set of cotton production equipments, weaving equipment, knitting equipment, hair and linen equipment, dyeing and finishing five major categories with more than 30 series of products (*ibid*). The products have been widely sold throughout China and to more than 30 overseas countries and regions, thus share extremely high industrial reputation in China and have an important impact to international textile machinery industry.

In accordance with the business principle “for the people, for the life” and respond to the stiff global competition and challenge, Jingwei strives itself to become an enterprise with regulated management, diversified products, environmental friendly operation and social responsibility business, meanwhile, the company puts a lot of efforts in technical innovation to cultivate key competitive forces in international market (www, Jingwei, 2, 2011). The company has received CSC9000T certification in 2008.

## 6.2 The case companies perspectives

The following paragraphs present the findings from the perspectives of the three case companies on CSR and CSC9000T implementation in Chinese textile and apparel enterprises to address research questions.

### 6.2.1 Huafu

The CSR concept of Huafu shows that “*while the enterprise is taking responsible for creating company’s profits and shareholders’ interests, we should at the same time take staff, social and environmental responsibilities into consideration, such as business ethics, production safety, occupational health, legitimate rights and interests of labors, conservation of resources etc*” (Huafu, 2010, 8), which can be summarized as four aspects: economic, industrial, environmental and social responsibility.

The sections below outline the implementation of CSC9000T in Huafu based on the document studies. It is divided into company’s stakeholders, motives towards CSR initiatives, and benefits and challenges.

#### **Company’s stakeholders**

As stated by the corporate president, Mr. Sun Weiting “*Maintaining and meeting the needs of stakeholders is an important means for us to live for a long time and continue to prosper*” (*ibid*, 2). Table 7 provides a summary of main stakeholder groups of Huafu, CSR performance goals relating to each stakeholder group, concern issues and communication channels.

**Table 7. A summary of main stakeholder groups of Huafu, CSR performance goals relating to each stakeholder group, concern issues and communication channels**

Stakeholder	CSR performance goals	Concern issues	Communication channels
Chinese government	Promoting sustainable development of national textile industry	Steady operation and pay tax in accordance with law; promoting national economic development;	National laws and regulations; Released industrial documents
NGOs and trade associations	Strengthening industry communication; researching industry development trend; building inter-industrial social responsibility system; improving CSR management level	Business socially and environmentally responsible behavior; serving and facilitating the development of textile and apparel enterprises	Environmental policies and legislation; Association document; Social supervision
Shareholders	Creating economic value and market value	Increased sales and benefits; industrial integrate and upgrade	Board of Director's meeting; regular reports
Employees	Protecting interests of employees; a good work-life balance; occupational health and safety	Working conditions; personal development; democratic management	Trade unions; staff meeting; education and training programs
Value chain partners	Abiding by national laws and regulations, and industry rules; conforming to the certification quality; claiming fair competitions	All-round cooperation with upwards and downwards business chains; co-research of quality standards of dyed yarn	Supplier audit; contract negotiation; orderly competition; technology exchange
Customers	Leading industry's color trend; continuous improvement service	Mélange fashion including design and development; quality, price, delivery date; after-sales service	Customer product exhibition; customer visit
Public communities	Energy conversation and environmental protection; driving	Environmental protection; harmonious	Engaging in social welfare; developing school-business

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employment; supporting public welfare undertakings; promoting development of the harmonious society	community; community feedback and contribution	cooperation
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*Source: Huafu, 2009 & 2010.*

The Huafu case empirics are further discussed under the two headings: motives and benefits and challenges below.

### **Motives**

Requirements from international customers and the rising awareness of environmental issues by directors of company are a major reason for Huafu towards CSR performance. Environmental protection is an important link for a company's sustainable development, which is also one element required by CSC900T. The environmental protection activities organized by Huafu spreading from Zhejiang Province to Guangdong Province also drive the customers actively participating in this practice and get a lot of supports (Huafu, 2010). As a main source for providing colored mélange yarn, the environmental pollution is closely concerned. In order to respond to company's environmental responsibility, a series of environmental measures are greatly advocated and taken by Huafu, such as introducing organic cotton as raw material, developing ecological dyeing technology, conserving energy and reducing emission, and recycling resources, etc (*ibid*). In short, the company's proactive environmental principle of "Abide by the laws and regulations, improve environmental protection consciousness, promote clean production, prevent and control environmental pollution, save energy resources, and achieve the sustainable development" plays a key role internally (*ibid*). International customer requirements constitute the external drivers for Huafu implementing CSR and CSC9000T at the same time since the company exports to foreign retailers and they expect the company to do so (*ibid*).

Another important reason for the improvement and growth of CSR practices in Huafu is the positive attitudes and supportive policies of the Chinese government and NGOs towards socially responsible companies (Huafu, 2010). In recent years, the Chinese government has launched a series of textile industry reconstruction policies, which provides more conditions and chances for the continuous growth of domestic textile and apparel market (*ibid*). NGOs like CNTAC insist on the CSC9000T management system promotion and provide supports in terms of human resource, finance and technology, etc (CNTAC, 2010).

### **Benefits and challenges**

One benefit gained for Huafu is that the positive corporate image of implementing CSC9000T brings evident increased sales of company's yarn products (Huafu, 2010). The environmental protection activities launched voluntarily brings the company high social reputation and changes traditional environmental polluter image among its relevant stakeholders (*ibid*).

Limited CSR and CSR standards awareness and concerns among the workers are still a big challenge the company are facing. Although Huafu is one of the first group of national CSC9000T pilot enterprises, most employees may not clearly be informed and understand

what this social standard contains. Other challenges of implementing CSC9000T appear to be associated with increased costs of all aspects. More expensive inputs, lack of visible returns, slowdown of demands and profitability as well as costly implementation fee of certification (Huafu, 2010), all of which are threatening this company in a changeable external textile trade circumstance.

**6.2.2 New Wide Group**

“Let’s green the world for human welfare” (www, New Wide, 3, 2011) is the CSR concept of New Wide. As clearly stated by the President, Mr. Tony Huang that “*Reducing consumption of precious human resources and emission of harmful substances is part of our contribution to human wellbeing*” (New Wide, 2010, 3). At New Wide, people take CSR actions as a personal daily responsibilities to fulfill the objectives of the corporate, the more important is that New Wide will continue to strengthen the cooperation with its partners to contribute the humankind challenges, and develop common actions to make the world a better place to live (*ibid*).

The following paragraphs present the implementation of CSC9000T in New Wide based on the document studies. It is divided into company’s stakeholders, motives towards CSR initiatives, and benefits and challenges.

