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The Influence of Context and Culture on Corporate Responsibility Expectations in South Africa

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Abstract: Our primary aim with this article is to explore the foundational role of context and culture on corporate responsibility expectations in South Africa. The secondary aim is to develop an assessment and analysis tool that captures adequately the influence of context and culture on corporate responsibility expectations, which may be adapted to study corporate responsibility issues between different contexts, cultures, business sectors, stakeholder groups, regions, nations, etc. Overall, this article contributes to the empirical study of corporate responsibility within international policy and business applications.

To explore context and culture in a specific environment, we studied advanced, i.e. post-BA economics and management students in South Africa, who provided written essays on their corporate responsibility expectations. This data collection strategy allowed respondents to use their own words, logic, and understandings about the issues under investigation. We analyzed the data using content configuration analysis and multidimensional scaling within a Hermeneutic Content Analysis framework.

The main findings are that our respondents bypass or transcend the mainstream academic literature on corporate responsibility. Their responses are more akin to the debates around sustainability. Economic and social development are the main spheres within which corporate responsibility is conceptualized among our South African advanced economics students, while environmental issues are mostly absent. The two spheres are related in that the dimensions that form the spheres are interconnected: the economic sphere is interdependently tied to social development. A finer analysis of the MDS structure reveals close ties between the respondents' expectations of the responsibilities of corporations, the historical context, and cultural dimensions prevalent in South Africa.

Keywords: corporate responsibility, culture, multidimensional scaling, Hermeneutic Content Analysis, South Africa

Introduction

The kind and degree of responsibilities of corporations are influenced by many factors, including the specific historical, political, and legal contexts and conditions (Burke, 1999), legitimization of corporate action and social support (Dowling & Pfeffer, 1975), corporate image, and competitive advantage (Mhamood & Humphrey, 2013). Accordingly, expectations relating to corporate responsibilities, often managed within a multi-stakeholder framework, have become important frames of references and sites of intense negotiations.

Context and culture mediate corporate responsibility (CR) and corporate responsibility expectations (CRE). Researchers in this field have explored what these characteristics are in specific contexts (e.g. Idemudia, 2007; Mhamood & Humphrey, 2013) and how they vary between different contexts (e.g. Factor, Oliver, & Montgomery, 2013; Orpen, 1987). For example, Wong, Long, and Elankumaran (2010) found that business students from the United States emphasize legal requirements, while Chinese business students highlight economic issues and Indian students stress philanthropy as dominant responsibilities of corporations. Hou and Li (in press) describe differences in the development of CR between the United States, Europe, and China. The authors explore how national variations relate to contextual characteristics, such as social, historical, and cultural aspects. Kim and Choi (2013) show that undergraduate students from the United States evaluate CR practices more favorably compared to students from South Korea. However, these findings have not been integrated in CR theory. There are two interrelated reasons for this. First, the concrete role of context and culture on CR has not yet been explored systematically. When it is considered, it is usually limited to reporting statistically significant differences of cross-national survey responses. The extent to which the question items in these surveys appropriately reflect context and culture remains unexplored. Second, the diverse and extensive nature of the object of study makes it difficult to identify general patterns and regularities within and between contexts and cultures.

The field of study encompasses variations in types of responsibilities, contexts characterized by different historical, social, political, and economic features, disparate sectors, dissenting value sets, variations in stakeholder positions, etc. Methods currently used to explore variations of CR based on context and culture are dominated by survey research, in which are often reflected the values, concerns, and interests of the survey designers, usually academics from advanced economies. To study the effects of context and culture on responsibility expectations in a comprehensive, yet context and culture-sensitive manner, an exploratory method is needed, which minimizes the framing of CR according to the cultural values imbued in the question items of surveys. In this paper, we aim to expand the scope of inquiry about the role of context and culture on CR and CRE.

South African advanced economics students provide an excellent case for the study of the influence of context and culture on CRE. First, South Africa represents an interesting context to explore responsibilities of large corporations. On the one hand, the country is still coming to terms with its Apartheid past, and it faces major social problems typical for a developing economy, such as poverty, inequality, and unemployment. On the other, South Africa offers an excellent business climate for corporations. In the Global Competitiveness Report (World Economic Forum, 2012), South Africa tops all African countries with its rank of 52, the third highest among BRICS-countries. Second, advanced economics students from South African universities are particularly interesting in this new democracy. They influence and will constitute the economic and political leadership of a nation characterized by tensions between historical injustices, socioeconomic challenges, and economic opportunities.

This paper consists of four parts. After presenting the cultural context of South Africa, we explore the extent to which culture and context are part of the CR literature. We then describe our methodological approach in relation to context and culture sensitivity before presenting and discussing our findings and their implications for the understanding and global implementation of CR. Overall, this paper makes contributions toward the development of culture-sensitive theories and policy-relevant applications within the field of CR.

Contextual and Cultural Background of South Africa

Transitions toward a Democratic South Africa

After the first democratic elections of the country in 1994, President Mandela's new government faced the difficult legacy of its Apartheid past, continued racial tensions, underdeveloped institutions and services for the majority of the population, and a passionate optimism of what democracy would deliver in the short run. The oppression and marginalization of non-white South Africans had caused severe socioeconomic problems. Some of the main issues were unemployment, poverty, inadequate public education and health care services, and inequalities along racial lines (Adelzadeh, 2003; Deegan, 2001). The newly elected government needed to develop rapid and effective social and economic policies to facilitate a peaceful transition. It adopted a constitution in 1996, considered one of the most progressive in the world (Marais, 2011), which guarantees citizen rights to adequate housing, health care services, food and water, social security, and basic education, among other things (South African Constitution, 1996, Chapter 2).

Also implemented was the Reconstruction and Development Program (RDP, 1994), which promised government interventions to develop the country. Among many other proposals, the program scheduled the provision of at least one million houses within five years. However, the government soon realized that the available resources were insufficient to achieve the aims and to meet the basic needs of its citizens (Barberton, 1995, cited in Deegan, 2001). In two years, only 15'000 houses had been constructed (Deegan, 2001). As a consequence of an Apartheid history and democracy-inspired high expectations, due in part to a progressive constitution in association with unrealistic election promises, service delivery protests and rights-based court cases soon followed (Goebel, 2011; National Planning Commission, 2012). Although progress toward social and economic development is slow in many sectors, the political heirs of this complex system continue to extend former promises to stand a chance in each subsequent election, and to pacify the majority of the historically disadvantaged and discriminated population.

Corporate Expectations

The state also adopted business-related strategies to encourage investment and redistribute wealth. In 1996, Trevor Manuel, then Minister of Finance in the new post-apartheid dispensation, introduced a major macro-economic program, entitled Growth, Employment and Redistribution (GEAR; Department of Finance, Republic of South Africa, 1996), which included efforts to increase employment opportunities, improve wages, reduce the budget deficit, and liberalize markets. This program was followed by other business-related initiatives (National Planning Commission, 2012; The Presidency, Republic of South Africa, 2006). Waged jobs increased the standard of living, and it lowered poverty and inequality for many South Africans. The government took additional steps to create favorable business conditions in order to attract foreign and private investment. For example, the government liberalized trade and capital flow, introduced a regressive tax system, and expanded the national infrastructure to reduce service deficiencies (Marais, 2011).

To stimulate economic growth, the Mandela government assigned corporations a central role. It did not merely invite corporations to assist in the country's economic development; it actually expected them to be the drivers (e.g. National Planning Commission, 2012). One reason for the pressure government exerted on corporations after 1994 was rooted in the actual and suspected collusion of many major domestic and overseas corporations with the Apartheid regime. Some domestic corporations were even set up as sanctions-busting enterprises. Of course, the roles corporations assumed during the Apartheid era were manifold, ranging from outright collaboration to awkward co-existence. Even though many foreign corporations were prevented by their governments from participating in South African markets due to an international boycott before 1994 (the disinvestment left a vacuum for South African companies), many national and international corporations nevertheless colluded with or actively profited from the situation and, thus, maintained an Apartheid government materially and ideologically.

With varying degrees of complicity across almost half a century, corporations participated in the racialized labor market and, thus, contributed to black segregation and deprivation (Mangaliso, 1997; Truth and Reconciliation Commission of South Africa, 1998a). Because of such behavior during this era, corporations, in general, are often regarded as partly responsible for the oppression of the majority of South Africans (Truth and Reconciliation Commission of South Africa, 1998a). After 1994, the collusion of corporations with the Apartheid government formed the basis of the demand for reparations and assistance for the formerly disadvantaged groups (Everatt & Solanki, 2004; Truth and Reconciliation Commission of South Africa, 1998b). One of the roles corporations were meant to play in the eyes of the government was to make amends for past misconduct.

Evaluations of the post-Apartheid government's economic initiatives and efforts show a mixed picture. The country made progress in the area of poverty eradication but poverty, unemployment, and inequality remained (and still remain) problem areas (Millennium Development Goals Country Report, 2013; The World Bank, 2014). The limited success had two important consequences. First, it contributed to a discourse of citizen involvement (Marais, 2011). Since 1994, extensive promises of improvement were a central device used by political leaders to retain power and maintain relative peace and order in the country. The outcomes of social and economic interventions, however, repeatedly revealed the insufficiency of the government's resources and capacities to achieve its lofty aims. The government found itself in a difficult situation. It had to maintain promises in the face of public expectations, even though most political leaders were aware of the impossibility of satisfying these in the short run. The government increasingly referred to enablement, empowerment, and self-help of its citizens (ibid.). For example, the ruling party proposed that the "attack on poverty must seek to empower people to take themselves out of poverty" (ANC, 2007). Second, non-state actors, including corporations, needed to become more active in these pursuits. Some corporations became involved in welfare, education, health and HIV/AIDS, crime prevention, etc. (Hamann, Agbazue, Kapelus, & Hein, 2005). This engagement was based on government support and self-interest on the part of the corporations, but it also helped shape corporate expectations in South African society.

Ubuntu

Public and state expectations toward private corporations were fostered and reinforced by South African cultural values. One of the most important values in the complex cultural landscape of the country is Ubuntu. It combines the core values of respect, caring, and solidarity, and it is characterized by a strong belief in

reciprocity, connectedness, and interdependence (Murithi, 2006). Applied to business, Ubuntu emphasizes “fair resource distribution” and “sharing of the earth’s resources for the benefit of all” (Murithi, 2006, p.32). Corporations managed along lines of Ubuntu are expected to share wealth and make “(at the very least) basic services, such as food, housing access to health and education accessible and visible to all members of ... [the] global family” (Nussbaum, 2003, p.3). The downside of Ubuntu in a corporate and government setting is its potential link to opportunism and entrenched corruption.

In sum, different developments in South Africa’s recent past, primarily associated with a relatively peaceful transition from Apartheid to a democratic government, in conjunction with a pronounced cultural value set, may have created a set of expectations on how businesses ought to be conducted in South Africa, not only in the population at large but also among some of the future business and political leaders.

Responsibilities of Corporations

Before we explore the links between context and culture on corporate responsibility, we will outline relevant strands in the literature on expectations toward corporations. Two approaches stand out in the literature: the classical approach to corporate responsibility and an ever-increasing tenor relating to sustainable development.

CR Approaches and Their Link to Context and Culture

Responsibilities covered by CR theories are diverse and numerous (Garriga & Melé, 2004; Melé, 2009), encompassing value maximization (Friedman, 1970), citizenship rights (Matten & Crane, 2005), ethical responsibilities (Carroll, 1979), production (Preston & Post, 1981), advancing the social good (McWilliams & Siegel, 2001), and others. Most approaches share a common characteristic in that they clearly distinguish between economic responsibilities and non-economic responsibilities, the latter including legal, ethical, philanthropic, and social responsibilities. For example, McGuire (1963) differentiates between economic responsibilities, legal obligations, and responsibilities to society exceeding economic and legal obligations. Relations between economic and non-economic responsibilities are presented in three ways. First, their relationship is thought to be independent and hierarchical (e.g. Steiner, 1971; Tuzzolino & Armandi, 1981). Linked to this, economic responsibilities are usually presented as antecedent, fundamental, or superior to non-economic responsibilities. For example, Carroll (1979) presents a model consisting of four types of responsibilities: economic, legal, ethical, and discretionary (later termed philanthropic). Here, economic responsibilities are fundamental and all other responsibilities are predicated on these. Second, authors focusing on non-economic responsibilities often detach them from economic responsibilities.

In these approaches, economic responsibilities are assumed or taken for granted. Even though Davis (1960), for example, implies economic responsibilities, he does not elaborate on them but, instead, emphasizes responsibilities emanating from the power of corporations. Third, theories focusing on responsibilities of one type often present these in opposition, antagonistic, and incommensurable to other responsibilities (e.g. Friedman, 1970; Visser, 2010). For example, Friedman emphasizes profit generation (i.e. economic responsibility) and presents spending on social expenditures (i.e. non-economic responsibilities) as unethical and contradictory to corporate goals. Similarly, writers focusing on ethical responsibilities often present these as antagonistic or at least independent to economic interests – as a form of necessary additional costs that need to be incurred for a corporation to be considered responsible.

Contextual and cultural influences on corporate responsibility are rarely covered in the CR literature. Of course, a plethora of studies exists in which statistical differences of responses (e.g. managers from different

countries) on CR-related survey items are compared across groups of respondents. There are a number of problems with this approach. First, it is not clear whether the questions, usually developed in a specific cultural space and historic moment, are relevant to a particular context or culture. Second, and associated with this critique, it is likely that the question items or constructs embedded therein are interpreted differently by different respondent groups. Third, and as a consequence, the meaning of the differences in responses may, thus, neither be interpretable nor comparable. In short, most standardized surveys relating to CR may not adequately study context and culture because they may ask the wrong questions, may be interpreted differently by different groups, and may, therefore, not allow comparison and interpretation.

Finally, issue framing is typically part of a closed-ended survey question. For example, most of our respondents would have rated the protection of the environment as very important if we would have asked a question on environmental protection. However, environmental protection was clearly not part of their mental map when asked for an open-ended, unstructured response where they use concepts and connections according to their own understanding of CR.

Even though laws, regulations, norms, values (Carroll, 1979; Aupperle, Carroll, & Hatfield, 1985), public policy, public opinion (Preston & Post, 1981), and citizens' rights (Matten, Crane, & Chapple, 2003) imply a sensitivity toward contextual and cultural differences, few explicit elaborations that directly address such differences exist. Whenever differences in context and culture are mentioned, they tend to refer to non-economic responsibilities. For example, the ethical dimension of Carroll's model of corporate performance "reflects unwritten codes, norms, and values implicitly derived from society" (Aupperle, Carroll, & Hatfield, 1985). The theories thus indicate that contextual and cultural aspects are relevant only for non-economic responsibilities without developing this point further. Thus, theories of CR conceptualize responsibilities of corporations as two separate clusters: economic versus non-economic. Contextual and cultural influences, where mentioned, are associated with non-economic concerns.

Sustainable Development Approaches to CR and their Link to Context and Culture

Sustainable development is a systemic approach that does not focus on corporations *per se* but describes global relationships, dynamics, and mechanisms (Strange & Bayley, 2009) pertaining to societal institutions, of which corporations are part. At the center of this approach is the idea that resources ought to be managed so that they remain sustainable and allow current and future generations to meet their needs (World Commission on Environment and Development, 1987). Because corporations play a central role in the extraction, allocation, use, and distribution of resources, sustainable development is increasingly linked to CR (e.g. Kleine & von Hauff, 2009; Strange & Bayley, 2009).

The literature on sustainable development presents the economy, society, and the environment as inextricably interlinked global systems (Strange & Bayley, 2009), from which follows that most actions have multiple effects on systems and subsystems. Because of the interrelatedness of systems and subsystems, effects of corporate actions are not limited to the economy but also encompass social and environmental dimensions, as do social and environmental changes effect corporate action windows and, thus, corporations. CR, in the sense of sustainable development, "integrate[s] social and environmental concerns in ... business operations and in interaction with ... stakeholders" (Commission of the European Communities, 2002, p.5). The non-economic, i.e. the social and environmental dimensions, thereby, are not regarded as separate add-ons to the economic dimensions. In contrast to the classical CR literature, economic, social, and environmental

dimensions must be understood as non-hierarchically interdependent.

Context and culture feature regularly and explicitly in the sustainable development literature. Several authors identify both as central for sustainable development (e.g. Meuleman, 2013; Hawkes, 2001). However, most approaches are centralist and use monolithic notions (e.g. *the economy* or *the climate*; Meuleman, 2013). Even though context and culture are recognized as central to sustainable development, they have not been integrated in the mainstream literature (Hawkes, 2001) but are often treated as obstacles to be managed or eliminated (Meuleman, 2013). Accordingly, the influence of context and culture on sustainable development, especially with regard to CR, remains vague and idealistic.

The conceptualization of CR from a sustainable development perspective differs from that of classical CR theory. Although both refer to economic and non-economic responsibilities, the dominant CR theories consider non-economic responsibilities as separate, conditional, and optional, while sustainable development posits that economic development is irreducibly interconnected with social development and environmental concerns. Neither examines in detail the influence of context and culture on CR. In this article, we will explore the dimensionality of corporate responsibility, interrelations between the dimensions, and extent to which context and culture nuance CR expectations. With this analysis, we hope to sensitize work of this nature to the importance of context and culture, which are omnipresent and fundamental to expectations and negotiations relating to CR.

Methods

To capture context and culture-sensitive data, data collection must be non-leading as much as possible in order to allow study participants to express themselves in their own language and along their own socio-cultural dimensions of thought. Exploratory interviews or essay writing are two examples of such data collection methods. Given the target populations' familiarity with writing narratives, we decided on an essay-like method, not only because of its advantages in relation to data collection and transcription, but it also creates an excellent basis for subsequent comparative studies between nations, sectors, stakeholder groups, etc. Between May and October 2013, 37 written responses ranging from 66 to 215 words were collected from advanced, i.e. post-BA economics students, studying at the Universities of Johannesburg and the Witwatersrand, both in the Gauteng Province of South Africa. Participants were asked to give written responses to two questions: "In your opinion, what are the responsibilities of large corporations?" and "Why do large corporations have these responsibilities?"

We analyzed the essays using Hermeneutic Content Analysis (HCA; Bergman, 2010), which consists of three steps. The first step consists of an initial qualitative content analysis to identify thematic dimensions within the texts. For this, we used Content Configuration Analysis (CCA; Bergman, 2011; Bergman, Bergman, & Gravett, 2011) to explore the thematic dimensionality of CR as conceptualized by our study participants. There were 261 responsibilities identified in the essays. Examples of responsibilities included "maximize shareholder value," "develop and improve people's standard of living," "invest in initiatives related to schools," or "alleviate poverty." Inductive coding of these responsibilities yielded 12 dimensions and sub-dimensions, namely finance and profits, employment, throughput, business relations, the national economy, leadership and decision-making, ethics, skill development, community development, social development, environment, and unspecified mentions of CR. In the second step of HCA, a quantitative dimensional analysis was used to explore the structures underlying the dimensions identified in the first step, which are based on the

261 responsibilities subsumed within the 12 dimensions. We examined the structures underlying these dimensions by applying multidimensional scaling (MDS). MDS is a quantitative technique to visualize relationships between objects. Co-occurrences of dimensions were calculated using the Association Strength Index (Van Eck & Waltman, 2009). The MDS figure was computed by applying a primary approach for ties and a non-metric procedure, using NewMDSX (Roskam, Coxon, Brier, & Hawkings, 2001-2012). The third step of HCA improves on the interpretation of the structures identified in the second step (Bergman, 2010). This third step consists of a recontextualizing qualitative analysis. More precisely, we return to the results of the CCA, as well as the raw data, the essays, in order to better interpret the MDS maps calculated in Step 2, to either confirm or elaborate on the structures identified with MDS, and to gain a deeper understanding of the meaning of the MDS structures.

Results

The first set of results presents the dimensionality of CRE by our participants. The second connects these expectations to contextual and cultural characteristics of South Africa.

Structures of Corporate Responsibility Expectations

The first analysis focuses on identifying the dimensions of CRE and their relations to each other among South African advanced economics students. For this purpose, we computed a two-dimensional figure representing the co-occurrences of the 12 dimensions in the data.