**Company’s stakeholders**

Stakeholders associated with New Wide are also playing a key role in the achievement of company’s objective and strategies (New Wide, 2010). Interaction with its stakeholders is seen as an important link in the company’s daily operation (*ibid*). Table 8 provides a summary of main stakeholders of New Wide, CSR performance goals relating to each stakeholder, concern issues and communication channels.

**Table 8. A summary of main stakeholder groups of New Wide, CSR performance goals relating to each stakeholder group, concern issues and communication channels**

Stakeholder	CSR performance goals	Concern issues	Communication channels
Chinese government	Promoting sustainable development of national textile industry	Steady operation and pay tax in accordance with law; promoting national economic development;	National laws and regulations; Released industrial documents
NGOs and trade associations	Strengthening industry communication; researching industry development trend; building inter-industrial social responsibility system; improving CSR management level	Business socially and environmentally responsible behavior; serving and facilitating the development of textile and apparel enterprises	Related environmental protection policies and legislations; regular inspection of the local environmental protection bureau

Suppliers	Creating business win-win situation	Quality, price, delivery date; legal and fair trade; long-term cooperation	Supplier audit; contract negotiations; cooperative R & D
Employees	Protecting interests of employees; training and developing program; occupational health and safety	Salary welfare; work environment; professional development plan	Trade union; proposal and suggestion box
Customers	Green, natural and health products; continuous improvement service	Quality and brand reputation; research and development ability; after-sales service	Daily communication and contact; regular visit; customer complaint mechanism
Public communities	Energy conservation and environmental protection; driving employment; supporting public welfare; developing the harmonious society	Environmental protection; harmonious community; community feedback and contribution	Public welfare activities (school donation, disaster donation)

*Source: New Wide, 2010 & 2011.*

The New Wide case empirics are further discussed under the two headings: motives and benefits and challenges below.

### **Motives**

One of the most important driving forces for implementing CSR in New Wide comes from international corporations pressures (New Wide, 2010). As a global enterprise and an international supplier, New Wide are under growing demand to review its sourcing strategy, environmental policy and labour standards, at the same time, the company has been asked many times for factory auditing by those multinational enterprises, such as Adidas and Decathlon with their supplier codes of conduct to do business (*ibid*). In addition, the general environmental concerns are also driving force. As part of reusable resources programs of New Wide, the company designed an environmental friendly tableware kit in 2008, consisting of a spoon decorated with a Chinese Phoenix, and chopsticks to ensure everyone can help earth even when eating (www, New Wide, 2011c).

Another reason for New Wide moving towards CSR is that the company has become a member of GRI (the Global Reporting Initiative) and entered the GRI Organizational Stakeholder (OS) Program in 2011, which indicates a further step New Wide has taken to become an even more social responsible enterprise (www, New Wide, 4, 2011). There are no exception for the Chinese government and NGOs involvement, as well as the appropriate laws, regulations and policies. For example, the enforcement of “the Labor Contract Law” among

national textile enterprises specifically emphasizes workers' rights and interests and standardizes enterprise employee system (CNTAC, 2010).

### **Benefits and challenges**

The significant benefit of being a CSC9000T-certified company is that New Wide gains competitive advantages in terms of its enhanced brand reputation and increased international orders (New Wide, 2010). "Do the main supplier for the world major brands" is the consistent development vision of New Wide (*ibid*). In 2009, the company approved factory inspection and certification successfully by Adidas and Decathlon international companies and obtained solid trust from main world brands, which further led to continuous growing business orders (*ibid*).

Limited CSR concern is a big problem, most of managers and employees have heard of CSR with only a basic understanding. They sometimes wrongly take social charitable actions as CSR performance. The challenges with implementation of CSC9000T in New Wide are also connecting to the perceived uncertainty and decline of international market demands, especially since the global financial crisis (New Wide, 2010). The problem lies in the company's need for flexibility to handle with those brands seasonal variations in demand (*ibid*). Intensive business competition, unfair industrial trade and shortage of legal mechanism erode the company's competitive position, which causes more costs for New Wide to undertake costly CSC9000T standard that its rivals don't embrace (*ibid*).

#### **6.2.3 Jingwei**

The CSR concept of Jingwei comes from the company's operation philosophy "*for the people, for the life*" (Jingwei, 2010, 16). To adhere to the people-oriented basic idea, Jingwei respects employees' value, trusts staff ability, creates platforms for employees, realizes their personal values in the enterprise development (*ibid*), at the same time, the company performs economic responsibility and environmental responsibility consciously in order to achieve the common growth of economic, environmental and social benefits (*ibid*).

The following paragraphs present the implementation of CSC9000T in Jingwei based on the document studies. It is divided into company's stakeholders, motives towards CSR initiatives, and benefits and challenges.

#### **Company's stakeholders**

Guarantee and keep good communications with stakeholders of the company is as well an important business development strategy in Jingwei (Jingwei, 2010). At present, the company, through formulating corresponding communication goals and organizing forum such as daily communication exchange form obtains stakeholder communication information (*ibid*). Table 9 provides a summary of main stakeholder groups of Jingwei, CSR performance goals relating to each stakeholder group, concern issues and communication channels.

**Table 9. A summary of main stakeholder groups of Jingwei, CSR performance goals relating to each stakeholder group, concern issues and communication channels**

Stakeholder	CSR performance goals	Concern issues	Communication channels
Chinese government	Promoting sustainable development of national textile industry	Steady operation and pay tax in accordance with law; promoting national economic development;	National laws and regulations; Released industrial documents
NGOs and trade associations	Strengthening industry communication; researching industry development trend; building inter-industrial social responsibility system; improving CSR management level	Business socially and environmentally responsible behavior; serving and facilitating the development of textile and apparel enterprises	Related environmental protection policies and legislations; regular inspection of the local environmental protection bureau
Employees	Employees demand; establishing effective communication; strengthening staff training; improving human resource management	Salary welfare; work environment; personal development plan	Proposal and suggestion box; staff symposium
Suppliers	Creating business win-win situation	Quality, price, delivery date; legal and fair trade; long-term cooperation	Contract negotiation; consultative conference
Trade unions	Safeguarding the rights and interests of workers; creating a satisfied workforce and working environment	Labour disputes; production stability	Collective bargaining; trade union committee meeting; worker representative meeting
Customers	Satisfying customers' demand; environmentally friendly products; continuous improvement service	Quality, price, delivery date; research and development ability; after-sales service	Customer satisfaction survey; customer feedback mechanism; daily contact
Public communities	Energy conversation	Environmental	Social welfare;

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and environmental protection; driving employment; supporting public welfare; developing the harmonious society	protection; harmonious community; community feedback and contribution	community communication; environmental protection
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*Source: Jingwei, 2009 & 2010.*

The Jingwei case empirics are further discussed in terms of motives and benefits and challenges below.

### **Motives**

The most important reason Jingwei started with CSR initiatives and CSC9000T is to develop a good image of the company (Jingwei, 2010), since it has been originally a heavy industry production enterprise providing a wide range of textile machinery products, which implies the company in many ways is related to the environment and employees' rights and safety. Therefore, the focus on the CSR performance and the implementation of CSC9000T is to build the image of a "green and sustainable" company. It has been found that this image allows the company to reach a competitive advantage in the long run (*ibid*). Since the products of Jingwei have been widely sold throughout China and to more than 30 overseas countries and regions, a perceived increased future demands from foreign corporations and huge financial benefits from international clients can be considered as another motive for Jingwei's CSR initiatives (*ibid*). Established a win-win supply chain philosophy with Siemens, a German company motives in another way Jingwei's consciousness to implement socially responsibility because only in this way can it have access to share with Siemens' advanced technology and rich experience of products innovation (*ibid*).

There is no doubt that the Chinese government and CNTAC's dedication of environmental and social concerns in terms of enforcement of relevant laws and supported industrial policies push Jingwei to move forward to a socially responsibility enterprise (CNTAC, 2010). For example, the headquarters and local branches of Jingwei have also been financed by the Chinese government and local authorities to promote industrial adjusting and upgrading.

### **Benefits and challenges**

The green and sustainable image of the company results in a competitive advantage in the long run (Jingwei, 2010). The products sell well all over the country and overseas and enjoy a good reputation internationally, which obtains a large number of solid trusts at home and abroad and in turn motivates employees' morale and confidence to strive for the company's sustainable development (*ibid*). Another benefit is increased productivity and enhanced efficiency with orderly enterprise institutional management and changed production management mode, such as engaging the employees in the process of social responsibility management system or improving working and living environment, perfecting company's welfare system, etc (*ibid*).

The challenges associated with Jingwei exist internally and externally. Limited CSR concerns and lack of well-educated training among workers is a big obstacle (Jingwei, 2010). Due to the outbreak of the global financial crisis, together with the continuing effect of the

appreciation of the CNY, the global demands for the Chinese textile and apparel products kept a long time recession (*ibid*). As a textile upstream industry, Jingwei is under huge pressure as well because of affected textile exports (*ibid*). Along with the international textile machinery shift, many international famous textile machinery manufacturing enterprises invest in China, and gradually realize the localization, some of which have been formed the production ability (*ibid*). In addition, the increased production costs and declined enterprises profitability, required technical reform funds and high implementation costs, all of these become the main economic risks that the company faces and brought unprecedented difficulties to the enterprise's operation, which greatly influences the company's ability of performing CSR and CSC9000T social responsibility (*ibid*).

# 7 Analysis

This chapter aims at analyzing the empirical findings by referencing to theoretical framework stated in Chapter 3. The analysis starts with identifying the involved stakeholders of the case companies in the Chinese context, which is followed by an analysis of the empirical findings relation to motives for CSR initiatives as well as perceived benefits and challenges associated with the implementation of CSC9000T in the Chinese textile and apparel enterprises.

## 7.1 Stakeholder analysis

According to Roberts (2003) corporate different stakeholder groups approach, Figure 9 categorizes the different stakeholders from the case companies' perspectives. The empirical findings suggest that the Chinese textile and apparel enterprises have realized clear stakeholder identification can help them better understand which stakeholder group plays what roles in the process of their CSR and CSC9000T implementation. This stakeholder analysis also provides the basis of the roles a Chinese textile enterprise plays in its certain context.

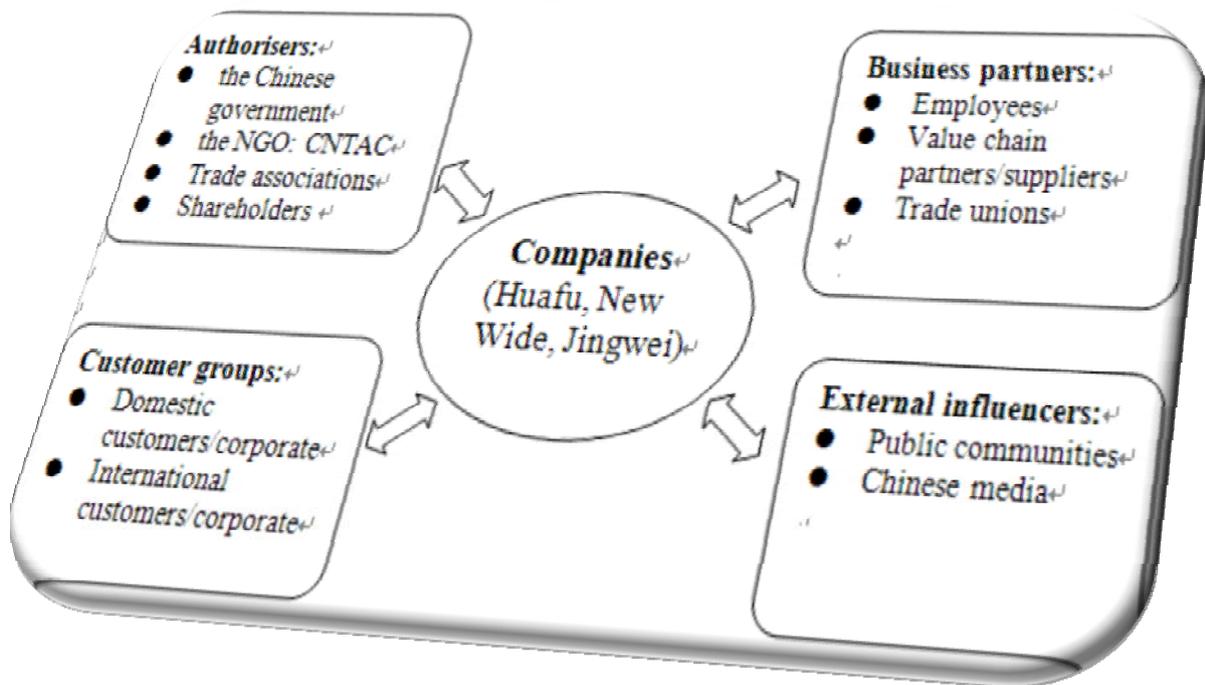


Figure 9. The stakeholder analysis from case companies' perspectives is based on Roberts (2003) stakeholder model. The stakeholders in these cases are seen as authorizers, business partners, customer groups and external influencers.

This stakeholder model is summarized from Huafu, New Wide and Jingwei three Chinese textile enterprises based on each company's CSR report. As can be seen from the model, the case companies are all affected by four different stakeholder groups which exert various influences to the companies. However, this influence way is bidirectional and mutual which implies the company and its stakeholders are interactive and interdependent. The model also

helps to identify the motives and reasons the enterprises face with for implementing CSR and CSC9000T, which gives a detailed interpretation in the following section.