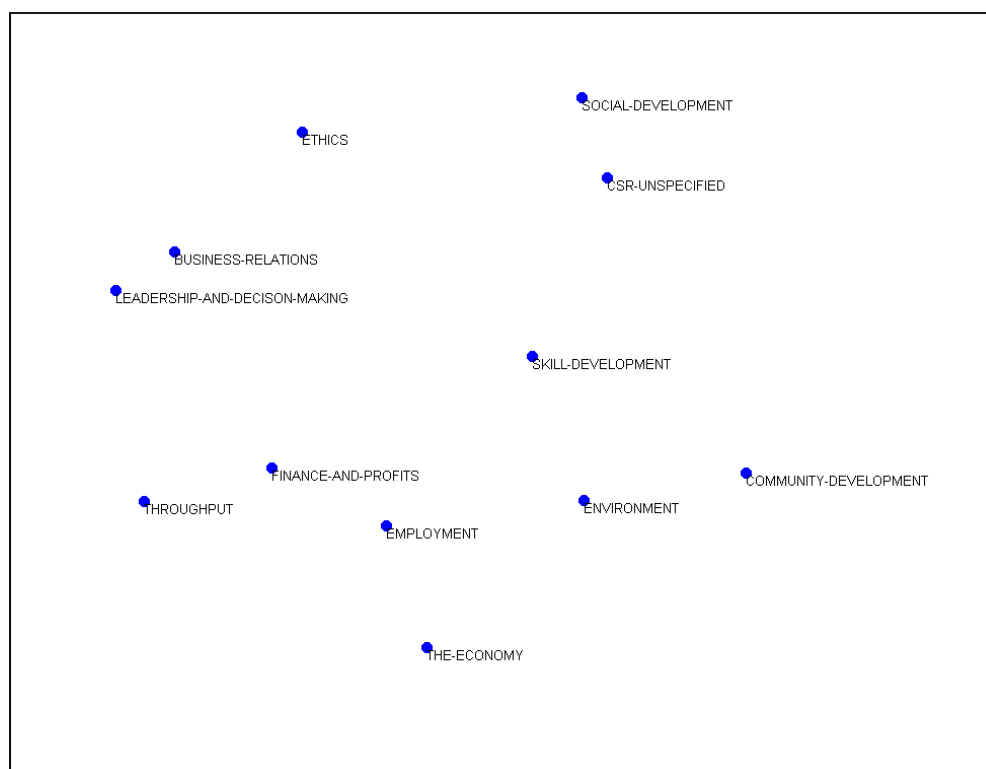
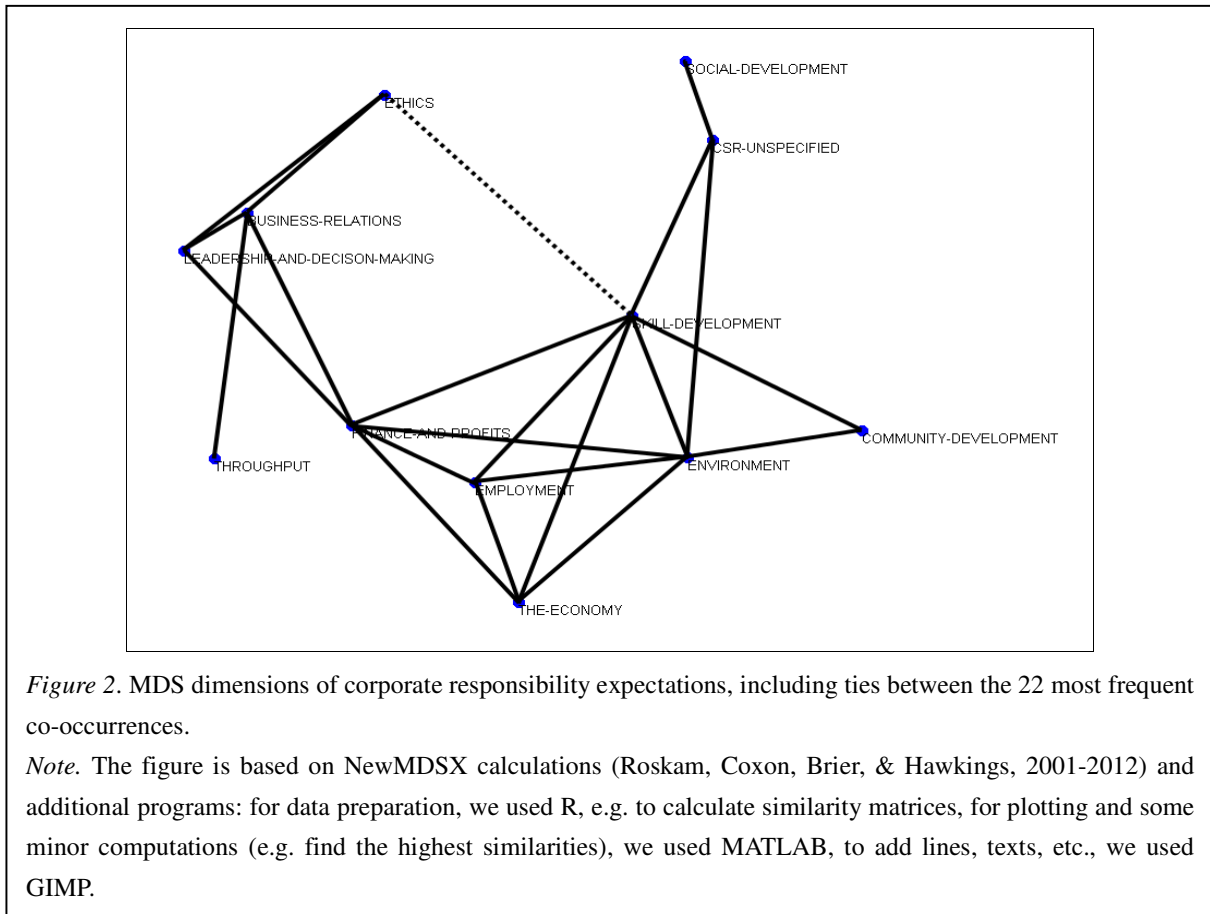


Figure 1. Co-occurrences of the 12 dimensions in the data

The points in Figure 1 represent the different dimensions. The spatial relationships between these points reflect the relations between the dimensions in the narratives. The more systematically the two dimensions co-occur in the essays, the closer the points representing these dimensions are located in geometric space, and the more they need to be interpreted in relation to each other. Analogously, the less systematic two dimensions co-occur, the more distally they are plotted in relation to each other, and the more they can be understood as orthogonal or independent from each other. Accordingly, the output of our MDS analyses can be interpreted as a form of a collective mental map that reflects the contextual and cultural nuances with which our participants expressed their expectations of the responsibilities of large corporations in their own thoughts, words, and cognitive meaning constructions.

In Figure 1, the dimensions labeled finance and profits, and throughput are direct neighbors, which implies that mentions relating to finance and profits in the narratives co-occurred with throughput. Thus, the dimension throughput must be understood as closely related with the dimension finance and profits among the mental map of our respondents. In contrast, the dimension social development is relatively distant from the dimension finance and profits, signifying that social development did not frequently co-occur with finance and profits. Accordingly, respondents whose CRE included finance and profits seem to dissociate this dimension from social development. In contrast, those who mention elements relating to social development do not include finance and profits in their mental map.

The composition of the dimensions displayed in Figure 1 reveals two spheres of responsibilities. On the left side of the figure, we find responsibilities related to economics, such as business relations, leadership and decision-making, finance and profits, throughput, the economy, and employment. On the right side, we find dimensions associated with non-economic responsibilities. Located in this area are the dimensions of social development, CR (unspecified), skill development, community development, and environment. If we consider that there were only 12 distinct environment-related mentions in the raw data, we can conclude that the non-economic expectations are clearly dominated by social development concerns, and that environmental concerns are marginal. We therefore label these two spheres the economic and social development spheres. We will explore the environmental dimension in more detail later, but based on this initial analysis, we find that our sample of advanced economics students divides corporate responsibility into two distinct spheres: an economic sphere and a social development sphere. In the next analytic step, we explore the relations between the two spheres by examining the connections between the dimensions composing the two spheres. To achieve this, we first identify the quartile of pairs of dimensions that most often co-occur in the narrative data and then map these into Figure 2.



The adjusted figure reveals a semi-circle-like structure, known as a horseshoe pattern (e.g. Coxon, 1982). Every dimension co-occurs frequently with a proximate neighbor and less frequently with dimensions further apart. The curved pattern of the horseshoe reveals co-occurrences between dimensions belonging to both spheres. For example, the dimensions employment, the economy, and finance and profits co-occur frequently not only with each other (making them a formative cluster of the economic sphere) but, albeit to a lesser degree, also with the dimension skill development. This means that skill development as a dimension from the social development sphere forms many interconnections with the economic sphere such that it must be interpreted as a link or bridge to the economic sphere. In other words, skill development among employees or community members, although a formative component of responsibilities associated with the social sphere, is understood among our respondents as contributing to the economic sphere of CRE.

The environmental dimension plays a particularly interesting role here. Even though it is an underdeveloped dimension (not even 6% of the expectations relate to the environment, and environmental issues, where mentioned, were vague and undeveloped in the narratives), it nevertheless plays an important role in connecting the economic and the social development sphere. According to the mental map of the respondents, environmental issues are not a third pillar but, instead, connect the economic with the social sphere. Thus, we can state that, first, environmental issues play a subordinate role in relation to corporate responsibility expectations, far weaker than expectations relating to the social development, and, second, that

environmental concerns form a link between social development (e.g. find sustainable solutions for energy needs of society) and economics (e.g. economic activities put strain on the environment). Thus, even though a weak dimension, it ties the economic and the social sphere together, similar to the skill development dimension. Thus, the collective mental map reveals that even though expectations of corporate responsibility is divided into an economic and a social development sphere, they are interconnected, especially by the well-developed dimension skill development and a less well-developed dimension environment.

Our analysis of Figure 1 and Figure 2 indicates that there are direct relationships between economic and social development responsibilities. This finding is based on frequency counts, which are abstract and decontextualized co-occurrences between themes derived from the coding of narrative data. In the third HCA step, we return to the narratives to recontextualize our findings, not only to seek confirmation but also to extract deeper interpretations of our data structure. In simple terms, we return to the raw data to check whether we could identify relations between economic and social development responsibilities to confirm and to elaborate our findings so far.

Our analyses revealed several direct connections of economic and social development responsibilities. For example: The phenomenal amounts of financial, human, physical capital that forms the constituents of large corporations enables firms to make supernormal returns. The funds made here are sufficient to fund not only the salaries and running costs of the employees/ers but also to make a difference in our world. Initiatives such as CR help to balance out the imbalances of the have and have nots in society and to invest in initiatives related to school, service provision, etc. (W6).

This respondent links finance and profits, employment, CR (unspecified), social development, skill development, and throughput. Thus, our recontextualizing analysis illustrates the connection between the economic and the social development sphere. Furthermore, the recontextualizing analysis deepened our knowledge about how these spheres are connected by showing the central role the dimension skill development plays. Our analysis shows that skill development is used in two different ways to connect the two spheres. In the first, participants describe an obligation of corporations to provide skill development opportunities based on moral grounds, i.e. as a form of compensation for the value they extract. The above excerpt is a good example of how “supernormal returns” bind corporations to such developmental duties. Alternatively, participants link the social and economic spheres through a skill development feedback-loop. In this second way, investment into skill development projects provides corporations with skilled workers, thus facilitating value extraction. In this case, CR is presented not on moral grounds but rather because investing in society is a way of investing into the future and profits of the corporation. Here an example of this second interpretation of skill development as a link between the two spheres:

These industries can offer skills and training to try to eliminate the issue of scarce skills in the labor market in order to lower unemployment and hence improve skills and expertise of individuals that would be utilized in the work place (in the long run) (W4).

By recontextualization, we understand that skill development not only connects the economic and social spheres in multiple ways, but also that it is justified using different reasons. On the one hand, it can be used to placate the communities surrounding large corporations and, on the other, it is a way of investing into the corporation by activating and improving the skill set of the labor force.

Returning to the narratives also reveals that CRE are less influenced by mainstream CR theory (e.g. legal, ethical, and philanthropic concerns are difficult to discern) but far more guided by a sustainability discourse,

particularly emphasizing the social development dimension, while nearly excluding the environmental. If the environment plays a role at all, is as an interconnector between economic and social development concerns. This finding hints at the influence of context and culture on CRE, the focus of the next set of analyses.

The Role of Context and Culture on CRE

In Figure 1, social development, for example, encompasses the specific expectations “reduce poverty,” “lower unemployment,” and “foster social welfare.” Every dimension in Figure 1 represents a set of explicitly named responsibility expectations. In this final analytic step, we explore sets of expectations that are in close proximity in the horseshoe pattern to understand what these sets have in common. The analyses reveal that proximate dimensions within the horseshoe pattern form groups, which correspond to specific corporate roles. For example, the dimensions social development, CR (unspecified), and skill development cluster within the horseshoe pattern. Exemplars of CRE from these three dimensions refer to corporations as change agents, i.e. actors that are expected to change social structures. They include “poverty eradication” (W12), “tackle some of the issues we are facing” (W6), “minimize the level of crime in the country” (W16), and “uplifting unempowered and uneducated people” (J18).

Based on this analytic process, we identified seven corporate roles underlying corporate responsibility expectations. These are: respect basic principles of behavior, achieving goals, perform, impact business environment (i.e. provide employment, satisfy a need, contribute to economic growth), care for the social environment (i.e. respect the rights of workers, give back to communities, contribute to building the economy of the country), and change and support society. Figure 3 superimposes the different corporate roles onto the dimensions of corporate responsibilities.

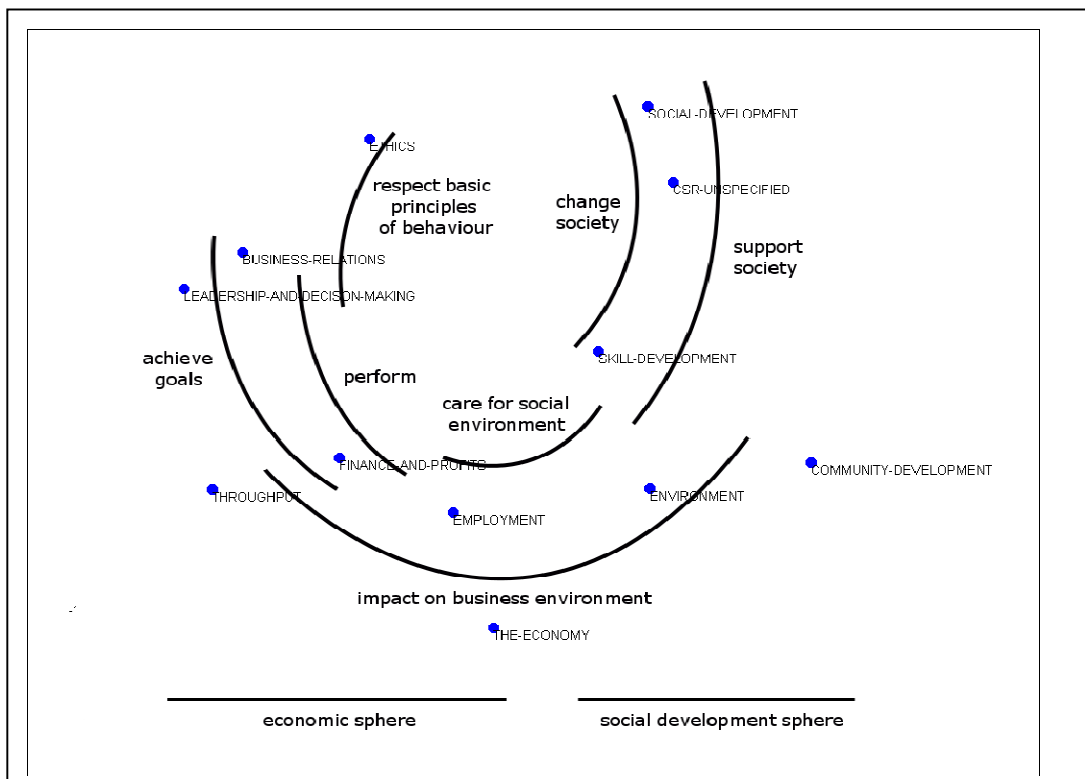


Figure 3. MDS output of the dimensions of corporate responsibility expectations including corporate roles

Notes of figure 3. The figure is based on NewMDSX calculations (Roskam, Coxon, Brier, & Hawkings, 2001-2012) and additional programs: For data preparation, we used R, e.g. to calculate similarity matrices, for plotting and some minor computations (e.g. find the highest similarities), we used MATLAB, to add lines, texts, etc., we used GIMP.

While this analysis describes the dimensions of corporate roles, it cannot explain their context. For example, it cannot explain why corporations are expected to contribute to positive change of societal structures. To explore the extent to which context and culture influence CREs of the advanced economics students, a secondary qualitative analysis of the students' narratives was conducted. The first corporate role refers to corporations as change agents of societal structures.

Here are two excerpts of narratives associated with this role:

Many companies benefited from the policies of the Apartheid government and should thus now ensure that they contribute towards redress. (W14)

The only way we can make our world a better place and tackle some of the issues we are facing is if we do it together. Emphasis being placed on those who have the financial muscle to do so. (W6)

These narratives imply that corporations should make positive contributions to societal structures because of their past misconduct and because they have the financial capabilities to do so. This understanding is related to the South African context as introduced at the beginning: South Africa's Apartheid past, the role some corporations played in maintaining Apartheid, and the government's post-Apartheid strategy to integrate business to foster socioeconomic transformation of the nation.

The second corporate role describes corporations' impact on the national business environment. Here are two examples: [large corporations] stimulate economic growth and provide employment for individuals in an economy. (J5). A large corporation should also create employment because they tend to have a larger market share as compared to smaller corporations. And since large corporations have a bigger market share the decisions that they make can have a greater impact on the economy in terms of economic growth They have these responsibilities because they are a key player in influencing the GDP therefore, if they are irresponsible they can have very negative effects on the economy such as inflation and increasing unemployment. (J3)

Here, corporations contribute to the growth, reputation, and stability of the economy, and they create employment. The idea of corporations as actors that can stimulate economic growth and create employment is central in the understanding of South Africa's political leaders and forms the basis of economic intervention programs. For example, the government attempted to create favorable conditions for business in order to stimulate economic growth and reduce unemployment. The third corporate role refers to corporations as actors that should look after and provide for communities and society in various ways. For example, corporations should "donate money to shelters" (J2), "invest in initiatives related to school" (W6), and "invest in the external environment" (W4). In the narratives, this corporate role refers to giving back to the communities or society because they extract value or exploit its resources. Here are some excerpts:

To develop the communities in which they operate, by ... giving bursaries to promising students from the area to further their studies, making sure that there are proper schools in the local community Because first of all: they "tap" from the local communities, i.e., use their resources and people to make profits, so they should invest back into the community. (J4)

However, the reason for this profit is not only for the shareholders but all invested stakeholders, this includes the public, government, and employees that help make them a large success. As such, substantial share of profits should be used to help develop and support social projects and uplift the communities that they operate in. (W13)

According to this cluster, corporations depend on communities and society to achieve their economic goals. In return, in the sense of balance or punishment, they must reciprocate by sharing their earnings and take care of the needs of the community or society within which they operate. Reciprocity, sharing, caring, or rectifying are typical cultural components of Ubuntu. Interestingly, this cultural dimension connects with a rights-based mindset. Constitutionally enshrined and reified during each election cycle, many South Africans have come to expect their share of the profits and successes of corporations. And the more success a corporation is perceived to have, the more it is expected to share its wealth and success with even unaffiliated individuals, the local community, and the state.

The fourth and final corporate role describes corporations as partners in a network of a multi-stakeholder environment. For example, corporations should “protect the rights of their employees” (W15) and “act responsible and with prudence toward the environment” (J18).

Here are two additional excerpts: To ensure the welfare of their employees ... It would be unethical for a corporation to not advance any form of support to the people who are the reason for their continued success. (W10). Large corporations have the responsibility of producing efficiently by not using material that will harm the environment. (J2)

The final set of analyses revealed the intricate links between CRE, context, and culture, which is particularly pronounced in responsibilities associated with social development. Connections of this kind are in accordance with the government’s economic model, in which economic growth associated with employment leads to higher standards of living and the eradication of poverty and inequality. Thus, our advanced economic students, when reflecting on responsibilities of large corporations in South Africa, are reproducing the government’s social development narrative, imbued in its historical context and in cultural values.

Our findings on the influence of context and culture on CRE among South African advanced economics students may be summarized as follows: first, responsibilities cluster around 12 dimensions (finance and profits, employment, throughput, business relations, the economy, leadership and decision-making, ethics, skills development, community development, social development, environment, and unspecified CR mentions). Second, the responsibility expectations are divided into an economic and a social development sphere. Third, there are systematic links between the two spheres. From the content of the narratives as well as from the structural characteristics of the dimensions based on MDS, it appears that corporate responsibility is described by way of sustainability rather than classical CR theory, especially in relation to the concepts used in the narratives and the interrelationship between the economic sphere and social development sphere. Fourth, underlying the structure formed by the CRE are corporate roles. Fifth, the contextual and cultural characteristics of South Africa systematically shape roles corporations are assigned. The effect of contextual and cultural characteristics is especially pronounced in the social development sphere.

Discussion and Conclusion

In this paper, we explored the influence of context and culture on CRE among advanced economics and management students from South Africa. More specifically, we explored the structures underlying CR

dimensions and the meaning of these structures, as well as their links to context and culture in South Africa. With this study, we have made a number of contributions.

First, we found that our study participants ascribe varied roles to corporations, such as to rectify previous harm and positively change society. Based on these corporate roles, they assign specific dimensions of responsibilities to these corporations, such as profit reallocation and social development. These findings help to explain, anticipate, and frame CR in different contexts and cultures. For example, our findings from this small sample of respondents indicate that a corporation operating in South Africa is expected to engage in positive societal change and social development on a community and national level. Our findings also help to understand what this responsibility means: the corporation is expected to contribute to social change (e.g. eradication of poverty) through the effects that it has on the direct business environment (e.g. employment and skill development of employees). However, our study population is limited to a non-representative sample of advanced economics students. One extension of this study would be to widen the investigation to a more general population.

Second, our investigation shows that context and culture play a central role in CRE. Contextual and cultural aspects shape the roles ascribed to corporations and therewith the responsibilities they assign to them. In addition, contextual and cultural characteristics are at the basis of relations between corporate roles. Multinational corporations must deal with different and sometimes contradictory regional and national contexts, cultures, and expectations in order to manage stakeholders adequately. A comprehensive framework describing the dynamics of context and culture on CRE would be of interest to these corporations as well as to relevant stakeholder groups engaged in these issues. Our study represents a step towards developing such a framework and methodology.

Third, our study illustrates that CR theory is relevant in only limited ways to what our target group expects from corporations. The distinction between economic and non-economic responsibilities was replicated here. However, our findings support the idea that the economic and the non-economic (in the South African case, especially the social development) spheres, were considered inseparable and interdependent, more akin to the understanding of sustainability. The latter is also favored by the fact that ethical and philanthropic concerns are inseparable and strongly connected to a social dimension. Environmental resources and concerns play a minor and diffuse role among our participants.

Fourth, this study aimed at exploring context and culture-sensitive expectations around CR. For this purpose, a mixed-methods research design was developed that emphasized an inductive and exploratory approach. HCA allowed us to explore the dimensions of responsibilities, the structures underlying these dimensions, and the meaning of these structures. This approach offers new possibilities in the investigation of context-specific and cross-cultural perspectives on corporations. An application of this approach in other contexts could help to identify general patterns describing the role of context and culture for the responsibilities of corporations, as it could be used to explore dimensions of convergence and divergence among stakeholder groups (e.g. between government representatives, NGOs, and corporations), comparisons between industry sectors or firms within an industry sector, specific areas of disagreement during negotiations, and so on.

In this article, we showed how the perspectives of individuals on the responsibilities of large corporations are systematically structured. Context and culture contribute considerably and fundamentally to the shape and interpretation of these structures. To achieve this, we developed a research design that permits investigations of

context and culture using non-numeric data, i.e. data that is much closer to human reasoning and interaction. Even though much research still needs to be conducted in order to comprehensively understand the role of contextual and cultural characteristics on expectations of different agents toward corporate responsibilities, in this study we presented a new approach and some relevant patterns, which we hope may inspire future research in this field.

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The Research of CSR Measurement System for Chinese Pharmaceutical Companies: A Delphi Study

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Abstract: The Chinese market and Chinese companies are of increasing importance for the global pharmaceutical industry. However, pharmaceutical companies in China have been confronted with persistent and increasing criticisms for the poor quality of medicine, environmental pollution, and practice of commercial bribe in marketing. Along with the increasing call for a higher standard for corporate social responsibility (CSR), there appears a call for construction of a measurement system to help business practitioners in their efforts to take CSR initiatives. This study aims at establishing a CSR measurement system for pharmaceutical companies in China. The Delphi method with a panel of 26 experts holding diverse backgrounds is adopted during the research. Two rounds of interviews are conducted to collect experts' opinions on the candidate indicators of the CSR measurement system. After two rounds of Delphi survey, a CSR measurement system for Chinese pharmaceutical companies is suggested. This three-level system includes eleven stakeholders and 96 indicators. In this study, a CSR measurement system based on stakeholder theory is developed with adoption of the Delphi method. The measurement system could serve as an industry consensus and assist the pharmaceutical companies to conduct business with a greater conscience. The drug administration agency can also use this system as a complementary method to strengthen industry supervision and regulation.

Keywords: corporate social responsibility, CSR measurement system, Chinese pharmaceutical industry, Delphi method

Introduction

China's pharmaceutical market has steadily experienced significant growth in the past few decades, and now it has become the pillar industry for Chinese economic development. According to official statistics from China, the pharmaceutical industry was one of the most rapidly growing industries in China during the "Eleventh Five-year Plan" (2006-2010). The total industrial output value increased to nearly US \$200 billion in 2010, representing more than a 20% growth rate within those five years. The total profit of the pharmaceutical market in China had been increasing at an annual rate of more than 30% percent and reached nearly US \$23 billion in 2010 (CFDA, 2013).

The significance of Chinese pharmaceutical market is also marked by other countries' reliance on it. China has already become an important exporter of pharmaceutical products in the world. The total export value of China's pharmaceutical industry increased from US \$3.4 billion in 1998 to US \$24.6 billion in 2007, and reached US \$39.7 billion in 2010, representing more than a 20% annual increase in the past decade.

European Union customs officials' data shows that China is among the world's top four exporters of counterfeit pharmaceuticals. Besides, more than 40 percent of API used by Americans comes from China and India (Bate & Porter, 2013).

Although China's pharmaceutical industry has achieved outstanding achievement both in scale and quality, the threats and problems cannot be overlooked. China has been plagued by continuous, contemptible incidents in its drug market. Problems such as poor-quality or fake drugs, commercial bribe, and environmental pollution not only impede the sustainable development of Chinese pharmaceutical industry, but also cause damages to consumers' health and life. Meanwhile, people in China always blame the pharmaceutical industry for the high drug price and their insatiable desire for profits.

The reasons behind those accusations and problems are complicated. Many people try to address this problem from the perspective of the government's administration (Yu, Li, & Shi, 2010). They suggest that insufficient supervision, unsound regulation laws and the questionable administration system are responsible for the problems in China's pharmaceutical industry. It is true that pharmaceutical industry is under strict regulation in many countries, and therefore the behaviors of drug companies are highly influenced by governmental supervision (Carroll, 1979). However, it is unrealistic to address these problems by solely relying on government. Firstly, it is impossible for Chinese government to have complete authority on drug companies considering the disproportionate relation between regulation sources and regulation subjects. Secondly, and perhaps the most important one, it is impossible for a government to obtain all accurate information about companies' behavior considering the information asymmetry between government and companies (Wartick & Cochran, 1985). Thus, drug companies themselves should play important role to tackle these problems.

China has put more attention on the concept of corporate social responsibility in recent years. Better social responsibility was supposed to be able to address problems and crises in Chinese pharmaceutical industry (Freeman, 1984; Qu, 2010; Gary, Kouhy & Lavers, 1995). However, despite substantial scholarly and practical attention to CSR in recent years in China, CSR is a relatively new concept for Chinese pharmaceutical companies. Both the research and practice of CSR in China's pharmaceutical industry is limited (Bourman & Haire, 1975). In this paper, a CSR measurement system for pharmaceutical companies is established using the Delphi method. The research results will be helpful for pharmaceutical companies to clarify the essence of CSR and provide a reference for their actions and for their CSR strategy.

Literature Review

Corporate Social Responsibility Measurement

The concept of CSR is often understood with ambiguity, complexity and multiple dimensions; it is necessary to figure out how to measure and quantify CSR. Thus, the study on measurement of CSR is one of the key components of CSR research. Various models and measurement methods have been developed for CSR measurement research.

The concept model for CSR measurement. Various definitions of CSR give rise to numerous theoretical foundations for CSR measurement. In the field of CSR research, some theoretical models play important role for CSR measurement. The first widely used model is developed by Carroll in 1979. He described the CSR as a pyramid. According to his theory, the company should undertake economic, legal,

ethical and discretionary responsibilities (Sirgy, 2002). Carroll suggests that the economic responsibility should be the fundamental responsibility for a company. After that, based on the comprehensive work by Carroll, Wartick and Cochran, the concept of corporate social performance was further developed. Wartick and Cochran introduced a corporate social performance model, which is consisted of principles, processes and policies of CSR activities (Zhang & Song, 2010). This model synthesizes the normative definition of CSR, the empirical process of CSR and the corporate's policies of CSR. Stimulated by this model, many studies on the relationship between corporate social performance and corporate financial performance were conducted, which has already become another important field of CSR study.

The stakeholder theory is now the most popular theory basis for CSR research. Stakeholder can be defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Ingram & Frazier, 1980). Though stakeholder is a concept in strategy research field or organization research fields, its appearance greatly contributed to the development of CSR research. By adopting a stakeholder perspective, it is much clearer who companies should be responsible to, and most importantly, stakeholder theory provides a desirable model for CSR measurement. We can measure CSR once we identify the stakeholders of a company and what responsibilities the company should take for these stakeholders. Compared with other concept models, the stakeholder model is more objective, convenient and straightforward.

The methods for CSR measurement. The methods developed for CSR measurement can be divided into five categories: 1) *The content analysis based on corporate annual report*. This method is frequently adopted in accountancy study, which collects information about CSR performance from the company's annual report, like the financial statement or CSR report. For example, some scholars count a company's annual expenditures on environment protection, employee welfare and consumer protection and then use them as the basis for CSR measurement (Aupperle, Carroll & Hatfield, 1985). Other scholars also calculate the proportion of contents that are relevant to CSR behavior in the whole report, which is regarded as a standard for CSR performance (Mignan & Ferrell, 2000; Peterson, 2004).

This method is much more flexible due to its obvious convenience and wide availability of the report, especially considering that more and more companies are inclined to publish their CSR reports to express their attention on CSR activity. However, its defects have also been proven by some studies. The main problem is that this method lacks validity. That is, the contents reported by businesses may not be consistent with the reality since companies could overstate their CSR performance and mislead the public for good reputations (Marquez & Fombrun, 2005; Nussbaum, 2009).

2) *Single index method*. This method emphasizes one aspect of the CSR activities, like the environment pollution index or the labor relationship index. The most representative of this method is "Toxic Release Inventory" (Leisinger, 2009). Using the self-reported information from companies, this index evaluates a company's performance in water resource protection, air pollution and hazardous substance handling. This method is widely used for measuring the CSR performance for manufacturing companies that have higher proclivity to have negative impacts on the environment. The main problem is that the applicability of this method is limited.

3) *Perceptual measurement based on questionnaire survey*. The perceptual measurement method values the stakeholders' perception of the company's CSR performance. In practice, researchers first develop a questionnaire based on different dimensions of CSR. Then, the questionnaire will be used for acquiring the

stakeholder's perception for CSR behavior. The most popular perceptual measurement method was introduced by Aupperle in 1985. Based on Carroll's pyramid of corporate social responsibility, Aupperle developed forced-choice instrument (Esteban, 2007). Maignan's corporate citizenship measurement tools are also part of this kind of method (Shen, Zhu & Shen, 2009).

Many scholars offered criticism on this method. The validity of perceptual measurement is questionable since subjective perception may not reflect the true CSR performance. Specifically, some studies showed that external stakeholders such as customers and environmental groups always underestimate the CSR performance due to their bias, whereas internal stakeholders like an employee or shareholder often overestimate the CSR performance (Leisinger, 2009; Shen, Zhu & Shen, 2009).

4) *Corporate reputation index method.* Corporate reputation index can also be regarded as another version of perceptual measurement since this method also measures CSR performance through subjective perception. The difference between the corporate reputation index method and the perceptual measurement method is that external experts rather than stakeholders are involved in the investigation. The reputation indicators developed by "Fortune" are the ones that are most widely used. The respondents will be required to evaluate company's reputation about their CSR performance using a 10-rating scale (Kong, 2009). Like perceptual measurement method, this method is also not free from subjective bias and the reputation may not reflect the real CSR performance.

5) *Comprehensive evaluation with multiple indicators.* Though there is no agreement on what CSR is, no one will deny that CSR is a concept with multiple dimensions. More and more people and institutions, therefore, measure CSR by using a comprehensive evaluation method with multiple indicators. Many agencies such as KLD, Innovest and PIRC, which are specialized in CSR research, have developed several multiple indicator measurement system. For instance, KLD divides the CSR into eight categories; the former five categories are relevant to the relationships of the company with different stakeholders, like employee, community, environment and consumers. The latter three categories are about global focus points, such as weapons trade, nuclear business and South Africa issues (Kong, 2009). Apart from the research institutions, there are also scholars who prefer evaluating CSR performance with this approach.

By considering the multiple dimensions of CSR, this approach improves the validity of measurement. Other advantages include good comparability, reliable information resources and relatively sound objectivity (Leisinger, 2005). The negative aspect of this approach is rarely discussed in publications, but some researchers have called for attention that this approach probably can give rise to the halo effect (Nussbaum, 2009).

Corporate Social Responsibility Study for Pharmaceutical Industry

The characters of CSR for pharmaceutical industry. Just like the difficulty in a consensus about what is CSR, it is also hard to define CSR for the pharmaceutical industry. On the one hand, pharmaceutical companies share the basic characteristics with companies in other industries. On the other hand, drug companies play a pivotal role in drug availability, accessibility and affordability, which are essential to people's health, and are also characterized by some special aspects different from other industries.

Nussbaum suggests that the unique characteristics of drugs determine that pharmaceutical companies are often considered to have a particular ethical responsibility towards the public (Li, 2010). Leisinger indicates that only pharmaceutical companies take on the particular responsibilities that include research, development,

and production of innovative medicines that make a difference to sick people's quality of life (Kong, 2009). Besides, the 'battle of perceptions' that emerges between the pharmaceutical industry and its complex stakeholder environment of government, media, regulators, patient groups, NGOs, health professionals, and society is also pointed out by Esteban, which means that the proper behavior of pharmaceutical companies probably can be regarded as unethical performance by other stakeholders (Leisinger, 2005). In addition, some scholars also analyzed the characteristics of CSR for pharmaceutical company in the Chinese context. Shen suggested that pharmaceutical companies should take on more responsibility compared with other companies (Carroll, 1979). Kong suggested that the CSR for the pharmaceutical industry should prioritize the quality and effectiveness of drugs (Wartick & Cochran, 1985).

To summarize, the study on CSR for pharmaceutical industry indicated that pharmaceutical companies should not only take social responsibility, but also be aware of their unique characteristics. These research findings also suggest that study on developing a specific measurement system for pharmaceutical companies' CSR performance should be a pressing mission.

The measurement of corporate social responsibility study for pharmaceutical companies. No specific research about a CSR measurement system for pharmaceutical companies is identified during the process of literature review. However, some scholars' researches provide some bases for further study. For instance, Leisinger suggests that pharmaceutical companies' CSR can be divided into three levels: the responsibilities they must do, the responsibilities they ought to do and the responsibilities they can do (Li, 2010). Li points out that the CSR for pharmaceutical industry should include the responsibilities to the customer, community, and investors and also a philanthropic responsibility (Bowman & Haire, 1975). Besides, since some existing systems developed are also applied to pharmaceutical industry, the indicators they use can be the reference for further research.

Methodology

Panel Composition

There is no consensus about the best number of experts who should participate in a Delphi study. It generally depends on the number that is needed to achieve representative and valid views about the research questions. The commonly used expert number for Delphi method is ten to fifty. Similarly, the best process for selecting the experts is also not determined. The criteria for inclusion and exclusion are often based on the nature of research questions being discussed.

As discussed above, the concept of CSR has some special and unique meanings for pharmaceutical company. It is therefore essential to involve experts who are specialized in CSR research and who are familiar with Chinese pharmaceutical industry for this study. In addition, CSR measurement system will cover a wide variety of topics, like business strategy, investment, environment protection, consumer rights protection, and law. Therefore, it is also necessary to ensure the diversity of expert background.

In this study, a panel of 26 experts is finally selected in this study. 21 participants come from the academic institutions. Five of them come from the drug administrations. The final panel of experts includes members with professional background in CSR or business ethics (13, 50%), drug regulations (8, 30.77%), pharmaceutical business management (5, 19.23%). All of them have the master or doctoral degree or have senior professional academic positions and all of them have more than ten years' experience in their field.

Survey Instrument

In order to develop the questionnaire, literature review was first conducted to collect the potential stakeholders and indicators that are relevant to CSR measurement for pharmaceutical industry. The sources of indicator collection include journal papers, international/domestic standards, current CSR indices, and relevant laws and regulations.

As a first step, the eleven stakeholders are identified as shareholder, loaner, customer, environment, supplier, retailer, community, employee, government, public, and competitor. By excluding the indicators with similar meaning and indicators that are not applicable for Chinese CSR research, 351 indicators are collected in reference to relevant publications. Since the research about CSR in pharmaceutical industry is rare, other 26 indicators are added to the indicator pool based on expert consulting. Therefore, an indicator pool with 377 indicators is selected for further filtration. Based on the criteria of comprehensiveness, timeliness, and measurability, the questionnaire with eleven stakeholders and 145 indicators for the first round survey was determined.

In the first round survey, the participants were asked to express their views about the stakeholders and indicators that should include into CSR measurement system. They were also asked to rate the importance of the indicators that they think should be included into CSR measurement system. Ratings were performed on a scale of 1 to 5, with 1 being least important and 5 being most important. Participants were also invited to provide additional indicators they value for CSR measurement for China's pharmaceutical industry. After the first round survey, the questionnaire was revised based on the experts' rating and suggestions, and the new questionnaire was developed for the second round survey. During the second round survey, the participants were only asked to rate the importance of indicators using the same method mentioned above.

Survey Process

The survey for this study was conducted in two rounds. In the first round, the questionnaire was emailed to 26 experts and 17 valid questionnaires were obtained. Those who participated in the first round were asked to participate in the next round. The questionnaire was also emailed to experts, and 13 of them replied with valid questionnaire.

The Inclusion/Exclusion Criteria

In the first round, the stakeholders and indicators that 50% percent or more of the experts disagreed with were deleted from the questionnaire. For the importance rating, four criteria were adopted for indicator selection. The first is the proportion of scale 5 and scale 4 an indicator gets. The second is the rank sum, which is the sum of the rating of one indicator from all experts. The third one is a weighted average of rating for an indicator; the weight is the experts' familiarity with this area rating by 1.0(very familiar with), 0.8 (familiar with), 0.6 (neutral), 0.4 (very unfamiliar with) and 0.2 (unfamiliar with). The last criterion is a coefficient of variation (CV), which is calculated by the standard deviation of rating divided by mean of rating. The critical value for the former three criteria is the standard deviation subtract from the mean; the indicators with the value higher than critical value are selected into the system. The critical value for the fourth criterion is mean plus standard deviation; the indicators with the values lower than critical value are put into the system.

Results

The Results of First Round Survey

In this study, Kendall's Coefficient of Concordance (Kendall's W) was adopted to measure the level of consensus. The Kendall's W for the importance in the first round is 0.217 ($p=0.000$). The degree of authority, measured by the experts' familiarity with the different areas, is 0.761. The critical value of the four criteria is provided in the table 1.