## 7.2 Motivations, opportunities and challenges

The empirical findings of Huafu, New Wide and Jingwei by using CSC9000T certification gathered mainly from the secondary data, including various document studies, publications and reports from companies, national and international NGOs. They partially stay the same as stated by Roberts (2003), Ligteringen & Zadek (2005) and Brunsson & Jacobsson (2002), as well as Stigzelius & Mark-Herbert (2009) earlier in the theoretical framework.

### 7.2.1 Motivations for case companies

- Internal drivers
  - General environmental awarenesses and concerns
  - Corporation's business mission
  - Corporation positive image influence
- External drivers
  - International corporations pressures
  - Customers requirements
  - Media effects and pollution scandals
  - Supportive policies of the Chinese government and NGOs (CNTAC in my cases)

Roberts (2003) stakeholder group theory consists of the reasons for implementing CSR in Chinese enterprises in terms of both internal and external driving forces. The internal driver has much to do with the business values or codes of conduct. The increasing awareness and understanding of CSR within companies who wish to compete in the global market lead to their attentions to the environmental issues and positive image influence (see Table 10). The external driver from international customers requirements and foreign corporations pressures are the initial reasons for CSR engagement in Huafu, New Wide and Jingwei at first. They are required to comply with the foreign companies' codes of conduct as an exchange of international business trades and operations. In addition, the highly Chinese media exposure and social scandals in recent years of some other exploitative and CSR-unfriendly enterprises contributes greatly in the process of CSR initiatives, showed by the three companies. There is one more external aspect for New Wide to embrace CSR as being a GRI member and its organizational stakeholder with advance access to information and services. This is a further step New Wide has taken to become an even more environmental and social responsible company.

The case studies imply that the increasing interests in CSR of the Chinese government and CNTAC play the most important role in the development of CSR among Chinese companies with regards to their social and environmental performances (see Table 10). In recent years, the Chinese government has adopted industrial reconstruction policies strongly to encourage responsible business conduct by Chinese enterprises, including laws and regulations to compel corporate conduct improvements in areas such as society, environment and labour standards (CNTAC, 2010; OECD, 2008). For example, the enforcement of "the Labor Contract Law" is one of the most far-reaching influence laws for China's current labor standards management (*ibid*). "The Environmental Protection Law" and "The Law of Circular Economy Promotion" enforcement state officially to give top priority to environmental protection and energy conservation development strategy within businesses, especially for the

textile industry with high pollution and high energy consumption (*ibid*). Besides series of supportive policies and documents made for textile industry such as (CNTAC, 2010) “Increasing export refunding rates of textile and apparel products to ease of the cost pressures for textile enterprises”; “The plan on Adjusting and Revitalizing the Textile Industry”; “Joint Circular on Accelerating the Restructuring and Upgrading of the Textile Industry” and so on make it clear to actively promote and improve corporate social responsibility management system, CSC9000T in Chinese textile and apparel enterprises. The positive attitude of the Chinese government and the CSR-related laws and regulations are indispensable for the continued improvement and growth of CSR practices in Chinese corporations.

### 7.2.2 Opportunities (perceived benefits) for case companies

The listed benefits with using standards, according to Ligteringen & Zadek (2005) and Brunsson & Jacobsson (2002) give a good framework to illustrate the usage of CSC9000T in terms of the following aspects:

- Simplification: the CSC9000T covers almost rules and regulations respect to environment concerns and labour rights issues, which greatly contribute to save time and money of both policy makers and enterprises themselves, at the same time, the production process and management in my cases are standardized and regulated to some extent.
- Competitive advantages: according to the case studies, both tangible and intangible benefits for the three companies to implement CSCT9000T are obviously produced. Increased productivity and improved efficiency, increased orders and sales, enhanced social brand and company image as well as solid customers’ trust and employees’ loyalty.
- Clear communication (in my cases, spreading environmental issues and labour rights): the existing domestic problems including environmental pollutions, labour rights and occupational health and safety have been clearly addressed and clarified in the CSC9000T management system standard. This can greatly help transmit certified companies’ commitments to its stakeholders internally and externally and can also help those export-oriented textile and apparel manufacturing enterprises relieve the sufferings from different degrees of international trade protectionism rhetorics, such as technical inspection, consumer protection, environmental protection and human rights requirement (CNTAC, 2010).
- Normative clarity: the CSC9000T and its set of principles and guidelines are considered as a benchmark in the Chinese textile and apparel industry and appear to be “*a pilot for future guidelines applying to other industries*” (OECD, 2008, 177).

### 7.2.3 Challenges for case companies

- Business visions recognition (Limited CSR awarenesses and concerns)
- Changed global textile trade environment
- Costly implementation of a certification

From case studies, we can see the common challenge facing with all the three companies is in relation to the business vision recognition, as I stated earlier in the theory part. Mamic (2005, 83) ever addressed an integrated management approach that four common issues usually are covered during the implementation process of CoC. They are: *development of a vision; understanding of the vision by employees and suppliers; implementation and*

*monitoring; feedback and improvement.* One of them is the importance of understanding the vision by everyone involved and affected, which implies a big challenge. While the Chinese government and CNTAC have made a lot of efforts to encourage and support responsible business conducts, there is not surprising that most of Chinese enterprises, with particular reference to the small and medium-sized private businesses are still unaware of what CSR and CSC9000T entail to a large extent (OECD, 2008). One reason can be explained that because of the short history of CSR initiatives in China, most Chinese companies are actually just getting a start with a learning process (*ibid*). Another reason leading to the implementation difficulty is that the lack of training programs and limited communication access to employers and workers for raising their awarenesses and concerns on the issue (*ibid*). The Chinese government and relevant authorities have to coordinate their functions to help transmit their expectations to the Chinese enterprises.

Another obstacle, presented in the case companies is the changed external circumstance and uncertainty of international market demands (Table 10). Concerning the textile manufacturing and machinery businesses, on one hand, the slowdown of the growth of the world economy has interrupted the textile products export; the continued appreciation of CNY has also imposed much pressure on export market. The fluctuation of raw materials such as cotton had added uncertainty to the production cost; moreover, continuous increased labour costs as well as increasingly fierce competition from emerging south Asia countries in opening their economies and developing export textile manufacturing, which all affect the profitability of the Chinese textile and apparel enterprises and increase their businesses' capital turnover pressure and operational risks (CNTAC, 2010). On the other hand, in order to cope with the severe situation, the textile and apparel companies have to put more effort in reducing the consumption and waste, raising the profit margin of the textile products and accelerating the update of machinery equipment which result in a lot of inputs of human, material and financial resources that most enterprises are restrained finally (*ibid*). In short, the Chinese textile manufacturing and machinery enterprises are now facing a dilemma and all these undermined their confidences to participate in the CSC9000T.