Table 1. The Critical Value for Selecting Criteria in First Round

Criteria	Mean	Standard deviation	Critical value
Proportion of scale 5 and 4	0.69	0.12	0.57
Rank sum	68.02	6.63	61.39
Weighted average of rating	4.30	0.34	3.96
Coefficient of variation	0.22	0.06	0.28

Based on these criteria, 33 indicators are excluded in the first round. These indicators include: four indicators for shareholder (rate of return on common stockholders' equity, return on total assets, sales profit ratio, and regularity of the shareholder conference), two indicators for loaner (interest protection multiples and annual frequency of illegal transaction), four indicators for government (profit-tax rate, revenue-tax rate, annual tax, and annual frequency of delay tax payment), four indicators for customer (whether or not providing drug usage assistance, the ratio of clinical trial to total research cost, the ratio of non-clinical trials to total research cost, and whether or not providing real production cost), two indicators for community (employment rate of community resident and whether or not offering internship), one indicator for competitor (whether or not monopolizing), sixteen indicators for employee (hourly wage rate, benefit rate, whether not offering merit pay, whether or not having regulation on salary increment, social benefits payment rate, whether not offer regular physical examination, attrition rate, annual frequency of unreasonable reduction of employees, annual training hours, promotion opportunities, child labor employment, eight-working hour obligation, availability of enough working resources, sound lodging environment offering, and availability of legal holidays).

Based on experts' opinions, some revisions were conducted for several indicators. The indicator for loaner of "frequency of publishing real company information" was replaced by "whether or not publishing real company information" and the indicator of "frequency of illegal activities" was revised as "frequency of other illegal activities".

The Results of Second Round Survey

The Kendall's W in the second round is 0.361 ($p=0.000$), indicating a significant improvement compared to the first round. The degree of authority is 0.842. Critical values for criteria in second round are presented below:

Table 2. The Critical Value for Selecting Criteria in First Round

Criteria	Mean	Standard deviation	Critical value
Proportion of scale 5 and 4	0.86	0.13	0.73
Rank sum	57.65	4.25	53.40
Weighted average of rating	4.43	0.33	4.11
coefficient of variation	0.17	0.07	0.24

In the second round survey, sixteen indicators were excluded based on these criteria. These indicators included one indicator for shareholder (market share growth rate), two indicators for loaner (cash to current liabilities ratio and whether or not publishing real company information), one indicator for government (tax growth rate), three indicators for customer (annual frequency of adverse drug reaction, annual number of new drug certification, and the percentage of heavy mental residue in product), four indicators for employees (whether or not the salary level exceeds the local average level, annual frequency of work-related accident, whether or not paying salary during legal holiday, and annual frequency of labor dispute). Five indicators for environment (whether or not forming and implementing environment protection policy, annual rate of environment protection expenditure growth, water consumption per unit revenue, energy consumption per unit revenue, and nonrenewable resource consumption per unit revenue), and one indicator for supplier (annual growth of order).

The Final CSR Measurement System for Chinese Pharmaceutical Company

After two rounds of the Delphi survey, a CSR measurement system for Chinese pharmaceutical company is established. This three-level system includes eleven stakeholders and 96 indicators. The indicators for every stakeholder are clustered based on their meanings. The final CSR measurement system is presented below.

Table 3. CSR Measurement System for Chinese Pharmaceutical Company

Stakeholder	Responsibility	Indicators
Shareholder	Economical responsibility	Return on total assets ratio
		Dividend payout ratio
		Earnings per share
	Development potential	Growth rate of earnings per share
		Capital maintenance and appreciation rate
		Profit growth rate
	Information disclosure	Timeliness of information disclosure
		Realness of information disclosure
		Comprehensiveness of information disclosure
Loaner	Debt-paying responsibility	Debt ratio
		Current ratio
		Quick ratio
		Interest protection multiples
		Capital turnover rate

	Information disclosure	Whether or not offering information about capital usage	
		Whether or not offering information major financial issues	
	legal responsibility	Frequency of breaching of contracts	
		Frequency of litigation of liability	
		Whether or not having regular external audit	
		Whether or not having regular internal audit	
	Government	Tax payment	Asset-tax ratio
			Percentage of tax payment
Ratio of tax payment in due			
Whether or not having tax evasion			
legal responsibility		Amount of commercial bribe	
		Frequency of commercial bribe	
		Penalty-expenditure ratio	
Social development		social contribute rate	
		Social accumulation rate	
Customer		Drug quality	Whether or not adhering drug standard
	Product qualification ratio		
	Effectiveness of drug		
	Whether or not establishing drug recall system		
	ADR administration	Whether or not establishing ADR surveillance system	
		Whether or not establishing ADR administration system	
		Whether or not providing ADR information	
	Innovation	R&D-revenue ratio	
		R&D employees ratio	
	legal responsibility	Frequency of false advertisement	
		Number of defects of GMP	
		Frequency of other illegal activity	
	Employee	Salary and benefit	Salary growth rate
Salary payment rate			
Whether or not having salary growth policy			
Labor protection		Labor contract signing ratio	

		Social Insurance payment ratio
		Incidence rate of occupational diseases
		Annual frequency of accident
		labor protection input ratio
		Payout ratio of health insurance
	Working environment	Whether or not offering safety facilities
		Whether or not offering health facilities
	Equity and freedom	Whether or not having racial discrimination
		Whether or not having gender discrimination
		Whether or not having religious belief discrimination
		Whether or not having disability discrimination
	Employee right protection	Whether or not having labor union
		Participation rate of labor union
		Whether or not permitting labor union involving in decision making
		Whether or not invading staff's privacy
Career planning	Expenditure on training per capita	
	Expenditure ratio of training to general expenses	
	Whether or not offering assistance for career planning	
Community	Employee promotion	Employment contribution rate
		Employment growth rate
		Whether or not offering job for disadvantaged groups
	Public service	Donation-profit ratio
		Frequency of voluntary service
		Whether or not reclaiming outdated drug
	Community development	Whether or not offering health education
Whether or not offering environment protection education		
Competitor	Fair competition	Whether or not having anti-monopoly policy
		The frequency of business bribe
		Whether or not damaging competitor's reputation

	Legal responsibility	Frequency of litigation of violating intelligence property or brand
		Frequency of litigation of unfair competition
Environment	Environment management	Whether or not passing ISO14000 certification
		Annual frequency of environment population
		Environment protection expenditure-profit ratio
	Pollution emission reduction	Attainment rate of waste water, waste gas and waste residue
		Amount of discharge of waste gas, water and residue per unit profit
	Energy conservation	Recycling rate of water utilization
Industry solid reject synthesis utilization rate		
Renewable resource utilization rate		
Supplier	Economic responsibility	Receivable turnover ratio
		Order completion rate
	Legal responsibility	Frequency of legal dispute with supplier
		Frequency of delay of payment on goods.
Retailer	Economic responsibility	Profitability from retailing
	Legal responsibility	Frequency of legal dispute with retailer
	Operation support	Whether or not providing financial support
		Whether or not providing technical support
Public	Sustainable development	Whether or not having sustainable development policy
		Whether or not having policy for climate change and species diversity
	Public health	Whether or not producing essential medicine
		Whether or not undertaking drug reservation

Discussion

Pharmaceutical companies play an essential role within society. They are not only responsible to ensure the availability, accessibility and affordability of medicine, but also a pillar industry with high profitability in China. In recent years, Chinese pharmaceutical industry has been confronting with persistent and increasing

criticisms for the poor quality of medicine, for environmental pollution, and for commercial bribe practice in marketing. There exists a strong voice to call for pharmaceutical companies to take CSR initiatives. Due to the great pressure and desire for sustainable development, more and more Chinese pharmaceutical companies have started their CSR actions. Since CSR is a relatively new concept in pharmaceutical industry in China, it is necessary to provide pharmaceutical companies with assistance and guidance for their CSR endeavors. However, there is no comprehensive CSR measuring system available for pharmaceutical companies as their reference.

In this study, a CSR measurement system based on stakeholder theory is developed with adoption of the Delphi method. From this system, we can learn that pharmaceutical companies need to take multiple responsibilities for their key stakeholders, which is much more in line with some other researches about CSR in pharmaceutical industry. Apart from traditional responsibilities, medicine provision for consumer and profit earning for shareholders, pharmaceutical companies are suggested to lay priority on environmental protection, community development, and some other stakeholder concerns that are impacted by their business or that impact their business. Compared with other research findings and existing CSR indices or CSR assessment systems, this system is obviously more complex. As suggested earlier, the goal of developing this CSR measurement system is to provide an overall guideline for China's pharmaceutical companies for their CSR initiatives. Apart from the similarities of different companies, we take into account the specific challenges, trends and especially the challenges the Chinese pharmaceutical industry is confronting with. So the CSR measurement system presented in this paper is particular fit for pharmaceutical companies in China.

The main limitation of this study is that the research did not consider the difference between different sizes, ownerships and maturation levels of companies. As a concept, the CSR is applicable for all companies, but the practice of CSR varies with different companies. Further research should consider different situations the companies confront with. Besides, the number of panel experts is not very ideal since it is hard to find the people who are specialized in CSR and, at the same time, with sound knowledge of pharmaceutical industry. In addition, increase the round of interviews may be helpful to result in more valid research results.

Future research should focus on how to apply this CSR measurement system to stimulate China's pharmaceutical companies to undertake CSR and enhance their development. The application of this system can be discussed from two perspectives. From a micro perspective, it is a tool for individual pharmaceutical companies for their CSR management and CSR strategic planning and implementation. This system will help pharmaceutical companies to identify their key stakeholders, to assess their CSR performance, and to develop CSR report according to the framework based on this system. From a macro perspective, this system can be used to establish CSR principles that can be used as a guideline for activities by the whole industry, industry associations or other relevant institutions. This guideline could serve to achieve consensus from the whole industry and direct the pharmaceutical companies to commit to more socially acceptable practices do the right things. The drug administration agency can also use this system as complementary method to strengthen the industry regulation and administration. This is especially important for countries like China, who has tremendous target objects but limited regulation resources.

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Perfect the Corporate Governance Structure under the Philosophy of Low-carbon Development and Corporate Social Responsibilities

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Abstract: This paper discusses the context and huge influence of the globalization and climate crisis; it, analyzes the necessity of creating low-carbon development. It elaborates upon the corporation's role as an enterprise citizen that should bear social responsibility for playing an important role in the global climate crisis and low carbon development. It analyzes the general framework of corporate governance, focusing on how to blend in corporate governance structure and how to promote corporate governance structure to develop low carbon methods in the best way possible. Finally, it holds that incorporating low carbon concepts into the corporate governance process is necessary and feasible.

Keywords: low-carbon economics, corporate social responsibility, corporate governance

Introduction

The achievements of the human race up until now have continually amazed human beings themselves. However, the rising of more and more problems and contradictions have, also, brought confusion to the future of human kind. Problems, such as global warming, the fuel crisis, and environmental pollution, have forced us to rethink our ways of developing and living in the environment.

To deal with such a dilemma, the sustainable development and low-carbon economic model is the ultimate choice for our generation. This requires us to completely give up the old, high-polluting, high-energy-consuming, immoderate development modes and to follow an energy-efficient, environment-friendly mode instead. In our modern economic society, companies have created tremendous wealth for human kind and played a vital role in the development of our economic society. The world-famous management expert, Holman Maynard, said: "The future belongs to enterprises, which is the center of society, nucleus and economic foundation of the society, the main power to affect the world" (Huo, 2008). Since companies have played such important roles in the development of human society, companies should assume their social responsibilities rather than emphasize self-interest, and they should change the old unsustainable high-carbon development mode in order to sustain the development of companies.

The Chinese government attaches great importance to the development of the ecological economy and a low-carbon economy by improving corporate social responsibility through legislation. In the Session of the 18th CPC Central Committee, Chinese former President HU Jintao proposed to vigorously promote the construction of an ecological civilization in China (Hu, 2012). At the Fourth Plenary Session of the 18th CPC Central Committee, the decisions on major issues concerning comprehensively advancing the rule of law point out that China should strengthen the legislation affecting corporate social responsibility (Xinhua News Agency, 2014).

This paper focuses on perfecting corporate laws and regulations, especially the regulatory and institutional ones. We hold that a company, being a good corporate citizen, should adjust the specific content of

its corporate governance structure to work with the philosophy of the ecological economy and low-carbon development; it should assume corporate social responsibilities and respond to social and stakeholders' messages about what the company should be doing, thereby regulating companies to do the right thing.

Why the Companies Should Assume Low-Carbon Development Responsibility

Global warming and the environmental crisis have become unavoidable challenges in the survival and development of the human race. A survey conducted by the United Nations Environment Program (UNEP) in 1999 shows that 51% of the world environmentalists consider climate change as the main environmental problem for the human race right now (Ravindranath & Sathaye, 2002). Some scientists predict that global sea levels will rise 9-55 cm from 1900 to 2100 (IPCC, 2011).

Since the late 20th century, due to the influence of global consensus and countless environment-protection organizations, the international society has been discussing dealing with global warming, hoping to find a sustainable development road, which means creating fewer emissions, reducing lower energy-costs, and doing less polluting. In order to maintain the survival of human beings, all governments have to compromise and deal with this global crisis together by making different emission-reducing promises at all kinds of international conferences. From the United Nations Framework Convention on Climate Change to Kyoto Protocol, from the Bali Roadmap to the Copenhagen Conference to the Cancun conference, the Durban meeting, the Doha conference, the Warsaw conference, and then to the upcoming Lima Conference, global society has never given up on the energy-saving, emission-reducing, or the low-carbon economic development road. Megan Bowman holds that climate change can be conceived of as an economic issue as much as an environmental or ethical one. Moving from a fossil fuel-based global economy to a low-carbon economy will involve one of the largest market transitions in modern society. As with all market transitions, there will be corporate winners and losers, depending on which companies get on board, get ahead, or fall behind (Bowman, 2013). The president of China Beijing Equity Exchange (CBEX), Xiong Yan, said, "Low-carbon development is human being under dual pressure of financial crisis and climate change, have to take the challenge and look for opportunities of strategic decision" (Yan, 2010).

Implementing these promises requires the effort of all the citizens in this world. Companies, as critical corporate citizens in the process of globalization, play decisive roles in the development of modern society and create tremendous material wealth for human kind. However, it is the companies that consume a large quantity of un-renewable fuel, such as coal and oil, that are causing emissions of large quantities of CO₂ and other pollutions. Companies are definitely responsible for global warming, environmental deterioration and the energy crisis. George Stina and John Stina said, "Corporate influence refers to the power and intensity of a company for changing the society through its actions. The source of this influence is the authority given to company by the society, which is transforming resources into products and services needed by the society efficiently. In return for this transformation, the society gives companies the rights to take necessary and reasonable actions and allow company to gain investment profits" (George, 2002). Therefore, developing a low-carbon economy requires the efforts of companies. Companies shall assume their due responsibilities in the light of a low-carbon economy through relevant changes of external supervision and internal governance structures to realize low-carbon development.

Moving to Low Carbon Development, What's the Problem to the Existing Corporate Governance Structure

Corporate governance, also called a corporate legal person governance structure or corporate supervision structure, comes from the separation of ownership and management in modern companies. Not only does corporate governance prescribe the responsibilities and rights of every stakeholder (including shareholders, directors, supervisors, management and etc.), it also provides the rules and procedures for the decision making process in order to maximize the interest of shareholders and other stakeholders (Li, 2009).

The existing corporate governance model mainly aims at maximizing the interest of shareholders and increasing capital value. However, in the light of low-carbon development, companies tend to have multiple goals. Since assuming low-carbon development and environmental protection responsibilities have become mandatory obligations for a company, instead of performing low carbon development passively following the mandatory rules of the government, a company can take the low-carbon road actively. In this way, a company can avoid being punished by the relevant laws and policies, transform low-carbon costs into growing motivation, ease the cost pressure brought by raw material price rises due to global warming and the environmental crisis, and seek new profit point and development pattern in order to become an ultimate winner in spite of fierce competition. So, an important field of corporate social responsibility is environmental protection and low-carbon development. Companies' move to low-carbon development is a strategic issue related to their future long-term competitiveness (Yan, 2010).

The corporate governance structure is based on the agency relationship between shareholders and the management team. The primary hypothesis of the agency theory is that conflicts exist between shareholders' goals and managers' goals (Solomon 2006). In the modern corporate agency relationship, shareholders, as a whole, constitute the most important authority mechanism. Managers, as agents, constitute a critical part in the corporate operation. The division of power to do business on behalf of the company between these two mechanisms is what we call the internal corporate governance structure (Li, 2001). To a certain extent, corporate internal governance plays a determinative part in the corporate governance structure. The fundamental content of corporate internal governance consists of the division of power among shareholders, directors, and managers. In today's society, as represented by the low-carbon responsibility, corporate social responsibility is the essence of corporate governance, and corporate governance should be integrated into the low-carbon development connotation of responsibility (Zheng, 2013). Moving to low-carbon development raises the following question: What's the problem to the existing corporate governance structure?

The Problems of the General Meeting of Shareholders

As providers of the original capital of a company, shareholders are the motivation of corporate governance. The un-refundable character of their investment (during the life span of the company) determines that shareholders rely on the corporation to gain investment return (Wu, 2001). Shareholders are gathered together at the general meeting of shareholders for their strong capital integration order to develop and expand the company to maximize their common interest. However, in the light of low-carbon development, the general meeting of shareholders shall seek more than just increasing capital value and maximizing shareholder interest: they must redefine the strategic value of the company. Stakeholders, social responsibilities and environmental responsibilities under the low-carbon development idea should all be taken into consideration by the general meeting of shareholders. Nonetheless, the shareholders don't concern themselves with low-carbon

responsibilities in the current corporate governance structure, which means the existing structure cannot satisfy the demand or assuming the responsibilities of low-carbon development. Specifically, the problems of shareholder meetings are as follows: First, the article of association drafted at shareholder meetings fails to reflect the demand of low-carbon development. The article of association is of great guiding importance as the highest action standard in a company. However, existing articles of associations fail to reflect the demand of low-carbon development, thus making them unable to satisfy the demand to take the low-carbon development road and realize sustainable development.

Second, during the election and change of directors or supervisors, shareholders concerns are more about whether the candidates have relevant capacities or qualifications and whether they can satisfy the need to develop the company, but the concerns are not about whether they have a sense of low-carbon development.

Besides, when scrutinizing reports filed by boards of directors, supervisors, or financial budgets, final accounting reports, shareholders' meeting only consider profits of the company as their starting point. How to maximize the profits is the most significant standard in the decision-making process of shareholder meetings. Thus, there is no guarantee that all the major decisions of the company would satisfy the demands of low-carbon development.

As a matter of fact, assuming low-carbon responsibilities is not in conflict with maximizing the shareholders' interests. The appreciation of capital and maximization of shareholders' interest both require a long development process for the company, but in the light of low-carbon economy, the traditional development mode can hardly continue. If the shareholders' meeting still can't adapt to the needs of low-carbon development, shareholders will be unable to continue maximizing profits, which is ultimately detrimental to shareholders' interests.

Problems of the Board of Directors

The birth of the company system and the introduction of limited liability determine the separation of ownership from management power. The board of directors (hereinafter referred to as "BOD") is an organ elected at shareholders' meetings to make business and operational decisions collectively on behalf of shareholders using the power delegated by shareholders. As agents, directors shall have a fiduciary duty to shareholders and the company, protect the interest of the company, and maximize the interests of shareholders and other stakeholders. How to realize the effects of BOD, intensify the duties of the BOD, and improve the efficiency of BOD have been the core problems of corporate governance mechanisms (Li, 2001).

Under the existing structure of a board of directors (BOD), when the BOD carries out the resolutions from shareholders' meetings, it determines the corporation's business plans and investment priorities, establishes the corporation's fundamental management system and other significant matters, determines what its concerns and its liabilities for shareholders are, and decides how to better maintain shareholders' profits and realize the appreciation of capital. Apart from the interests of inner shareholders, executives, and etc., it doesn't consider other interests, such as the communities' or the environment's. Therefore, it does not meet the requirements of low-carbon development.

No matter whether it is under the single-level or double-level mechanisms, the establishing value of a BOD is to accept shareholders' trust and to maximize shareholders' interests. The shareholders' general meeting is authorized to appoint and dismiss the members of the BOD; thus the BOD trends to try its best to maintain the shareholders' interests when it performs its duties. However, in the philosophy of low-carbon

development, corporations shall be liable for the low-carbon developing liabilities to realize the joint prosperity and development of the corporations and society. The sustainable development of society is the basis and safeguard of corporations' sustainable development. Under the current corporation governance framework, the BOD is only responsible to shareholders, and low-carbon liability is not the corporations' statutory obligation, and, therefore, the way of low-carbon and sustainable development can only be hollow words. Retaining the corporations' objective only to the traditional small scale of shareholders and executives such as directors is not satisfactory for low-carbon development. Thus, under the background of low-carbon development, the duties of BOD shall be amended. Besides realizing the interests of shareholders and executives, such as directors, the duties shall be adjusted to meet the requirements of low-carbon development.

Problems of the Board of Supervisors

As a specialized supervisory organ, the board of supervisors (BOS) has the authority to supervise, including checking the corporation's financial affairs, supervising the conduct of executives, such as directors, when they perform duties, correcting the corporation's illegal and unreasonable acts, bringing in bills to shareholders' meetings, and other rights authorized by the corporation's charter.

Under the philosophy of low-carbon development, the existing duties of the BOS cannot satisfy the requirements of low-carbon development. Therefore, the duties of the BOS shall be amended against the background of low-carbon development. Besides the conventional duties, the BOS shall be liable for supervising the low-carbon liability as determined by corporation's ability and willingness to meet the requirements of low-carbon development.

Against the background of low-carbon development, the existing value of corporations is not only to maximize shareholders' interests, but also to consider the interests of many stakeholders to reflect the claims of stakeholders to realize the maximization of social and comprehensive benefits. As a result, the duties of the BOS in the current corporation's governance structure shall be also amended to adapt to development under the background. The current duties of the BOS do not reflect either the requirements of social or low-carbon responsibility. All of the corporate governance theory, corporate governance pattern, and corporate governance framework shall be prepared for low-carbon development to satisfy low-carbon requirements. In this situation, the corporate governance theory shall be amended constantly. Particularly, the Stakeholder Theory shall be raised to its due altitude and combined with the Agency Theory to prepare the theory framework for and leading to perfecting the corporate governance structure.

In conclusion, to meet the requirements of low-carbon development, the duties of the BOS in corporate governance shall be updated constantly. Meanwhile, the corporate governance structure shall be, also, perfected constantly to incorporate and systematize the low-carbon philosophy to reflect the philosophy and substance of low carbon. As the shareholders' interests are maximized, the stakeholders' interests are comprehensively balanced, and, thus, the sustainable development of corporations and society can be realized.

Restructure to the Substance of Corporate Governance Structure under the Philosophy of Low-Carbon Development Liability

Conventionally, the objective and value of corporations are to realize the maximization of shareholders' interests and the appreciation of capital. Even if the corporation externalize the cost, it is not liable for social responsibility. But under the background of low-carbon development, the development of corporations shall

consider the interests of stakeholders and undertake social responsibilities. Therefore, the corporate governance structure shall be adjusted to meet the requirements of low-carbon development to provide systematic safeguards for low-carbon development of corporations.

Under the trend of low-carbon development, to make corporations undertake the low-carbon developing liabilities is meaningless if they only rely on the provisions of declaration in law. Although many large corporations have issued their social responsibility report, the social responsibility born by corporations to develop low-carbon economy are not mandatory provisions. There are still lots of corporations maintaining traditional high-carbon developing patterns, while their liabilities cannot be found. Therefore, the obligations that shall be undertaken by corporations in their low-carbon development must be stipulated in legislation. At the same time, the legal consequences and concrete measures against the violations shall be specified. In this way, the majority of corporations will, indeed, perform the social responsibility of low-carbon development. The perfecting progress of corporate internal governance structure shall start with blending the philosophy and liability requirement of low-carbon development into important corporate institutional organs, such as shareholders' meetings, the BOD, the BOS, and, finally, blend the concept of low-carbon into the corporate governance structure.

Suggestions on Adjustment of Shareholders' Meeting Governance Structure

Low-carbon development raises new requirements for the perfection of corporate governance structure. Conventionally, shareholders only aim at realizing capital appreciation and the maximization of their own interests when they launch the establishment of corporations. However, under the background of low-carbon development, the shareholders' meeting shall consider the stakeholders' interests, such as resources, environment, and society. While pursuing the maximization of profits and appreciation of capital, the shareholders' meeting shall endeavor to create the development of stakeholders.

According to Corporation Law, as the highest authority in corporations, the shareholders' meeting has the final say on corporate decisions. Therefore, to perfect the corporate governance structure under low-carbon development, the primary thing is to improve the shareholders' meeting to satisfy the requirements of low-carbon development.

First, the legislation had better stipulate that the shareholders' meeting shall prescribe low-carbon development in the corporate articles. As the charter of a corporation, the articles have the leading and decisive significance on the development of the corporation. It's necessary to bring low-carbon into the articles. Thus, the law shall list low-carbon as an indispensable matter of the corporate articles. As the overall plan of corporate development, the articles are significant on directing corporations to low-carbon developing pattern.

Second, as the highest corporate authority, the shareholders' meeting has the right to vote and change the management organs, such as the BOD and the BOS, and to determine their rewards. Therefore, Corporation Law shall provide that when shareholders' general meeting votes and appoints executives, the shareholders' general meeting shall consider and require the appointed executives have low-carbon philosophies and objectives under the supervision and evaluation of shareholders' general meeting to provide organizational and structural safeguard for corporation's low-carbon development pattern.

Third, the shareholders' meeting shall review the reports of the BOD and the BOS, and corporate financial budgets, finalize settlement solutions by the criteria of low-carbon development, and consider and evaluate reports comprehensively, ensuring the investments and decisions are in conformity with low-carbon

development patterns on decision-making level.

Finally, the legislation needs to make mandatory provisions for shareholders. In case the shareholders' meeting doesn't perform its due low-carbon liabilities, the law shall give negative evaluations on corporate conducts, punishing and sanctioning the corporation appropriately to compel the corporations who perform low-carbon liabilities negatively to change to low-carbon development patterns.

Suggestions on Adjustment of BOD Governance Structure

Under the modern corporate system, shareholders entrust the power of business decision-making to the BOD, and the BOD is in control of decision-making authority of everyday business management. It is the ability of the BOD that combines (corporate) leadership and control power, (corporate governance) effectiveness and responsibility to ensure that the corporation accords with the expectation of society (Cadbury, 1993). The BOD voted on at the shareholders' meeting employs management to manage corporate everyday business and activities. Therefore, independent directors and BOD special committees shall be established in the BOD to supervise the management.

Establish additional low-carbon directors. The independent directors are always independent of the opinions and position of main shareholders, devoting themselves to being more aloof to corporate governance structure. Thus, the law shall provide that additional low-carbon directors shall be established in the BOD as dispensable members of the BOD to promote the low-carbon philosophy to be blended into corporate decision-making. Participating in the corporate governance, the low-carbon directors with the low-carbon philosophy supervise and urge the corporations to take the low-carbon development road in decision-making.

At the same time, the law shall provide strict legal liabilities for corporate BOD structures and the performance of low-carbon directors and require BOD to make reports to shareholders' general meeting and the public periodically. In this way, the public can supervise the corporations. Every citizen has the right to inform the administration if any corporation violates low-carbon obligations. The law also shall specify the requirements for administration on supervising the corporate low-carbon development.

Establish additional low-carbon committee. In the developed markets, such as the UK and the USA, a corporation usually establishes some special committees under the BOD, such as Board of Audits, Nominating Committee, Compensation and Evaluation Committee, Strategy Committee, and etc., to provide some specialized opinions for the BOD in decision-making. The affairs involved in by special committees of the BOD are usually important to corporations, and there may be some potential conflicts of interest. Therefore, the special committee of the BOD will come forward to manage these problems to make advantageous decisions for the corporation, avoiding the troubles and damages caused by conflicts of interest to the corporation governance.

As a result, it is worth considering requiring the establishment of a special committee – a low-carbon committee consisting of independent directors, when amending the company law. The low-carbon committee may give independent opinions to board of directors in relation to such matters as protecting the environment, resource utilization, energy saving and emission, to lead the company into the way of sustainable development. A low-carbon committee shall be a mandatory part of the company governance structure provided by law and be entitled to evaluate material strategy and decisions and to issue opinion independently; shareholders' meeting can rely on such opinion when making material decisions. Such opinions should be filed and subject to inspection from law enforcement agencies and reference and supervision from the public.

Suggestions on Adjustment of Governance Structure of the Board of Supervisors

Britain and America adopt the single-layer structure, Germany adopts the double-layer structure, while Italy, China, and Japan of Asia adopt the tri-angle structure and establish board of supervisors specializing in the duty of supervising. To perfect the company governance structure, involving some supervisors who represent low-carbon stakeholders on the board of supervisors is worth considering. On one hand, such supervisors can supervise the company in involving low-carbon ideas and rules into articles of association and relevant rules. Since articles of association are “the constitution” of the company, this can institutionalize the idea of low-carbon development and ensure that the company’s development and operation reflect requirements of low-carbon development; on the other hand, the board of supervisors can supervise, when appropriate, whether the company’s operating decision complies with law and requirements of low-carbon rules; it can also supervise performance of the board of directors and senior managers, and may require relevant directors or the board of directors to take responsibility when the board of directors makes decisions violating the low-carbon rules (articles of association of the company).

Independent directors vs. the board of supervisors. Historically, company law of China adopted the system of double-layer board of directors, which requires a company to establish both a board of directors and a board of supervisors, the latter in charge of supervision. In practice, however, the board of supervisors existed only in name and cannot perform its duty of supervision. As a result, China introduced the institution of independent directors, expecting they can perform the duty. But how to consolidate the respective duties of independent directors and the board of supervisors and determining which one of them the low-carbon duty should be assigned are two questions to be considered. Should the system of independent directors or the system of a board of supervisors be relied on to supervise the board of directors, or both?

The *Code of Corporate Governance for Listed Companies*, published by China Security Regulatory Commission, relied on both systems. This arrangement raises two questions: first, both the independent directors and the board of supervisors will perform the duty of supervision, which may have the positive result of double supervision and the negative result of increasing supervision cost and supervision duty overlap and conflict. Second, since both independent directors and the board of supervisors will perform the duty of supervision, how to distribute the authority between them will be a question which cannot be ignored.

Based on the demand of improving independence of the structure of the one-layer board of directors, Britain and America established the system of independent directors with the purpose of ensuring the independence of company’s board of directors from its managers so that the board of directors can supervise CEOs more effectively. In order to solve the problem of supervising corporate insider control action, the PRC introduced the system of independent directors (Shi, 2001). But what is undeniable is that, the existence of both the board of supervisors and independent directors will cause new problems in company governance. First is the question of how to divide the supervision power with two systems in charge of supervision. The supervision power cannot be divided very clearly, so these two systems may compete or shuffle off the power to supervise certain matters. Second, under the current background, neither board of supervisors or independent directors can actually perform the duty of supervision. What we should really consider is how to bring the two systems into full play. Third, the low-carbon economy has become the inevitable development mode for the government and companies. Should we deliberate on which system shall bear the duty of supervision, the board of directors, independent directors or both?

Independent directors and board of supervisors collaborate to perform the low-carbon duty. It is necessary to reconsider the position and function of the board of supervisors and independent directors in the current governance structure of PRC companies. As both the board of supervisors and independent directors exist in the current structure, to let them collaborate to undertake the low-carbon duty costs the least without changing the current structure. This way, the current structure can fully function, and it can realize the low-carbon development goal without incurring new costs for the company.

However, how to distribute the duty between them reasonably, to make them cooperate closely, and to undertake the supervision duty effectively is a question needs to be thought through. It is a question lying in front of most PRC companies. The only method working, in reality, is to make both undertake the low-carbon duty. They should cooperate and operate independently and undertake the duty of leading the company into the way of low-carbon development.

Under such circumstances, we should focus on the board of supervisors' duty of supervision to perfect the governance structure of the board of supervisors. Traditionally, the board of supervisors' duty mainly consists of inspecting a company's financial situation, supervising performance of directors and senior executives, and submitting motions to shareholders' meeting. Under the background of low-carbon development, the board of supervisors' duty of low-carbon supervision should be made clear in the company law. It should be the duty of board of supervisors to evaluate whether a company's material decision and performance of directors and senior executives comply with the requirement of low-carbon development, to report to the shareholders' meeting, and to cease any material action and decision which fails to meet the requirement of low-carbon development. The board of supervisors should undertake the duty of supervision. Otherwise, in the case that a company is punished as a result of breaching low-carbon requirements provided by laws, shareholders' meetings, the BOS shall make a negative evaluation of the board of supervisors' performance activity and replace supervisors who failed to perform their duty to urge the board of supervisors to undertake the duty of supervising company to take the way of low-carbon development.

Conclusion

To sum up, with the resources crisis and the environmental crisis getting worse, low-carbon development has become a global consensus. Sustainable development is an inevitable choice for the human race. Whereas a company plays a major role in human society, it should make reasonable effort to turn the direction into the way of low-carbon development. In the light of low-carbon development, a company's previous governance structure is unable to meet the requirement of low-carbon development and appeals of other stakeholders. So, adjustment should be made to a company's governance structure to meet the requirement of low-carbon development. Under the current corporate governance structure, it is feasible and necessary to perfect a company's shareholders' meeting, board of directors, and board of supervisors to meet the requirement of low-carbon development.

As an important corporate citizen in society, a company is an important player in market economy, and its power cannot be ignored. It is impossible to fulfill the goal of low-carbon development without a company's participation. Each bill and policy enacted by countries needs to be realized by a company. Consequently, we must have company take its responsibilities of low-carbon development and make sure a company makes efforts to achieve low-carbon development through external supervision and internal governance.

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Consumer Perception, Behavioral Gap, and Response to Ethical Business: The UK Perspective

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Abstract: Existing literature has revealed that the demand for "ethical products" has been increasing over time. However, very little has been published on consumer perception about the ethical behavior of supermarkets and their response thereto. This research, therefore, fills the vacuum. We examine consumer perception about the ethical business of supermarkets operating in the UK and its impact on consumers' supermarket choice. Both primary and secondary data are used; primary data includes a questionnaire survey involving 222 consumers in major cities in the UK. We examine the significant code of business ethics, consumer ethical spending and awareness, supermarkets' ethical performance and popularity, and consumer perception about supermarkets' ethical behavior and their response thereto. A combination of graphical and numerical methods, such as frequency distribution, correlation and analysis of variance, has been used for estimation. Estimated results confirm the significant code of ethics in the supermarket business as perceived by consumers. Specifically, environmental awareness, fair trade, concern about labor law and animal welfare are found to be a significant code of ethics in the retail business. However, in practice, supermarkets are selected based on whether they maintain organic produce, fair trade, and animal welfare. The results suggest that there is a significant "knowledge gap" between actual ethical business practice and consumers' perception about it. There is also a significant "behavioral gap" between consumer perception about ethical business and their response to it. Demographic variables make a significant distinction in ethical business choice. Education, income, and ethnicity play a significant role in ethical supermarket selection.

Keywords: ethical business, consumer perception, supermarket selection, behavioural gap

Introduction

Due to social, political, and economic developments, stakeholders of business, particularly consumers, are becoming more empowered and vocal in today's world. Bird and Hughes (1997) indicate that there are many curious consumers who even want to know the details of the production process. Consequently, consumers, as well as pressure groups (such as human rights organizations and ecological and environmental organizations) are increasingly demanding that businesses should be ethical, ecological, and environmentally friendly. In

practice, consumers own the power to force businesses to accept a socially responsible paradigm by preferring ethically standard products and services and by denying/avoiding unethical products (Astous & Legendre, 2009; Pelsmacker et al., 2005). Carrigan and Attalla (2001) state that by boycotting the companies like Shell and Nestle for their unethical business, consumers proved that if they (consumers) become socially responsible, it might cause huge financial loss for ethically irresponsible businesses. Hence, ethics and corporate social responsibility (CSR) have become extremely crucial in business.

“Ethical consumerism” is the choice of products or services by consumers that do not cause any harm to humans, animals, or the natural environment. Consequently, “business ethics” in this study stands for the ethical relationship between businesses and consumers and between businesses and their employees. Business ethics also includes no negative activities that may harm the environment and the society at large. According to Loureiro et al. (2002), Maietta (2003), and Trudel and Cotte (2009), consumers are willing to spend extra to buy ethical products. However, consumers might have different thinking and different views about ethical purchasing. For example, some factors, such as cultural background, moral philosophy, professional code, and level of rewards, play a significant role in an individual’s perception about ethical business (see, for example, Ferrell and Gresham, 1985). Ottman (1992) asserts that consumers have been gradually attracted by environmentally responsible products.

In developed countries, generally, ethical business practices, as well as consumer concern about ethical business, have been well documented (Shaw et al., 2005). The UK, for example, is one of those countries that have formed a large database (Mintel International Group Ltd, London) on ethical businesses. More than one-third of consumers in the UK consider themselves as “ethical consumers” (Cowe & Williams, 2000). However, despite the emergence of consumer concern about ethically recognized products, ethical products (fair trade products) have only achieved a 1-3% market-share (Ethical Consumerism Report, 2011).

Nevertheless, there has been a powerful shift in the behavior of supermarkets from unethical to ethical sourcing, labor rights, and green consumerism in the last decade. Some supermarkets are making a real effort to turn to ethical sourcing, fair trade, and other ethical business activities that put their business counterparts under pressure to become ethical. Hence, there is a competition in the ethical business arena among the supermarkets to convince consumers. Mintel’s (2009, 2011) report suggests that in the UK, there is a growing number of consumers who are interested in fair trade products and who are also concerned about animal welfare, employee welfare, and other ethical issues.

The Ethical Consumer Behavior Report (2011) indicates that, despite the economic downturn in this decade, the sales of ethical goods and services in the UK increased by almost 9% in 2010 compared to 2000 (from £43bn to £46.8bn). Figure 1 shows the sector-wise ethical spending by UK consumers in 2010 compared to 2009 and 2000:

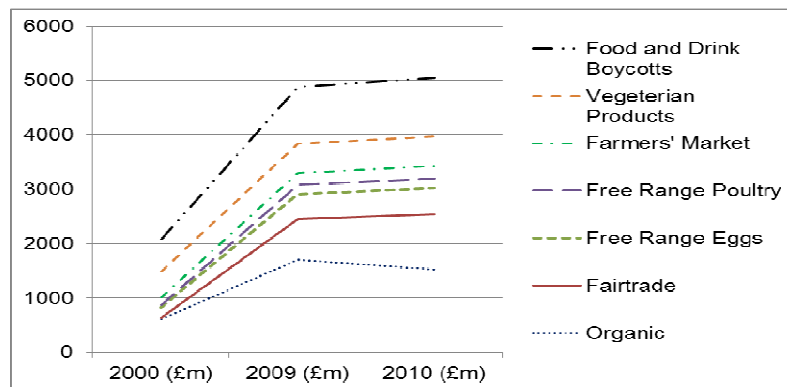


Figure 1. Ethical consumerism in the UK 2000-2010

(Source) Ethical Consumerism Report, (2011) the Co-operative Bank

Carrigan et al. (2005) point out that if any company follows ethical codes and norms and appears to be ethical, then consumers are happy to reward that company by purchasing more products from it and by paying extra for its products. Ethical consumerism has been a growing field of research in business, and consumers have become more concerned about ethical business over time. There is a growing body of literature (for example, Tsalikis & Lassar, 2009; Tsalikis & Seaton, 2008, Uusitalo & Oksanen, 2004; Ethical Consumerism Report, 2011; Ethical Company Organisation Report, 2010; Fard & Noruzi, 2011; Ferrell, Fraedrich & Ferrell, 2008; Freestone & McGoldrick, 2008) that explores customer perception concerning the ethical behavior of supermarkets. However, to the best of our knowledge, there is no existing literature that attempts to draw a relationship between consumer perception about ethical business and its reflection in firm selection. Subsequently, we attempt to investigate the perception of consumers about the ethical behavior of supermarkets and their response to supermarket selection.