According to Stigzelius & Mark-Herbert (2009), the challenge combined with the costs of standards, including consultation, certification and audits during the process should be taken into much consideration when the governmental authorities get involved in industrial arena through laws and regulations. Most textile and apparel enterprises are existed in the form of small and medium sizes in China's market, which are incapable of paying huge expenses to invest in the standard. Therefore, could the implementation costs for CSC9000T be reduced when targeting to those smaller business enterprises by the Chinese government and CNTAC?

Other challenges mentioned in the theory part, like lack of diversity, lack of free, standards fatigue and questionnaire fatigue are not reflected in these case studies.

## 8 Discussion

The following chapter includes a discussion of the research questions addressed in the first chapter, with the aim of understanding the implementation of CSC9000T in China's textile and apparel industry and opportunities and challenges associated with. The empirical findings and analysis are further discussed by making reference to other relevant studies in a larger context.

### 8.1 Stakeholders

Generally speaking, the stakeholders of an organization can include shareholders, employees, consumers, suppliers, governmental bodies, NGOs and trade associations, communities and public media (Jensen & Yeh, 2009). This list can be customized according to the requires and needs of each company. The stakeholder groups theory came up with Roberts (2003) is a good example of classifying which category that which stakeholder belongs to. Actually not every stakeholder is conclusive to a company, therefore, the management of the company should properly and exactly identify the actors who particularly affect or are affected by the company's performances.

The company and its stakeholders are interactive and interdependent, according to the analysis of the case studies, which are also implied in the study of Jensen & Yeh (2009). They demonstrate in their stakeholder model that any company has to pay attention to its stakeholders and optimize its performances to these groups and individuals while the stakeholders, vice versa who can consolidate the survival of the company in the long run. By exploring the role of the different stakeholders of Chin'a textile and apparel enterprises, it can help us better and easier to realize the motives that the cases have to forward CSR initiatives and social standard, namely CSC9000T. From this point of view, the stakeholder theory serves as grounds to secure a sustainable development of an organization.

### 8.2 Motives for Chinese business to implement CSR

Similar studies, according to Jensen & Yeh (2009) indicates that the basic norm of Corporate Social Responsibility (CSR) has been expressed as benevolence and righteousness in Chinese traditional philosophical concept (Jensen & Yeh, 2009). In modern times, the norm of CSR is presented as building a harmonious society in China by President Hu jintao who emphasizes to promote "*sustainable, rapid and coordinated economic growth and common prosperity for the whole people*" (*ibid*, 1). According to Rainey (2006), stakeholders are usually a crucial part of a company's future and they can have specific economic and social interests to take responsible for natural environment and public well-being. He agrees that governments play a significant role in effecting business decisions by enacting laws and regulations as well as balancing the needs and objectives of society and businesses (*ibid*).

As the major external driving forces, the Chinese government and CNTAC attach great importance to implement CSR practices and CSC9000T standards in Chinese textile and apparel enterprises. The measures get strong supports and active responses from business managers and enterprises' executives as well. At the same time, encouraging CSR initiatives is a shared objective of the OECD and China (OECD, 2008). As the world economy becomes more globalized and integrated, OECD and China, together with other emerging countries reach a consensus to meet the challenges of promoting sustainable development and creating

conditions which can facilitate socially responsibility corporate conduct worldwide (*ibid*). Therefore, the adoption of OECD guidelines including CSR standards and voluntary principles for multinational enterprises to ensure their responsible business conduct in harmony with the local society is also highly advocated and supported by the Chinese government and CNTAC to motive Chinese businesses to do so.

However, the leadership of a corporation and the company's vision are the most critical core competencies in creating business values and sustaining long-term performance (Rainey, 2006). A company's leadership includes the executives, senior management, operational management and business units and subsidiaries. They usually have the overall responsibility on the corporation's objectives, performance criteria and social responsibility goals (*ibid*). The vision of a company normally determines the direction, strategies, programs and process of the company, from which it can achieve sustainable success (*ibid*). Therefore, crafting a sustainable enterprise through executive leadership and a correct shared business vision internally may continue the CSR initiatives process in the long run instead of external pressures of stakeholders.

### 8.3 Opportunities from the implementation of CSC9000T

The opportunities identified in the case studies show quite the same as found in previous studies and theories from Ligteringen & Zadek (2005) and Brunsson & Jacobsson (2002). In addition, the studies of the advantages and benefits of implementing CSC9000T in China's textile industry have done by OECD (2008) also summarized four expected outcomes: addressing environmental problems, improved corporate image, reduced staff turnover and international recognition by international customers, which are in accordance with my research findings somehow as well. Each of these is more closely presented below.

#### 8.3.1 Help address domestic serious environmental problems

Environmental pollution remains a serious problem in China, and is harming China's economic growth as well. Textile and garment manufacturing has been regarded all the time as the most severe pollution including air, water, resources pollution in the production field. These pollutions have degraded ecosystems and become a major threat to human health, and therefore, may limit economic growth. Abiding by CSC9000T standard requirement, the Chinese textile companies aim at preventing environmental problems instead of remedying the caused mistakes by the following steps:

Step 1: Establishing corporate policy of environmental protection by top management.

Step2: Based on the protective policy and abide by CSC9000T management system requirement, companies should implement PDCA (see Appendix) continual improvement model to promote environmental quality and build corresponding responsible system.

Step 3: Executing strict environmental assessment system in enterprise's new, change and expansion project.

Step 4: Setting up a scientific and rational resource control system within companies to improve utilization rate and promote recycling economy.

Step5: Participating in renewable energy development and energy saving voluntary agreement.

#### 8.3.2 Increased productivity and improved corporate image

Certification in accordance with the CSC9000T standard can increase productivity. A safe workplace is usually less subjected to accidents which can stop production or cause some damages, along with extra compensation costs. Once a Chinese writer stated that disregard for

the health and safety of employees are “*the most notable manifestation of the lack of corporate social responsibility*” (OECD, 2008, 156). From another angle, keeping the employees healthy and safety can minimize the absence rate and productivity loss, and reduce accompanying medical expenses. Abide by the working hours requirement of CSC9000T, many Chinese textile factories are likely to raise productivity by reducing the excessive overtime working. In addition, a pleasant working environment and improved environmental performance inside the textile factories can help reduce frictions, disputes, and raise morale to result in significant productivity.

Implementing CSC9000T can also contribute to improved corporate image (OECD, 2008). The CSC9000T-certified companies give much better opportunities to retain good workers, improve worker morale, keep healthy production and safe products, win consumers’ trusts as well as attract more business partners domestic and abroad. The good corporate performances can promote companies’ long-term development and profitability (*ibid*).

### 8.3.3 Reduced staff turnover and increased retention of workers

By nurturing company internal capabilities through improving better working conditions as stated earlier, a lower labour turnover can be expected (Stigzelius & Mark-Herbert, 2009). In these cases, the labour turnover seems highly to 15 percent within textile and garment industry (*ibid*), and Chinese textile industry has no exception for high staff turnover (OECD, 2008). Another problem revealed by Chinese enterprises is lack of chronic skills. Chinese vocational education has been widely available to students or workers from the higher secondary stage upward, especially during the time of Chinese economic reform (OECD, 2008). However, most education opportunities are still leaning towards urban residents and children from rural areas lack even basic education. Skilled workers and staff can therefore “*command a premium and are likely to job-hop*” (*ibid*, 163). Retaining skilled workers becomes an inescapable challenge for enterprises. Implementing CSC9000T standard in their textile factories are cited as another key effort to lower high turnover and deal with labour retention (*ibid*).

### 8.3.4 Securing more orders from international customers

Chinese enterprises are increasingly “going global” in last decade (OECD, 2008). In view of problems concerning the products bearing “Made in China” mark with low reputation for quality and particularly with respect to product safety, multinationals prefer to hunt resources from suppliers “*deemed capable of implementing international standards of corporate conduct*” (*ibid*, 162). In order to operate abroad and access to more opportunities and profitabilities, Chinese companies need to understand corporate responsibility standards, and adopt those standards to get more cooperations with international customers. As increased trust and confidence in these companies in host society, thereby it can make Chinese enterprises easier to get business alliances, retain orders, and even receive extra orders from other countries in a broad market prospect (*ibid*). From this point of view, implementing CSC9000T in Chinese textile industry is inevitable.

## 8.4 Challenges with CSC9000T implementation

Challenges and problems involved in the implementation in this study also prove what other academic authors state in their studies. There are three main challenges collected from case studies which are also emphasized in the previous works (see 8.4.1-8.4.3).

#### 8.4.1 Widespread misunderstandings of CSR among Chinese enterprises

Implementing CSC9000T is the first sectoral corporate standard that the Chinese government has put great efforts to establish, and embody existing laws (www, CNTAC, 2010). Despite the extensive publicity initiated by Chinese government or NGOs or international companies, the existence of widespread misunderstandings about CSR are confirmed as well (*ibid*). Most companies consider CSR as charitable activities and donations are always spent. Many other enterprises, including large, medium or small-sized firms are unaware of the need for CSR and related standards. Even more, some large companies report that they regard CSR as a burden and a distraction thing for doing business in China. More than half of small to medium-sized firm investigated show that they thought CSR had little or nothing to do with their business operation and development (*ibid*).

According to Zhang Junfeng, a specialist in the Ministry of Labour and Social Security, the biggest challenge to Chinese enterprises is awareness of CSR. There is a general perception among Chinese enterprises that CSR is “*an unnecessary diversion from doing business, and that short-term costs far outweigh less tangible long-term benefits*” (OECD, 2008, 214). Therefore, the Chinese government has to fight back these misperceptions of CSR by strongly evidence and repeatedly publicity as well. In this way, besides as a policy maker, the role of the government in China is not quite the same as that of a government in a European country.

#### 8.4.2 Costs of investing CSC9000T

The original duty of business is to make profit by complying with the law. Many enterprises in China perceive that they cannot even afford to meet the legal obligations such as paying wages on time or paying taxes (OECD, 2008). Needless to say, “*meeting societal expectations that go beyond legal compliance*” is not likely to be an important goal of Chinese government (*ibid*, 160). Besides, high implementation costs and tight budget constraints of CSC9000T are also other big challenges for small and medium companies, particularly in the private sectors, excluding the lack of management skills, technical knowledge, and manpower for monitoring (*ibid*).

A study of the information and communications technology sector in Shenzhen Province in China reports that “*the most consistent challenge articulated by suppliers is that the cost of implementing CSR standards are immediate, while potential benefits are long term*” (OECD, 2008, 161). Most Chinese textile factories do not set up the relevant systems in order to track substantial data and measure the costs and benefits of their CSR investment.

#### 8.4.3 Using CSR as a tool to support legal compliance

In recent years, the Chinese government has put many efforts into developing frameworks designed around CSR initiatives, beginning with CSC9000T management system in the textile enterprises, for example. These measures get active responses by Chinese enterprises and business representative organizations as well (OECD, 2008). However, the CSR standards have been criticized as representing a form of regulation for “*its weak links with formal organization, and for its inferiority compared with directives*” (Brunsson *et al.*, 2002, 172). For the same reason with CSC9000T, such social responsibility standard are developed not as a substitute for government laws and regulations, but it can be a good means to convey information and requirements which the relevant authorities or departments use for raising CSR awareness of Chinese textile and apparel enterprises.

There is another risk that companies that embrace CSR only to the extent of delivering documentations primarily designed to demonstrate compliance to their external stakeholders.

Therefore, perfect the legislative framework to ensure compliance needs continuous efforts by political power as incentives to put in place (OECD, 2008).

## 8.5 CSR and competitiveness of Chinese textile enterprises

The relationship between corporate social responsibility (CSR) and corporations' competitive advantages are interactive (Porter & Kramer, 2006). Many companies have done much to improve their activities related to environmental and social concerns, however, these efforts have not yet been as successful as they could be to some degree. The following sector explains these phenomena using CSR continuum by Munilla and Miles (2005).

**8.5.1 The interrelationship of the CSR continuum and basis of competitive advantage**  
Munilla and Miles (2005) have well articulated that CSR continuum as a component of stakeholder theory can have different effects to a company's competitiveness. According to them, a corporation's commitment to CSR can follow a continuum divided into three levels from compliance to strategic, to forced CSR (*ibid*). A compliance approach perceives CSR expenditures as a cost of doing business, which is not considered as a sustainable position for corporations development. A strategic CSR perspective helps companies invest in CSR for the development of distinctive competencies, while the forced CSR perspective is seen as the least sustainable position, where companies are pressured into taking CSR practices. It results in either negative effect to society or less competitiveness for the companies.

In the case studies, Huafu, New Wide and Jingwei tend to move toward a strategic CSR approach. The benefits they received give evident proof. All the same, due to the limited CSR awareness and wide misunderstanding of CSR actions, as well as other economic barriers, there are still a lot of improvements needed to make, involved many other stakeholders of the companies.