Now, the question is “What are the factors that determine the ethical behavior of business?” In this study, we attempt to investigate the significant “code of ethics” (ethical factors). Second, the awareness among consumers about ethical business has been growing over time (Davis, 2006; Berry & McEachern, 2005). Ferrell and Gresham (1985) suggest that the degree of awareness varies from customer to customer due to cultural background, moral philosophy, level of education, level of rewards, life style, and the different decision-making criteria of individuals. Moreover, Boyle (2000) states that the ethical judgment of customers is influenced by the level of income and that it varies across gender. Hence, the demographic variables may influence consumers' perception about ethical business and their supermarket selection. We therefore attempt to examine whether the demographic variables affect the variance of the ethical awareness of consumers and their choices. Third, the existing literature indicates that the responses of consumers are not always consistent with their perception (Doane, 2001). That is, some customers show that they are ethical consumers even though they are not consistent in their activities. Consequently, we examine whether consumers' perception about the ethical awareness of supermarkets is reflected in their supermarket choice.

Specifically, the objectives of this study are as follows: 1) to investigate the factors that consumers consider as a significant code for ethical business; 2) to examine the impact of customers' perception about the ethical business and their supermarket choice; and 3) to evaluate whether demographic variables affect consumer perception about the ethical performance of supermarkets and their supermarket selection.

The rest of the paper is organized as follows: Section II reviews the relevant literature; Section III discusses the data and methodology, including the theoretical framework and questionnaire; Section IV analyses the data and discusses the findings; and Section V concludes the study.

Literature Review

Up until the mid-1990s, very little research had explored the area of “consumers’ ethical behavior” (Bray et al., 2011). However, in the last two decades, there has been a growing body of literature focusing on ethical issues, fair trade, and “green consumerism” (Follows & Jobber, 2000; Boyle, 2000). The ethical behavior of sales representatives, welfare of employees, community issues, the environment, working conditions, and fair trade have received special attention by many researchers. We review the literature that focuses on the ethical behavior of customers that leads them to choose between supermarkets for shopping.

There are basically two groups of existing theoretical and empirical literature on the ethical behavior of businesses. First, a group of the studies examines the ethical behavior of business organizations and their supply chain, which is not within the scope of this study. Second, another group of studies investigates whether consumers' perception is reflected in their activities, i.e. the gap between consumer attitude towards ethical business and their unethical behavior (Carrigan et al., 2004; Uusitalo & Oksanen, 2004; Devinney et al., 2006; Auger & Devinney, 2007).

Ethical Behavior of Consumers

The favorable attitude of consumers towards ethical business has been gradually developing in our society (see, for example, Billock, 2004, and Dawkins, 2004). A number of studies identified that people are more likely to be socially responsible when they feel that a significant impact can be made by their actions (Carrigan & Attalla, 2001; Sen & Bhattacharya, 2001; Billock, 2004; Dawkins, 2004). Although Carrigan and Attalla (2001) indicate that consumers are more sophisticated today, it is not proven that ethical companies are more favored and unethical firms are punished. The study finds that none of the respondents wanted to pay even a 10-15 percent price premium for an ethical product compared to its unethical counterpart. Instead, Carrigan and Attalla (2001) find that the price, brand image, and fashion trends are significant factors that influence the buying decisions of consumers. Harper and Macatouni (2002) investigate consumer attitudes towards organic food purchase in the UK and find that the main motives for organic food purchase are health and food safety concerns, not ethical issues.

However, Creyer (1997) states that consumers are willing to pay a higher price to an ethical company as a reward for their ethical activities. Castaldo et al. (2009) indicate that consumers are highly influenced by socially oriented (particularly, fair trade business) companies and their reputation. In contrast, if consumers buy from unethical firms, they want to pay a lower price, which is considered as punishment for their unethical act. Shaw and Shiu (2003) find supportive evidence of ethical purchases in the case of fair trade grocery products. Carrigan and Pelsmacker (2009) suggest that consumers of all ages have started behaving more ethically over the last few years. The study finds that among the UK adult population, six percent is committed to ethical consumption. The study also suggests that ethical or unethical consumption is influenced by social and cultural elements.

Ethical Behavior of Retailers and Its Impact on Business

A longitudinal study conducted by the Co-operative Bank reports that between 2004 and 2007, the sales of

ethical goods rose by around 12% a year. The 2010 report indicates that in spite of the economic downturn, there was almost a 9% increase in the sales of ethical goods in 2009. The report also says that in 2010, expenditure on ethical food and drink reached £6.6bn with an increase of 5.1%, and that fair trade food sales grew by 36% reaching £1.02bn. These findings indicate that both retailers and consumers have been gradually moving towards ethical products.

Sen and Bhattacharya (2001), Handelman and Arnold (1999), and Brown and Dacin (1997) suggest that the consumers respond to ethical (CSR) business. Nicholls (2002) argues that fair-trade increases competitiveness within retailers. Carrero and Valor (2012) examine whether the British and Spanish shoppers perform ethical shopping in mainstream retail markets. The study finds that the ethical labelling (so called, CSR labelling) plays a positive role in consumers' purchase intention. Jones et al. (2005) indicate that the food retailers are increasingly keen to report their commitment to CSR. The study finds that the major food retailers in the UK publish the CSR report, which is rather used as a means of marketing. Castaldo et al. (2009) find that consumers are highly influenced by the fair-trade products of retailers, and they care about the social oriented companies. Schwepker and Good (2011) conduct a study to explore the impact of moral judgment of consumers on sales performance. The study finds a positive relation between moral judgment and sales. However, Iwanow, McEachern, and Jeffrey (2005) find that the ethical awareness of consumers cannot influence the apparel purchase decision in the UK. Piacentini, MacFadyen, and Eadie (2000) also have not found any significant evidence that the confectionery retailing and merchandising depends on CSR.

Story and Hess (2010) bring a new perspective on brands' strategies by evaluating them using an ethical metric. The study finds that the brand that is successful and trustworthy is ethically more responsible than other brands. Nicholls (2002) suggests that fair-trade practice in business creates brand profile. Anselmsson and Johansson (2007) indicate that CSR practice creates a brand image and customers purchase intention in retail business. Gilbert (2003) indicates that the sale of a business increases as its ethical reputation increases; hence, modern businesses are turning more to ethics.

The Ethical Marketing Group (2010) ranked the UK supermarkets based on their overall ethical performances over the past few years. According to the report, ASDA, Lidl, and Tesco, which are Britain's popular retailers, are at the bottom of the list. They scored low in the perspectives of "animal welfare" and "worker's right." Iceland and Sainsbury's, however, stand at the midpoint (better score) of the list. Their strengths are that they ensure genetically modified foods and animal welfare. Co-op, Waitrose, Morrisons, Budgens, and Marks & Spencer are the top five retailers in the UK due to their contribution in the fair-trade, animal welfare, and green environment.

Consumer Behavior Gap

Recently, several studies indicate that there is a significant behavior gap among consumers. Although consumers express their ethical consumption attitude, in practice, they are not ethical consumers (Macalister, 2007; Cowe & Williams, 2000; Boulstridge & Carrigan 2000; Sheng et al., 1994). Consumers sometimes misinterpret ethical business. For example, Carrigan and Attalla (2001) indicate that consumers generally think that as long as they follow government rules, they are ethical in their behavior. These consumers do not consider whether the businesses behave ethically. Eckhardt et al. (2006) argue that although consumers like ethical businesses, they do not sacrifice their comfort for the welfare of society. Consequently, there is a gap between consumers' perception and their actual practice. However, the existing literature has not studied consumer perception about the ethical behavior of supermarkets and their response to retailer choice. To date,

the demand side study in the literature concerning ethical business is still missing. This study fills the vacuum.

Data and Methodology

Two main sources of information are used to compare and contrast the perception of consumers about the ethical business of UK supermarkets. 1) exclusive research (quantitative and qualitative) and consumer survey conducted by academics or institutions, such as the “*Mintel report*” and ethical consumerism report by the “*Co-operative Bank*,” 2) primary questionnaire survey by interviewing customers directly. It is worth noting that the latest data on ethical consumerism are found from the *Mintel report* (2011). However, awareness of ethical consumerism is increasing over time. To gather up-to-date information about ethical consumerism, we used primary data through a questionnaire-based interview in three big UK cities: London, Birmingham, and Manchester. Keeping in view the basic objectives of this study, we incorporated both nominal and ordinal questions in the questionnaire. We ran a pilot survey on 20 respondents before reorganizing and preparing the final questionnaire.

Krueger and Casey (2009) suggest that at least two different sample areas should be chosen for primary data to be representative. Falconer (1976) states that samples from different focus groups are helpful to minimize the potential social desirability bias. Therefore, we collected data from three major UK cities, London, Birmingham, and Manchester. To ensure representation from each age group, we also collected data from all age groups: 15 years to above 60 years of age. In addition, approximately, an equal gender mix was upheld.

The study is based on UK consumer perception, and 222 questionnaires were collected by using mainly the “*stratified random sampling*” (Saunders et al., 2009) technique. The diversity of the representatives included in the study demonstrates the demographics of the sample. Using information from the Office of National Statistics (ONS), UK, respondents were stratified. We also attempt to collect data according to the distribution of gender and ethnicity in the UK. According to the ONS report (2006), the UK population is comprised of 49 percent male and 51 percent female; consequently, the study attempts to collect data from male and female respondents so that the survey at least represents this distribution approximately, if not perfectly. Regarding ethnic distribution, the ONS report (2006) suggests that about 85 percent people are White British, five percent are Other White and European, and the rest of the people are Asian, African, or other ethnicities. We attempt to take care of this issue, as well, when collecting data, with 72 samples collected from London, 85 from Birmingham, and the remaining 65 from Manchester.

The study was conducted using a self-administered questionnaire in which the “*delivery and collection questionnaire*” method (Saunders et al., 2009, p. 363) method was employed. The study was conducted between January and March 2012. In respect of the “*delivery and collection questionnaire*” method, main streets, cafés, restaurants and public areas were selected from the city centers inasmuch as people from all classes of society frequent these areas. People were requested to spare a few minutes to fill up the questionnaires.

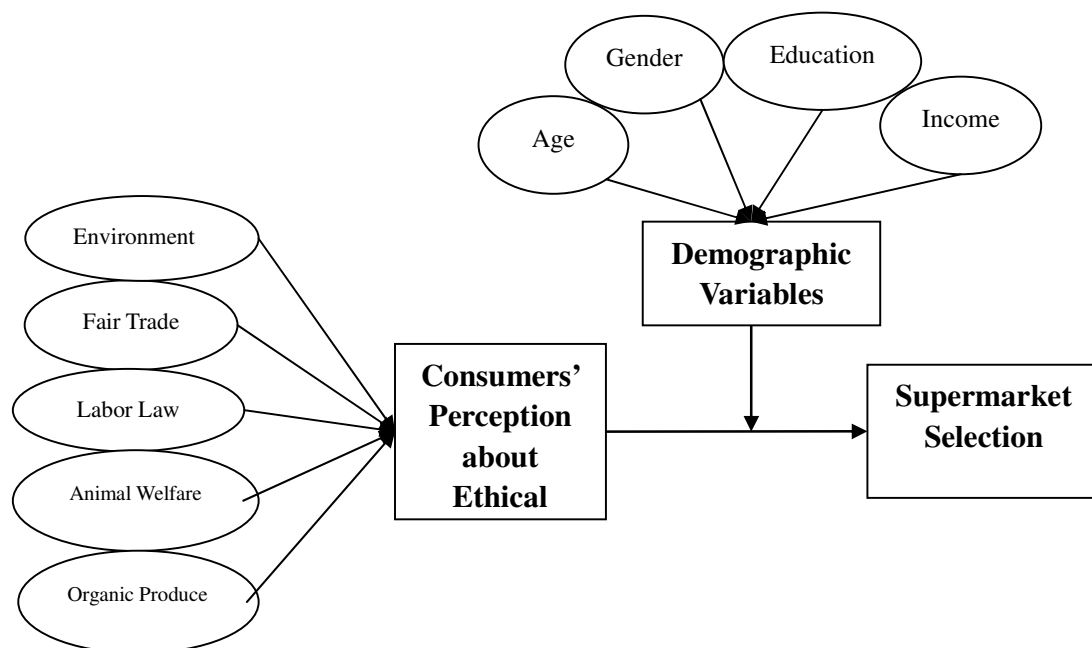
We briefly explained the objective of the study, and the participants were informed about the appropriate instructions concerning the questionnaire; upon receiving their consent, the questionnaire was handed to them for completion. Data collection was not easy, as people in the city centre are always in a hurry and do not want to spend time completing a questionnaire. Although numerous people expressed interest, many refused to respond.

Theoretical Framework

This study is based on the so-called “Triple bottom line” (stakeholder, corporate social responsibility, sustainable development) theories, which suggest that organizations have responsibility towards economic, social, and environment issues (see, for example, Elkington, 1997; Wempe & Kaptein, 2002; Shrivastava, 1995; Stead & Stead, 2000).

This study is broadly motivated by the above theories; however, we specifically apply the following theoretical framework. According to the Ethical Consumer Research Association Ltd. (2012) and the Ethical Consumerism Report (2011) by the Co-operative Group, the ethical components (code of ethics) include environmental friendliness, concern about labor law, concern about animal welfare, fair trade, and organic produce. Although there are some political factors that are included in these reports, they are not within the scope of this study. The community produce, organic product, and fair-trade products are considered as the major ethical products by the retailers (Jones et al., 2005). The study also explains the environment friendly produce as one of the ethical products. Anselmsson and Johansson (2007) suggest animal welfare as an important indicator of CSR (ethical business). Ultimately, the concern about the environment, fair trade, local and international labor law, animal welfare, and organic produce are included as the code of ethics in this study. Hence, these factors determine whether or not the supermarkets are ethically motivated. Subsequently, the existence of these attributes in any business indicates that the respective business follows the code of ethics.

Another important question in this study is whether consumers are concerned about the ethical behavior of supermarkets and whether their perception is reflected in their supermarket choice. It is worth mentioning that ethical products are usually expensive, and, therefore, the income level of consumers may have an impact on ethical supermarket choice. Similarly, the age, gender, ethnicity, level of education, and level of income may influence the decision about ethical supermarket choice. We, therefore, examine whether the demographic variables can influence consumers' perception about ethical business and their supermarket choice. The study subsequently proposes a theoretical model to estimate consumer perception and response to ethical business. The model is shown as follows:



Description of the Questionnaire

The questionnaire contained a brief explanation on the ethical issues in the beginning to ensure that the respondents knew about all the issues that were going to be asked about in the questionnaire. First, a few questions inquired about general personal information, e.g. age, gender, ethnicity, education level, and income range. These questions were used to warm up the respondents while also being of use to the research. Subsequently, they were asked about their supermarket selection criteria. The next questions concerned the respondents' chosen supermarkets and the ethical performance of the chosen supermarkets (according to their opinion). These questions included five-point Likert scale questions. The survey attempted to determine consumer perception about the ethical performance of their chosen supermarkets. Subsequently, we attempted to investigate whether the consumer perceptions are reflected in their supermarket choice. Hence, they were asked about the most ethical supermarket in their opinion. Some sector specific ethical questions were also included; for example, there was a question about the ethical performance of the chosen supermarket based on five different code of ethics, namely: i) environmental concern, ii) supporting organic produce, iii) facilitating fair trade, iv) care for labor law and v) care for animal welfare. Respondents were asked to score them for their chosen supermarket. We also asked them to grade the UK supermarkets in terms of their ethical performance. Exhibit 1 presents some basic questions for this study.

Exhibit 1. Summary Table for Selected Questions

Q. Where do you shop most?
 (1) Aldi, (2) Asda, (3) Co-op, (4) Iceland, (5) Lidl, (6) Morrisons, (7) Sainsbury, (8) Tesco, (9) Waitrose, (10) Others (please state).....

Q. Please select the most important criterion which you give top preference when chose a supermarket to shop.
 (1) Ethical issues, (2) Cheaper Price, (3) Good Quality, (4) Nearest to you, (5) Others (please state).....

Q. When you choose a supermarket to shop, you consider their ethical awareness and performance.
 (Please scale 1-5: '1' if you are 'least concerned' and '5' if 'highly concerned' about this issue)
 (Least concerned) 1 2 3 4 5
 (Highly concerned)

Q. How do you rate your chosen supermarket(s) in terms of their concern about the following specific ethical behavior? (Please circle '1' if supermarket is 'least concerned' and '5' if 'highly concerned):

i) Environment pollution –
 (Least concerned) 1 2 3 4 5 (Highly concerned)

ii) Support 'organic produce' –
 (Least concerned) 1 2 3 4 5 (Highly concerned)

iii) Facilitate 'fair-trade' –
 (Least concerned) 1 2 3 4 5 (Highly concerned)

iv) Careful about "international labor law" (such as 'avoiding use of child labor', 'offering a minimum salary rate', healthy environment in workplace etc.) –
 (Least concerned) 1 2 3 4 5 (Highly concerned)

v) careful about animal welfare
 (Least concerned) 1 2 3 4 5 (Highly concerned)

Q. Please rank at least top three ethical supermarkets for their overall ethical performance (Please grade 1 (for the least ethical one) to 10 (for the most ethical supermarket))

Aldi, Asda, Co-op Iceland, Lidl, Morrissons,
Sainsburys, Tesco, Waitrose, Other (please name).....

Mode of Analysis

We analyze both primary and secondary information regarding consumers' perception about ethical business and their firm selection behavior. The study presents the demographic status of respondents in terms of their age, gender, ethnicity, education, and income in frequency distribution tables. We state the market share of the UK supermarkets (presented graphically) from secondary data. The popularity of the supermarkets is also ranked using the opinion of consumers. The study graphically analyzes the UK retail firms in terms of their ethical behavior. We use the Analysis of Variance (ANOVA) to investigate the actual supermarket selection criteria of consumer. The study then employs the Pearson Correlation Matrix to investigate the relationship between consumers' perception about ethical behavior of supermarkets and their response to supermarket choice. We also find the significant code of ethics perceived by consumers from this matrix. Subsequently, we use ANOVA to examine whether demographic variables affect the ethical supermarket selection in the UK.

Empirical Results

Demographic Analysis

In the data, we find that the maximum number of respondents were middle-aged (21 to 40), which is 51.3 percent of the total respondents (see Table 1 in Appendix). Approximately 49 percent of respondents were male, 47 percent female, and the remaining four percent did not answer the gender question (see Table 2 in Appendix). Among the respondents, White British comprised 63.5 percent, Europeans 12.2 percent, Asian British consisted of 12.2 percent, and the rest were a mix of other origins (see Table 3 in Appendix).

We also collected data on the income level of consumers, which is presented in Table 4 in the Appendix. The annual income of 33.8 percent of the respondents ranged from £15,000 to £24,999; followed by 31.1 percent up to £14,999; 13.5 percent from £25,000 to £34,999; 6.8 percent £50,000+; and 4.1 percent from £35,000 to £49,999; 10.8 percent respondents did not answer the "income level" question.

Data on the educational level of consumers were also collected, which is presented in Table 5 in the Appendix. All educational levels were well represented: 35.1 percent of respondents were GCSE or equivalent; 21.6 percent were graduates; 16.2 percent were post-graduates; 13.5 percent were "A-level" or equivalent; however, 13.5 percent of respondents did not answer the academic qualification question.

Consumers Behavioral Gap

We, first, compare the findings that emerged from our survey data (primary data) with the findings (from secondary sources) quoted in the existing reports and literature. The study finds a significant behavioral gap between consumers' perception and their choices.

Secondary Data Analysis

This section analyses the market share of the UK supermarkets (which indicates the popularity of the supermarkets) and compares the popularity with the ethical performance of the supermarkets. We use the "ethical consumer report by the co-operative bank" (2011), "Centre for Retail research" (2012) and "the Ethical

Marketing Group" (2011) for this comparison. The comparison is presented as follows.

Market Share and Popularity of UK Supermarkets

The market share of Tesco Plc. is 30.5 percent, and it is the number-one supermarket in the UK; it is followed by ASDA (17.1%), Sainsbury's (16.1%), Morrisons (11.7%), Co-operative (6.9%), Waitrose (4.3%), Aldi (3.6%), Lidl (2.6%), and Iceland (1.9%). The Mintel (2011) survey report about the market share of UK supermarkets is presented in Figure 2.