### 8.5.2 CSR critics

A critical voice of CSR related corporate competitive advantages emerging in a recent article from Porter & Kramer (2011) states that "*creating shared value (CSV) should supersede corporate social responsibility (CSR) in guiding the investments of companies in their communities*" (*ibid*, 76). They persist to consider CSV, as integrity, can bring profitability and competitive advantages to a company by creating social value through its leverage to the unique resources and expertise of the company (Porter & Kramer, 2011). Compared with the new concept of CSV, CSR initiatives seem more common and advocated among different stakeholders. As previously pointed out the corporate social responsibility raised earlier in the textile industry in China, and now are in the process of being enacted in textile companies.

Although the opportunities of CSR are widespread and increasingly growing, and some companies have begun to pay attention to their social impacts, few can really perceive these and tie them to their economic interests at business level (Porter & Kramer, 2011). The outcomes of cases companies in this paper are not quite reflected on this issue because of short of the real and internal interviews about their CSR incentives. However, from other works and authors, it can be easily found that the CSR initiatives are usually seen as a reputation-driven process and have a little or limited connection to business, which make companies hard to maintain in the long term (*ibid*).

### 8.5.3 CSR and competitiveness of Chinese textile enterprises

The CSR influence to China's textile industry is increasingly prominent. The impact of CSR on corporate competitiveness can be achieved through enhanced marketability, reputation, regulatory risk mitigation as well as innovation, according to Gugler & Shi (2009), which have been shown in the empirical results. The improved productivity and efficiency of businesses can in turn compensate the initial costs and keep a sustainable development. As Davies (2003) implies "*Corporate responsibility is a pact for mutual benefit between society that needs business for economic and social development, and business that needs a supportive business environment*" (*ibid*, 301-319).

#### 8.5.3.1 Corporate competitiveness through enhanced marketability

Corporations CSR performances directly become a criteria to access to financial and investment market, where investors give a prior consideration to companies capable of implementing CSR (Gugler & Shi, 2008). The enhanced marketplace activities of case companies are mainly reflected by establishing win-win mechanism of competition and cooperation among stakeholders oriented towards valued customers. In order to better respond customers' demands, the case companies perfect the rapid response evaluation system, including design, price, delivery, documentary, distribution, complaint investigation, and quality improvement, at the same time, they strive to offer value added service such as information of fashion trend, certification for raw materials and products, license tag, and technical consultation etc.

The increasing CSR awareness among suppliers during a supply chain also considers as a compliance with CSR performance and standards as precondition for doing business with multinationals (Gugler & Shi, 2008). According to Chhabara (2010), the companies are supposed to take responsible for their suppliers as well. Building a shared vision with suppliers, engaging them in socially and environmentally responsible behaviours, and rewarding them to do embrace CSR initiatives are important for companies continual improvement. The case studies have shown these points. However, Cooke & He (2010) state that most small and medium-sized Chinese textile and apparel enterprises are reported having no any formal discussion with their suppliers on CSR issues and they are still facing with big challenge to adopt CSR practices themselves.

#### 8.5.3.2 Corporate competitiveness through reputation

CSR programs could be regarded as an important component in building corporate image and reputation (Gugler & Shi, 2008). Dowling (2011) explained from an economist's perspective, that "*these returns are largely in the future, so the value of a good reputation to a company depends on the number of times and the range of situations it can be used to generate such value*" (*ibid*, 23). Good practice in CSR will bring huge potential benefits to companies' social image and financial returns, and vice versa. The strong empirical proof of case companies in this study show that the enhanced brand and social reputation of Huafu, New Wide and Jingwei do bring favourable financial results for further investment and development.

#### 8.5.3.3 Corporate competitiveness through regulatory risk mitigation

"*The most visible approaches to corporate responsibility today are increasingly formalized and validated through the application of costly standards*" (Gugler & Shi 2008, 6). Through widely and actively adopting these CSR instruments, like voluntary codes of conducts, standards, guidelines, principles as well as participating in certification associations and organisations, many companies are less restricted or get away from the enforced legislations by government and local authorities to some extent. However, the outcomes from case studies

show, from the opposite angle, that even though such voluntary standards can play a significant supporting role in raising CSR awareness that the relevant authorities or departments make on corporations, they cannot be a substitute for mandatory laws or CSR tools executed by the governmental authorities for legal compliance.

#### **8.5.3.4 Corporate competitiveness through innovation**

Continuous innovation is an important factor for the rapid growth of a company, which refers to product innovation, technical innovation and management innovation. In this study, since the case companies are all textile-related enterprises, they have devoted to develop new organic and recycled products, upgrade industrial structures and create a loop-locked quality management system. Porter & Kramer (2006) also pointed out that “*through strategic CSR that a firm will make most significant social impact and reap the greatest business benefits*” (*ibid*, 85) and that “*a firm will choose a unique position-doing things differently from competitors in a way that lower costs or better serves a particular set of customer needs*” (*ibid*, 88). In other words, innovation based on corporate CSR activities can bring offsets by taking advantage of new technologies and approaches to minimize costs of dealing with environmental pollutions, or improving resource productivity by using inputs better and reducing unnecessary packaging (Porter & Linde, 1995). Corporate competitive advantages can be perceived by exploiting new technologies, products, services or processes that benefit environment and society from CSR innovation (Brik, 2007).

## 9 Conclusion

With the globalization of economy and trade, and the wider consensus on sustainable development, corporate social responsibility (CSR) has triggered a social movement throughout the world. China's textile and apparel industry has played an important role in the Chinese national economic development. It currently provides direct employment opportunities for about 20 million people and which can be compared to farming being the livelihood of about 100 million peasants (www, CNTAC, 2011). The implementation of CSC9000T is a milestone to the development of the industry. As such it is vital to understand the motives, opportunities and challenges during the implementation of CSR and CSC9000T. How can these investments improve corporations' competitiveness? Conclusions are based on the empirical context bound case studies.

According to literature review, the multiple case studies of three CSC9000T certified Chinese textile and apparel companies suggest that the benefits for corporate social responsibility are often evident. Several advantages are highlighted in the case companies, for example, reduced costs and increased productivity; better reputation and satisfied workforce, and improved relationship with stakeholder groups. All of these responsible behaviours can finally to some extent enhance the corporate core competitiveness through marketability, reputation, regulatory risk mitigation and innovation.

The challenges associated with the implementation of CSR and CSC9000T, for example, limited CSR awarenesses and concerns, changed global textile trade environment and costly implementation of a certification are indicated in the case companies to a certain degree. However, either certified or non-certified textile enterprises, these issues or challenges undoubtedly need to be paid much more attentions, let alone for most Chinese small and medium sized textile companies.

The compliance with labour standards in China has initially been driven by international stakeholders such as multinational companies which require their Chinese suppliers and other business traders to comply with their codes of conduct (Gugler & Shi, 2009; Jensen & Yeh, 2009). However, the involvement of Chinese government and CNTAC can be considered as the most important reason and powerful incentive for the Chinese textile and apparel enterprises to implement CSC9000T, according to the empirical findings in this study. Under the guidance of the Chinese government and CNTAC, the first national standard, CSC9000T was introduced in China's textile and apparel industry to certify company compliance based on Chinese laws and regulations, international conventions as well as taking into consideration Chinese characteristics (Gugler & Shi, 2009). Series of supportive policies and laws and regulations are inevitable the path for the continued improvement and growth of CSR initiatives in Chinese corporations initially, the government positive attitude and rewarding systems are seen as important driving forces. In a wider context, cooperating with OECD countries and industrial experts definitely guide and promote Chinese enterprises moving faster towards CSR practices.

A global financial crisis, changed international trade environment and worldwide spread consensus on "a low carbon economy" have also impacted the process of implementing CSR practices and CSC9000T in Chinese textile and apparel enterprises (CNTAC, 2009 & 2010). The demand for Chinese textile and apparel products have suffered a serious decline during global financial crisis, which also cause less motivation for working on the environment for employees. International buyers constantly required to audit Chinese suppliers' factories

which cause huge pressures for domestic textile and apparel enterprises and operators. Furthermore, as increasingly influence of environmental aspects, the strive for "a low carbon economy" at a global political level also becomes one of the mainstream commercial values in the international supply chain. The "carbon label" has been used in clothing market in many countries to advocate environmental protection (*ibid*).

It is assumed that taking corporate responsibility, both in terms of social and environmental aspects of conduct is associated with added value. For some markets, however, it may even serve as conditions for accessing the market, on other markets, accountability will be a way to differentiate to create an added value: various markets and cultural contexts will require different levels of CSR engagement and inclusion in corporate conduct. A national standard that is adapted to the cultural context will serve as an important step in a process towards internal corporate motives to continue the CSR integration process. Establishing a scientific development scheme, strengthening corporate social responsibility and realising people-oriented harmonious society are the only solution for China to go to the world stage successfully.

External drivers currently constitute the main reasons for Chinese companies to implement CSR initiatives. Pressures from international and domestic groups, the Chinese government involvement and intervention, the changed world economy and trade environment are all examples of external drivers for CSR. As Chinese enterprises integrate the CSR concept into their long-term business management, in other words, raise CSR awareness internally and as other stakeholder groups show awareness of their efforts, they can retain a continued success in the process of CSR integration.

NGOs, a major external stakeholder in western society usually has a significant impact on companies' environmentally and socially responsible manner through their independent or unique means to affect public policies and pressure home enterprises. As a quasi-official non-profit sector, NGOs in China are not yet fully independent of the Chinese government. Many of them have been created by governmental authorities "to advance charitable, research, information and policy objectives" (OECD, 2008, 187), which are commonly referred to as "government organized NGOs" (GONGOs) or "state-owned NGOs" (SONGOs) (*ibid*). These semi-official NGOs can also directly deal with environmental and social problems faced by Chinese firms and provide access to international non-governmental forums for domestic enterprises, but they are lack of more independent identities. Therefore, should they be suggested to evolve into more independent social actors to be able to play an advocacy role on behalf of interest groups and better exert their special influences to improve transparency and willingness of CSR performances in Chinese textile and apparel corporations?

Here are still some other open questions to discuss in my study research. The focus of this study is a management perspective, but it would have been interesting to explore this subject from different stakeholders' perceptions, e.g. from workers or end customers point of view. Are the employees adequate informed and understood their responsibilities towards the socially corporate behaviours? Are the customers willing to pay higher prices to compensate for CSR unfriendly performances? And, what are the future roles for NGOs and media? How to perfect the national policy to motivate enterprises taking part in CSR activities by the Chinese government? These would be of great interests for further research.

One more question that is worth keeping in mind is that if CSC9000T will be internationally recognized or not. The CSC9000T is the first Chinese home-made social responsibility

management standard based on China's special conditions, with relation to the elements of the international standards, like SA8000. It is only applicable to the Chinese textile and apparel enterprises currently. Therefore, this question raised here is to tell readers that the standardization process is a long way to devote and the Chinese government and businesses should join together to deliver CSC9000T to a global level.

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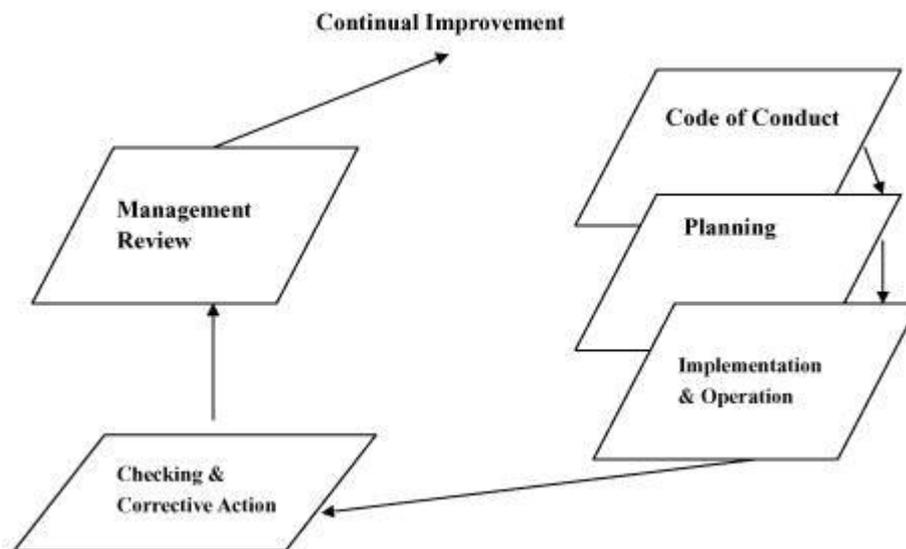
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## Appendix 1: PDCA Model

PDCA model is seen as a checklist of the four stages going through from “problem-faced” to “problem solved” (www, HCi, 2011), which is known as a management process of Plan–Do–Check–Act. It can be briefly described as follow:



PDCA Model (www, CSC9000T, 1, 2011)

**Plan** – set business goals and policies to deliver the enterprise’ commitments of corporate social responsibility;

**Do** – execute a specific procedure to realize the content of the plan;

**Check** – summarize the results of execution plan, distinguish what is right and what is wrong and find out the problem;

**Act** – process the results of confirming the successful experience and summing up the failures, at the same time, allocate the unsolved problems to the next PDCA cycle for continual improvements.