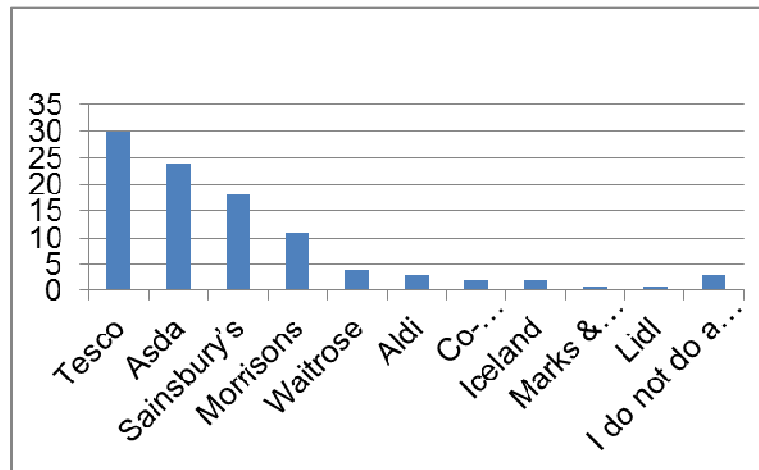


Figure 2. Usage of outlets for main grocery shop, August 2011 (% of consumers)
Data source: Ipsos MORI/Mintel (2011)

Figure 2 shows that Tesco Plc is the most popular supermarket in the UK, having 30.5 percent of the market share; it is followed by its close competitors, Asda, Sainsbury's, Morrisons. Waitrose, Aldi, Co-operative, Iceland, Marks & Spencer, and Lidl, which are at the bottom of the list in terms of both market share and popularity.

Ethical Record of UK Supermarkets

According to the Centre for Retail research (2012), Marks & Spencer is regarded by a poll in *The Times*, as Britain's greenest supermarket. Sainsbury's has been in the ethical business for longer than any other supermarket. The Co-op Group pioneered fair trade and won the "Business Commitment to the Environment Leadership Award" and "the Environment Leadership Award" from "Business in the Community" for reducing carbon emission by 86 percent. According to the report, Asda has also promoted a greener approach. Tesco invested £100 million in sustainable environmental technology. Tesco Plc. was also classified as the best of the major supermarkets in World Farming on pig welfare standards. It launched 100% British finest pork in 2006/07. Aldi's garden furniture is made from wood with an FSC (Forest Stewardship Council – sustainable woodland) certificate.

Consequently, it appears that every supermarket is moving towards ethical business one way or the other, and all have been gradually investing more in ethical business practices. However, which supermarket is doing the best or doing better than others in terms of ethical business? Various organizations have reviewed and published reports on this issue. They ranked the UK supermarkets on the basis of their ethical performance in the

various areas of business. The Ethical Consumer report (2011) ranks the UK supermarkets according to their ethical performances, as shown in Figure 3.

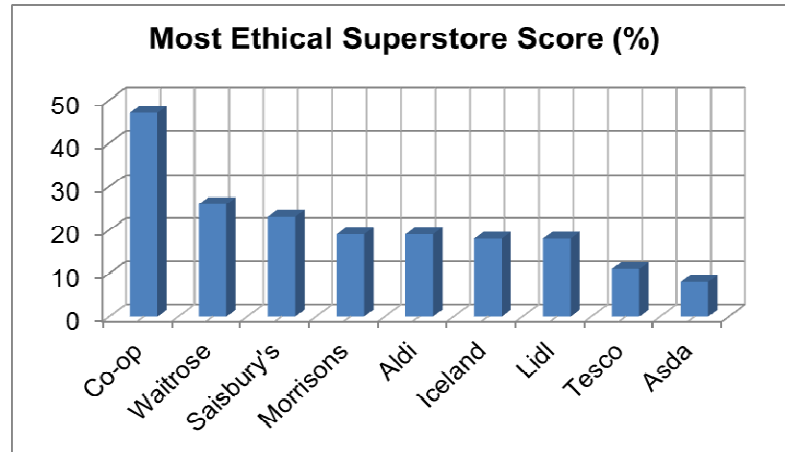


Figure 3. Most Ethical Supermarkets ranking
Data source: Ethical Consumer report (Jan/Feb, 2011; p.2).

Figure 3 indicates that in the race for ethical business, the Co-op scored the highest with 47 percent and is the clear leader, followed by Waitrose (26%) and Sainsbury’s (23%). Aldi (19%) and Morrisons (19%) have the same score; Iceland (18%) and Lidl (18%) also scored the same. Tesco (11%) and ASDA (8%) are the least ethical supermarkets. Figure 3 is plotted from the overall score on ethical business practice by UK based supermarkets. The data was collected from the Ethical Consumer Organization report, 2011.

The report also provides more detail information (see, Figure 4) in terms of social, economic, political, and environmental ethical business practice by supermarkets (Ethical Consumer report, 2011, p.5). The report highlights the role of UK supermarkets in different ethical areas. This study has ranked 19 ethical supermarkets by using data on 19 different codes of ethics, including environment, workers right, animal welfare, and political issues. We have collected data only for those supermarkets which we have selected for our primary survey. Figure 4 shows the score.

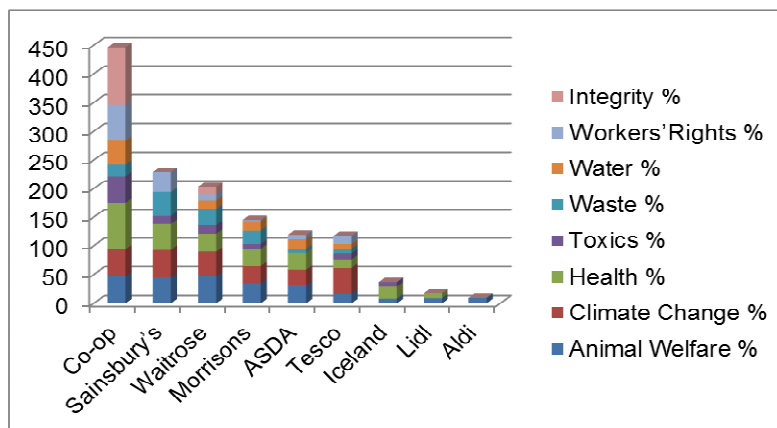


Figure 4. Ethical business score (ethical code-wise) of supermarkets operating in the UK
Data source: Ethical Consumer report (Jan/Feb, 2011; p.5).

The overall score from the figure suggests that the Co-op is the number one supermarket (in terms of corporate social responsible businesses) with a score of 56 percent, followed by Sainsbury's with a big difference (29%), Waitrose (25%), Morrisons (18%), ASDA (15%) and Tesco (15%). The lowest scorers in ethical business are Iceland (5%), Lidl (2%), and Aldi 1%. However, it is worth noting that in many areas, no score was added to Iceland, Lidl, and Aldi due to the unavailability of data.

Feedback from Primary Data

Primary data supports the secondary information about the popularity of UK top supermarkets. Figure 5 presents the chosen supermarkets (in percentage) by the respondents.

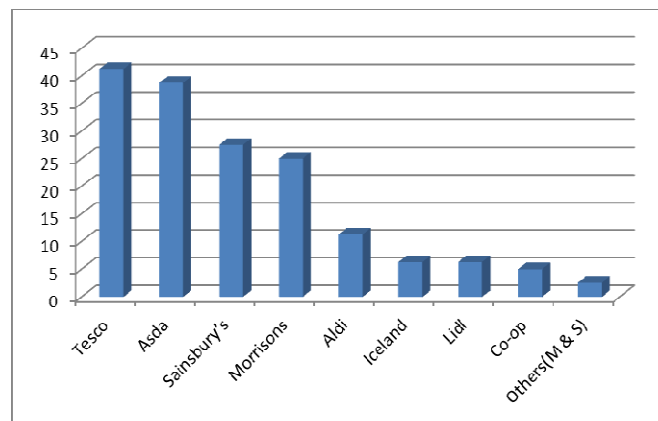


Figure 5. Consumers' Preferred Supermarkets (% of people)
Source: Survey data.

Figure 5 indicates that a large number of consumers shop at Tesco Plc and Asda: 41.25 percent customers shop at Tesco Plc, which is highest among supermarkets, while 38.75 percent customers shop at Asda, followed by Sainsbury's (27.5%), and Morrisons (25%). With a big difference, Aldi (11.25%) comes next in the consumers' choice list. At the bottom of the list are Iceland and Lidl with the same percentage of people (6.25%) and the Co-op, which seems to be the least popular, being chosen by only 5% of people. Only a few people (3.75%) shop at Waitrose and M&S (2.5%). Why are Iceland, the Co-op, and Waitrose at the bottom of the list for consumer choice? The reasons were found from discussions with some of the consumers as follows: (i) these supermarkets do not have as many stores as the other top supermarkets, (ii) some of them are relatively expensive, and not all levels of customers can afford to buy from them.

Supermarkets Ethical Level

Respondents were asked to rank the supermarkets (in terms of ethical business) according to their opinion. Two interesting findings emerged from the responses of consumers. First, many respondents ranked two-thirds of the supermarkets as the top ethical supermarkets. Consequently, readers will observe that the total response is more than one-hundred percent. Second, most of the respondents ranked his/her chosen supermarket as the most ethical supermarket. ASDA is ranked as the topmost ethical supermarket (39.44%), followed by Tesco (38%), Morrisons (36.62%), and Sainsbury's (33.80%). A comparative analysis of Figure 5 and Figure 6 indicates that consumers, in their opinion, choose the most ethical supermarket for shopping. Actually, there is

a tendency among the customers to place their chosen supermarket as the most ethical one. However, if we compare Figure 3 and Figure 4 (ethical retailers' ranking) with Figure 5 and Figure 6, it becomes clear that there is a significant "knowledge gap" between actual ethical supermarkets and consumers' perception about ethical supermarkets. There is a tendency among customers to place their chosen supermarket as the most ethical one.

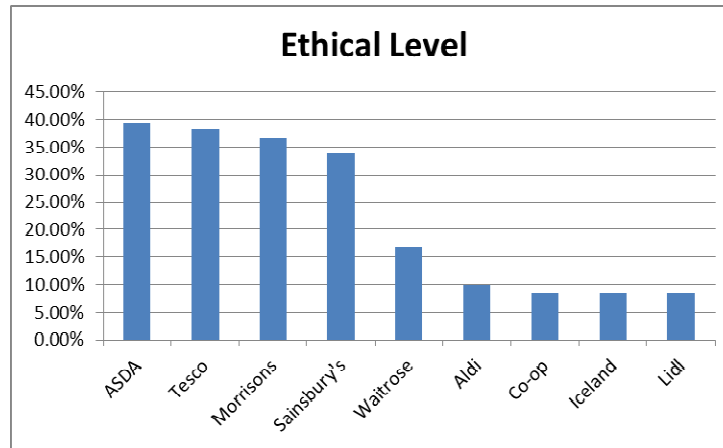


Figure 6. Ethical Supermarket Ranking (Consumers Perception)

Source: Survey data

Supermarket Selection Criteria: Analysis of Variance

As a cross-question, we asked the respondents to express their selection criteria in choosing a supermarket. They were specifically asked which of the following categories they preferred when they had selected a supermarket to shop. The categories were: (i) ethical issues, (ii) cheaper price, (iii) good quality, (iv) supermarket is the nearest one from their home, and (v) the open ended choice. Since, this is a categorical variable and consumers' ethical supermarket selection is a scale variable (1-5 scale), we employ the "Analysis of Variance" (ANOVA) technique to examine the supermarket selection criteria by consumers. The estimated results are given in Table 6(a) and 6(b).

Table 6(a). Supermarket Selection Criteria - Descriptive Statistics

	N	Mean	Std. Error	95% Confidence Interval for Mean	
				Lower Bound	Upper Bound
Ethical Issues	51	1.71	.094	1.52	1.89
Cheaper price	63	2.67	.120	2.43	2.91
Good quality	63	2.76	.161	2.44	3.08
Nearest to you	39	2.54	.176	2.18	2.89
Others	6	1.50	.224	.93	2.07
Total	222	2.42	.074	2.27	2.57

Table 6(b). ANOVA Test

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	42.831	4	10.708	10.227	.000
Within Groups	227.209	217	1.047		
Total	270.041	221			

Estimated results indicate that consumers, in reality, give top priority on “good quality” (brand) (2.76) followed by “cheaper price” (2.67) and distance from home (2.54) in supermarket selection. Ethical issues get the least priority (1.71) in supermarket selection. The F-statistic (10.227) indicates that this is a significant phenomenon (p-value: 0.000). Although it seems that consumers are concerned about ethical business, they are, however, in reality, shopping at supermarkets that can provide them good quality products with cheaper prices.

Code of Ethics and Ethical Shopping: Correlation Matrix

We investigate whether there are significant correlations between the variables of interest by employing the Pearson Correlation analysis. The correlation matrix is presented in Table 7.

Table 7. Pearson Correlation Matrix (p-value is in parenthesis)

	Envir-onment	Organic	Fair	Law	Animal	Ethical	Choice
Envir-onment	1						
Organic	0.597*** (0.000)	1					
Fair	0.526*** (0.000)	0.579*** (0.000)	1				
Law	0.450*** (0.000)	0.267*** (0.000)	0.541*** (0.000)	1			
Animal	0.325*** (0.000)	0.337*** (0.000)	0.338*** (0.000)	0.766*** (0.000)	1		
Ethical	0.166** (0.014)	0.037 (0.586)	0.183*** (0.006)	0.256*** (0.000)	0.151** (0.024)	1	
Choice	0.025 (0.716)	0.168** (0.012)	0.115* (0.088)	0.085 (0.205)	0.182*** (0.006)	-0.071 (0.291)	1

Notes: The number of observations is 222, ***, ** and * represents significant at 1%, 5% and 10% level, respectively. “Environment” stands for concern about environment pollution (i.e., whether the business is concerned about environment pollution), “Organic” for organic produce, “Fair” for fair-trade, “Law” for international labor law, and “Animal” for animal welfare. “Ethical” stands for ethical supermarket and “Choice” for consumers’ supermarket selection.

We test whether the general code of ethics, environmental awareness, fair trade, concerned about labor law, animal welfare and organic produce, are significant ethical factors for consumers in ethical supermarket selection. The correlation matrix shows that consumers consider environmental awareness (0.166**), fair trade (0.183***), concern about labor law (0.256***), and animal welfare (0.151**) as significant codes of ethics for

retail business. However, they do not consider "organic produce" (0.037 (p-value: 0.586)) as a significant code of ethics for retail business. Nevertheless, consumers choose their supermarket based on whether the supermarket follows an ethical code: organic produce (0.168^{**}), fair trade (0.115^{*}), and animal welfare (0.182^{***}).

The results suggest that there is a significant "behavioral gap" between consumer perception and their supermarket choice. Although consumers do not consider the trade of "organic produce" as a code of ethics (0.037 (p-value: 0.586)), they choose those supermarkets that make organic produce available for customers (0.168^{**}). Again, consumers do not choose those supermarkets that they consider as more concerned about the environment (0.025 (p-value: 0.716)) and labor law (0.085 (p-value: 0.205)). In contrast, consumers choose supermarkets that offer fair trade products (0.115^{*} (p-value: 0.088)) and that are concerned about animal welfare (0.182^{***}).

Moreover, we find that supermarket selection and perception about supermarkets' ethical behavior are not significantly correlated (-0.071 (0.291)). We also refer to Table 6(a) and Table 6(b) in this respect, which indicate that consumers, when they select a supermarket for shopping, rate the ethical issues as the least prioritized one. Hence, these findings suggest that there is a significant "behavioral gap" between consumers' perception and their response to ethical firm selection.

The correlation matrix also indicates that consumers think they choose the most ethical supermarket for shopping. However, there is a significant disparity between perceived ethical orientation and the actual practise by consumers. The study documented similar evidence from Figure 3 - Figure 6. Estimated results indicate that the customers usually place their chosen supermarket as the most ethical one.

The Demographic Variables and Ethical Supermarket Selection: ANOVA

We, finally, estimate whether the demographic variables have significant influences on ethical preference of consumers in supermarket selection by using the Analysis of Variance (ANOVA). Our dependent variable, the ethical preference is an ordinal variable (Likert scale). All the independent variables are demographic. The demographic variables include age, gender, education, and income. There are 6 age groups from below 20 to above 60. Gender includes male and female. The education variable comprises GCSE/O levels, A levels, graduate, and post-graduate categories. Income groups commensurate with 5 income levels starting from less than 15K to more than 50K. The estimated results are presented as follows.

Table 8. Analysis of Variance

Variable	Group	Observation	Mean	F-statistic (P-value)
AGE	Upto 20	30	2.70	1.694 (0.137)
	21-30	66	2.45	
	31-40	48	2.31	
	41-50	36	2.08	
	51-60	18	2.83	
	60 above	24	2.38	
	Total	222	2.42	
GENDER	Male	108	2.44	2.199

	Female	105	2.46	(0.113)
	NR*	09	1.67	
	Total	222	2.42	
ETHNICITY	White British	141	2.55	3.216**
	Other British	33	2.27	(0.024)
	Non-British	45	2.20	
	NR*	3	1.00	
	Total	222	2.42	
EDUCATION	GCSE/ O Levels	78	2.54	4.691*** (0.001)
	A Levels	30	2.70	
	Graduate	48	2.19	
	Post-Graduate	36	2.75	
	NR*	30	1.80	
	Total	222	2.42	
INCOME	upto 14999	69	2.61	3.847*** (0.002)
	15000-24999	75	2.40	
	25000-34999	30	2.70	
	35000-49999	9	2.00	
	50000+	15	2.60	
	NR*	24	1.63	
	Total	222	2.42	

Notes: * NR stands for No Response. Although the respondents have not responded to the specified demographic questions, they responded to ethical supermarket selections question.

Table 8 suggests that age (F-statistic: 1.694 (p-value: 0.137)) and gender (F-statistic: 2.199 (p-value: 0.113)) are insignificant demographic variables that do not play any specific role in ethical supermarket selection. However, ethnicity (F-statistic: 3.216** (p-value: 0.024)), education (F-statistic: 4.691*** (p-value: 0.001)) and income (F-statistic: 3.847*** (p-value: 0.002)) are found to be significant demographic variables that affect the ethical preference in supermarket selection. White British are found to be more ethically concerned, which is followed by Other British and Non-British consumers. This is worth noting that to find the standard sample size for estimation, we combine Asian and African British into one group, which is called "Other British," and we also combine European (other than British), African, Asian, and other ethnic groups into another group called "Non-British."

The study also finds that the consumers become more ethical as their education level increases; the only exception is the "graduate level." This finding generally suggests that highly educated people are more concerned about ethical business practices by supermarkets. Although income levels significantly affect supermarket selection, we haven't found any systematic relation between income level and ethical supermarket selection by consumers.

Conclusion

This study investigates consumers' perception about ethical business and the impact of their perception on their supermarket choice in the UK. We use both primary and secondary data for this research. The primary data was collected from three important UK cities through a questionnaire survey; secondary data was collected from various existing data sources, such as Mintel (2009, 2011) and the Ethical Consumer Organization report (2011).

The results show that for consumers, environmental awareness, fair trade, concern about labor law, and animal welfare comprise the significant code of ethics that should be followed by supermarkets. However, consumers do not consider "organic produce" as one of the significant ethical business practices of their preferred retailers.

It seems that, overall, although ethical business is an important issue in the minds of consumers, they do not have appropriate knowledge about the ethical ranking of existing supermarkets. Rather, they consider that their chosen supermarket is the most ethical one. Hence, there is a significant "knowledge gap" among consumers about ethical business practice.

The general perceptions of consumers are environmental awareness and concern about labor law are two significant codes of ethical businesses; however, when they select a supermarket for shopping, it is found that they are not concerned about these factors. Besides, although consumers do not consider the organic produce as one of the ethical products, they choose those supermarkets that offer organic produce to them. Furthermore, it is found that UK consumers put more preference on quality products and cheaper prices than on ethical products. Consequently, it seems that there is a significant "behavioral gap" between consumers' perception and their response. This finding is in accordance with the statement provided by Eckhardt et al. (2006) that although consumers like ethical businesses, they do not sacrifice their comfort for the welfare of society.

The estimated results also demonstrate that the level of education, level of income, and ethnicity significantly influence the choice of ethical supermarkets by consumers. It is also found that highly educated consumers are more concerned about ethical shopping than less-educated consumers. White British are found to be more concerned about ethical shopping than Asian and African British, as well as Non-British consumers. However, we have not found any systematic income effect on ethical supermarket selection. Age and gender do not play any significant role in ethical shopping.

Further Research

Further research may attempt to investigate the reasons for the behavioral gap between consumers' perception about ethical business and their response thereto. Consumers knowledge about and response to ethical business in developing country perspective may also be an important area of research.

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The Myth of Chinese and European Identities in Business History

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Abstract: The rise of the West from the 18th to the 20th century has, so far, been the focus of attention of conventional international historiography. But in the very near future, the main object of historical scholarship may be how to explain the rise of China and its neighbors in the 21st century. Other perspectives and historical facts will most probably come to the forefront. How we interpret preceding centuries depends on the nature of what needs to be explained. Meanwhile a Eurocentric approach to world history continues to dominate conventional international historiography. Considering the scale of globalization today, should there not be a more balanced approach to world history?

Keywords: comparative history, comparative business culture, intercultural communication, European history, Chinese history, Buddhism, Confucianism.

Introduction

The rise of the West from the 18th to the 20th century has, so far, been the focus of attention of conventional international historiography. But in the very near future, the main object of historical scholarship may be how to explain the rise of China and its neighbors in the 21st century. Other perspectives and historical facts will most probably come to the forefront. How we interpret preceding centuries depends on the nature of what needs to be explained. Meanwhile, a Eurocentric approach to world history continues to dominate conventional international historiography. Considering the scale of globalization today, should there not be a more balanced approach to world history?

Teaching history has become a very sensitive issue that most West-Europeans and North Americans are hardly aware of. An example of this is how globalization is presented. Both pro-globalists and anti-globalists like to present globalization as a “Western” phenomenon. Anti-globalists include it in their argument that everything that originates (and originated) in the so-called “West” is bad, while pro-globalists maintain that Western values and products are universal and that there are no substitutes. In doing so, they both assume that there is, indeed, a concept like the “West” that can be identified, defined, and described. Hardly any specialist on globalization has ever tried to do so, but that did not seem to bother them. A recurrent argument is that there is an Asiatic, often Chinese, alternative, which proves that the “West” actually exists. What is not considered is the possibility that many movements against West-European or American globalization actually derive from the continuous claim that principles considered as universal, like scientific and rational thought, economic and business behavior, democracy, equality, freedom, etc., were of European origin and had no relationship with so-called non-Western civilizations like China. Once people identify certain values as foreign or alien, even worse, if they link them to what they historically and psychologically perceive as the oppressor or the opponent; then, these values also come to represent the oppressor or the opponent. I argue that this is the core of the problem of present-day globalization, which seems to invite almost automatically extreme forms of nationalism. There are two questions here to be answered. First, is there indeed a “West” from which all

universal values and institutions, including those related to business ethics, originate from? Second, if this is not the case, what caused this phenomenon, and how do we correct it? Of course this leads us to an alternative way of presenting and teaching both world history and the history of China and Europe.

Business History Reinvented By Europeans

A long list of 19th and 20th century European thinkers, including Karl Marx and Max Weber, have emphasized the uniqueness of Europe's business history. Even recent globalization historians like Landes (1999) and MacGillivray (2006), consider globalization to be a Europe-centred phenomenon that started around the 16th century, shortly after Columbus supposedly discovered America. However, let us consider the historical evidence for an Asiatic world model. Maddison's (2003; 2007) calculations show that 2000 years ago, India held 33 % of the world economy, while China was in second place with 26 %. India's population was around 75 million, while that of China was about 60 million. Just to compare, Europe had a population of only 25 million. According to economist Deepal Lal, China and India had too much too soon and became complacent (quoted by Smith, 2007, p. 13).

Of course, such figures and descriptions can be debated, but the broad picture he suggests goes unchallenged. History was clearly on China's and India's side. Smith (2007) calls the current rise of China just the return of the status quo which persisted throughout history. According to Maddison (2003; 2007), relatively little changed during the first Christian millennium, the only significant change being the relative rise of Africa. In the year 1000, India was still ahead with 29 % of the global economy, with China at 23 %. Only the next 500 years, from 1000 to 1500 saw the beginnings of the rise of Western Europe, from 9 to 18%. Simultaneously, China caught up and then overtook India. By the time of the Renaissance and Columbus's so-called "discovery" of America, China and India accounted for nearly half of the global economic activity equally divided between them. These numbers tell a different story from the traditional Eurocentric interpretation of history and also suggest a different interpretation of the history of globalization (Smith, 2007, p. 8-33; Maddison, 2003 & 2007).

Similarly, another popular myth is that the so-called "Western" civilization is a result of a logical chain: Classical Greece and Rome-Renaissance-Industrial Revolution. Naturally this chain does not take into account other major civilizations like China (Wright, 2005). The myth includes, specifically, China. Most West-European historians have considered Chinese culture and society as unchanging over time and have emphasized the "unique" development of modern science in the West, along with the Renaissance, the bourgeoisie, democracy, and capitalism. Business in China was rigid and remained rigid until the dominance of a Confucian bureaucracy was broken. China is "a-historical," while only Western Europe was subject to change. Many, like J. Needham (quoted by Goody, 2006, p. 153), argued that the People's Republic would never copy the West but instead develop its own "*socialist form of society*," which "*would seem to be more congruent with China's past than any capitalist one could be.*" How they would interpret the present economic liberalization and openness and how they would deal with the examples of Taiwan, Singapore and Hong Kong is another matter. This overemphasis of historical and cultural continuity of "*a powerful ethical system never supported by supernatural sanctions*" (Needham, quoted by Goody, 2006, p. 152), but nevertheless characterized by a passive attitude towards innovation and economic activities, contributes to the idea of a "clash of civilizations" in the manner discussed by Huntington (1996). The feelings that reading these otherwise very scholarly written overviews evoke among the so-called non-Western (in this case Chinese)

public are not taken into consideration.

Famous and, indeed, talented West-European historians like Fernand Braudel (1993) had an ambiguous attitude toward Chinese history. Braudel argued that after the 13th century, the Chinese economy started stagnating. He further comments that earlier “*the Chinese advance is hard to explain*” (quoted by Goody, 2006, p. 188). Goody (2006, p. 188) comments: “*But that is surely the case only if one is looking at the world from a 19th century Eurocentric standpoint.*” Braudel’s insistence on China’s lack of a sophisticated monetary system required for exchange and production, while only medieval Europe finally perfected its money system is curious because all Eurasian civilizations had to exchange with one another. China’s supposedly backwardness certainly contrasted with the fact that its comparative advantages were able to attract precious metals to its borders from the West for more than two millennia. So, clearly, Western Europe was not the only culture having hunger for gold. According to Goody (2006, p. 190), “*The East knew what it wanted and how to get it by peaceful means, namely, by trade.*” He also puts the European “Renaissance” in a different light:

Throughout Asia, the East did not need the same rebirth since it did not have the same death. That is why China remained ahead of the West, in science until the end of the 16th century, in the economy until the end of the 18th. It neither had the extensive material collapse nor did it have in the same way a restrictive, hegemonic religion. (Goody, 2006, p. 296)

Even Joseph Needham (1954-), the author of a magisterial series on Chinese inventions, science, and technology, is ambiguous. Needham concluded that science was more advanced in China until the 16th century. Yet, when it comes to “inventing invention,” Western Europe comes to the forefront because of its adoption of paper and printing. Goody (2006, p. 297), on the other hand, suggests a “*more regular evolutionary change rather than ... a sudden revolution of a putative kind. 'Modern' science should be more closely linked to earlier science, and developments in the West seen as more continuous with China than Needham finally proposes.*”

There also seems to be a widespread agreement among European historians that with the exception of Japan, feudalism was absent in the rest of the world. This Japanese exceptionalism is, again, typical of Eurocentrism with a slightly negative bend towards China. Historians like Anderson (quoted by Goody, 2006, p. 94) argue that Japan developed a system similar to Europe’s in the 14th to 15th centuries, explaining, also, Japan’s early achievements in industrial capitalism, often seen as contrasting with China’s experience. Goody (2006, p. 94) describes it as “*a judgement that has turned out to be distinctively premature*” considering the People’s Republic growth since the 1980s. Goody demonstrates that there are no supposedly unique characteristics of earlier Japan.

Also, Pomeranz (2000) shows the parallels between China and Europe as recently as 1750 in life expectancy, consumption, product and market factors, the strategies of households, and, perhaps, most surprisingly, ecology. Pomeranz argues that Europe’s rise in the 19th century was due to the fortunate location of coal, which substituted for timber, and the trade with the Americas, allowing the growth of resource-intensive and labor-saving strategies. Although the East Asian hinterlands boomed after 1750, both in population and in manufacturing, this growth itself prevented peripheral regions from exporting vital resources to the cloth-producing Yangzi Delta. As a result, growth in the core of East Asia’s economy essentially stopped.

Thus, Pomeranz ignores West European “enlightened” mentality or spirit as a possible factor.

The role of fashion, being connected to the concept of change, was emphasized by Elvin (quoted by Goody, 2006, p. 265). Sumptuary laws were eased in China at about the same time as in Europe when in both regions the bourgeoisie started rising. Afterwards in both regions, fashion and taste rather than law distinguished the elite from the masses.

Goody (2006, p. 269) further identifies charity (to the poor), the ambivalence about luxury (for the rich) as belonging to all major Eurasian urbanized societies. He also disagrees with European claims to the emotions. Medieval historians, such as George Duby (1996), identified the birth of “romantic love” in the troubador society of 12th century Europe. Others, more generally, have attributed a deeper or fraternal sense of love to Christianity and its tradition of charity (“love thy neighbour”). However, in China as early as the 9th to 7th centuries BCE, love poetry appeared in *The Book of Songs*. In the 6th century, a court poet, Hsu Ling, put together a whole collection of love poems called *New Songs from a Jade Terrace*. The rhetorical form of this kind of “Palace Style Poetry” became increasingly more standardized. One of the conventions was that the woman’s lover must be absent from the love scenario. Both Europe and China shared this concept, as it was intrinsic to the whole nature of both letter-writing and love poetry.

Eurocentric historians also consider an efficient institutional framework necessary for socio-economic emancipation and business development. Here, democracy and “good governance,” including the protection of private property, are considered to be vital for a successful business environment. Again, they are usually identified with evolutions in Western Europe. Nylan (quoted by Goody, 2006, p. 252) claims that even early China (e.g. the Ch’in or Wang Mang) was characterized by a number of checks and balances and probably did not deserve its reputation for despotism. The classical Confucian texts no doubt formed a check on government, and, as a result, the literate classes quite often were opposing the regimes. Wolf (1982) suggests considering the authority systems of both East and West, despotic or democratic, as variants of one another, of the tributary state, with the East being sometimes more centralized than the West.

Finally, John M. Hobson even suggests “*the Eastern Origins of Western Civilisation*” (Hobson, 2004, title). In this way, he revised the history of the world, arguing that Western industrialization was largely based on the adoption of Chinese, Arab, and Indian knowledge, and the imposition of asymmetric trading arrangements on Asian economies. Hobson’s work may indeed recall the hugely influential work of his great-grandfather, the radical anti-imperialist J.A. Hobson.

Business Paradigms in Confucianism and Buddhism

Arguing that religion is the undermining force, sometimes on a subconscious level, of the prevailing paradigms in a society, we suggest analyzing the role of religion in the socio-economic and business development of China in order to further assess “Western exclusivity.” In Western European literature and scholarship, certain socio-economic interpretations of Chinese (and Eastern) religious traditions gradually came into existence. The most common and traditional is the Weberian interpretation, which was especially successful among 19th century Orientalists, but also among some present-day postmodernists, claiming that Buddhism and Chinese traditions were counterproductive for economic growth and any other societal change. We consider here, specifically, Confucianism and Buddhism.

Confucianism is usually the culprit, explaining why 14th century China started restricting foreign trade and all

other international contacts. Beattie (2009, p. 151) calls it “one of the most remarkable pieces of self-inflicted damage in economic history.” Most European commentators refer to Confucius’ writings, which favor stability and the maintenance of existing relationships of hierarchy within society. They also refer to the Mandarins, the Emperor’s Confucian bureaucrats, who despised and feared merchants and did their best to control them. But Confucianism had already dominated China’s politics for more than a millennium. So, why only from the 14th century?

Confucianism also receives other comments. China contrasted with other areas, like Europe and the Middle East, because its state religion, Confucianism, allowed other traditions to co-exist with it, ignoring its own favor of stability. Basically, China’s religious tradition had no dominant player. There is no doubt that greater plurality dominated. Confucianism, while emphasizing morality, was secular in nature and rejected supernatural explanations. It provided an alternative to ancestor worship, to local shrines, and to Buddhism. Certainly neo-Confucianism allowed the development of science and of alternative views. The absence of such a relatively open environment in Western Europe may explain the need for radical institutional revolutions, like the Glorious, Cromwellian, and, especially, the French Revolution. China, however, had its own revolutions and peasant revolts, but the institutional outcome was not so radical. Peter Burke (quoted by Goody, 2006, p. 243) claims that “the parallels between China and Renaissance humanism are remarkable, including the emphasis on ethics and literature, the recourse to the classics, the interest in editing texts, the belief that a “humane” education is better than a specialist training as an educator.”

Another view of Confucianism is that it stimulated economic growth, as it created a “shame society” whereby the disapproval of the wider community enforced good business behavior. Beattie (2009) claims that by providing a monitoring mechanism within the “self,” guilt societies are better at giving their members the sense of drive and endeavor needed for a flourishing capitalist society. This can, however, be compared to the development of “guilt” connected to the “original sin” in West-European Christian civilization. We may conclude that neither hierarchies, shame, or the non-existence of revolutionary tendencies are exclusively typical of Confucianism.

While Confucianism was the religion of the Mandarins, the predominant religion in China was Buddhism. Despite its Indian origin, by 600 AD an estimated 90 % of China’s population subscribed to Buddhist beliefs and practices. It became part of a syncretic outlook that continued to develop Taoist and Confucian concepts. It especially mixed with Taoism and provided this religion with a model for its own progress. Mahayana, or “Greater Vehicle,” the particular kind of Buddhism that had reached China, was less individual and stringent. It preached universal salvation and the transferability of “merit” earned by good works.

Here, again, the point is that its socio-economic implications are very diverse and that the “Western” view has only focused the so-called Weberian interpretation that Buddhism was an obstacle to economic growth. It should be noted, however, that this negative approach received very relevant attention in the European post-War socio-ecological movement, which turned it into a positive approach. Buddha called for controlled consumption behavior and that the objective of activity can only be a self-sustainable economy. Weber emphasized that the resulting escape from materialistic things creates an obstacle to growth. Connected to this is the ecological approach, as advocated by E.F. Schumacher (1993 (1973)) in his *Small is Beautiful* (see next chapter).

Apart from the Weberian interpretation, there are at least two other important interpretations ignored by the

“West.” The first one is the liberating interpretation of Buddhism. In Chinese history, Buddhism was more intellectually and economically liberating than official Confucianism and popular Taoism, as it was the dominant religion among merchants. The roots of this liberating aspect of Buddhism go back to its origins in the fertile Ganga plains in ancient India between the 6th and 4th centuries BC. As the Buddha reacted against monarchical and Brahmanical (Hindu priest cast) control, he emphasized the power of human action and activity. This was the result of his doctrine of causality and the power of human effort in shaping one’s destiny. The Buddha also forbade his followers from living on an income derived from the slave trade. A policy of moderation on the part of the masters would, in turn, be rewarded with loyal workers (Chakravarthi, 2004).

But the only real possibility of escaping effectively the inegalitarian and hierarchical structure of society was in the institution of the *sangha*. The *sangha* was devised as a parallel society where one could construct, with immediate effect, a new structure of relations. Chakravarthi (2004, p. 20) identifies the *sangha* as “an institution of the asocial world, an institution outside the frontiers of existing society which was based on the vanishing pre-class societies of the past.” Nobel Prize winner in Economics, Amartya Sen (2009, p. 331), identifies the *sangha* or Buddhist Councils, beginning in the 6th century BC, as the cradle of democracy and challenges the “Athens” theory in this regard.

The second non-Weberian interpretation of Buddhism states plainly that it stimulated economic growth. There is a connection to the previous liberating interpretation. Brahmanism had attributed low value to the economic domain. This accounts for the greater popularity of Buddhism with all categories of people involved with production (Chakravarthi, 2004). Similarly, taking the doctrine perspective, according to Dasgupta (1993, p. 13-27), the Buddha’s principle of “appamada,” which basically means taking care of, or being responsible for, could also be interpreted as in favor of promoting growth. This interpretation, of course, became relatively popular when Japan and the Asian Tigers became economically successful after the Second World War, and it received new attention with the economic success of the PRC. The individual spiritual freedom that is so typical of Buddhism comes close to individual economic freedom. From this perspective, profits become a reward for initiatives. Also, the role of the state should be limited, since taxation encourages corruption.

The Buddha included shrewdness, capability, and the power to inspire confidence among his customers as modes of right conduct for shopkeepers. Also, a merchant should practice thrift, to the tune of saving 25 per cent of current income, which should be re-invested in his business. The *Vimalakirtinirdesa Sutra* spelled out these roles in some detail. In it the life and teachings of Vimalakirti (c. 400 AD), a legendary Buddhist householder, are held up as an example. Vimalakirti taught that neither monkhood nor household life is an absolute good. Each is to be regarded as an instrumental good, a skilful means, for achieving progress on the long road to “nirvana.” This pro-commerce attitude, typical of Buddhism, differs both from the Christian traditions and the classical ancient Greek traditions. Latin Christianity, including the medieval Italian scholastic theologian Thomas Aquinas, condemned the pursuit of personal material wealth as contrary to the will of God, and most Greek writers, including Aristotle, associated commerce with fraud, avarice, luxury, and moral corruption.

Is there a similarity to Protestantism as suggested by Kishore and Ganpati (2007, p. 38-41)? According to Weber, Protestantism not only reacted against the rigidities of Catholicism, but also introduced capitalism to Western Europe. One might also suggest a resemblance to the 19th century American School of Individualism, including philosophers like Herbert Spencer, which were by definition all Protestants. At least some similarities are confirmed by the economic parameters during the period when Buddhism became successful in

Chinese and Indian history. There is evidence that internal and external commerce significantly increased, as well as the organizational strength and political influence of mercantile groups. Many members of these groups converted to Buddhism, which suited them more than the old Confucian order (in the Chinese case) or Hindu order (in the Indian case) with their rigid hierarchies, elaborate sacrificial rites, and high tax rates. The richest merchants and their guilds also became the main patrons of the Buddhist monasteries and art. Dasgupta's (1993, p. 13-27) conclusion may be too farfetched but illustrates the point: "the Buddhist monasteries were probably among India's earliest and most important capitalists." The Chinese experience with Buddhism was similar. Monastic wealth provided capital for many local projects, like new bridges and grain mills, outside of centrally controlled government spending.

So, did Confucianism and Buddhism discourage or encourage economic growth and business development? In all major religions, including Christianity and Islam, we observe the same contradictions. While the Islamic law, the "sharia," emphasize egalitarian principles resulting from uplifting and liberating the people of Mecca during the 7th century, they also emphasize the need for commerce, as the prophet was a merchant himself. Buddhism is no different.

Reasons for the "Theft of History"

If so many contradictions appear in Chinese society, history, and religions, then why did West-European scholars remain fixed on one Eurocentric and negative interpretation? The Polish-Jewish scientific philosopher J. Bronowski, who moved to England in the 1930s, reflected the psychology of the dominant civilization. In his work *The Ascent of Man*, he expresses regret that the so-called Western civilization is gradually disintegrating. Yet, he also acknowledges the every civilization is only temporarily:

If we do not take the next step in the ascent of man, it will be taken by people elsewhere, in Africa, in China. Should I feel that to be sad? No, not in itself. Humanity has a right to change its colour. And yet, wedded as I am to the civilization that nurtured me; I should feel it to be infinitely sad. I, whom England made, whom it taught its language and its tolerance and excitement in intellectual pursuits; I should feel it a great sense of loss if a hundred years from now Shakespeare and Newton are historical fossils in the ascent of man, in the way that Homer and Euclid are (Bronowski, 1973, p. 437).

Chaohua Wang (2005) argues that it also may have to do with the fact that the length and depth of traditional Chinese civilization, nor the importance of China in the modern history of the world, are reflected in translations in European languages of Chinese thought and culture. This may be explained by the political criteria which the official translation offices and a foreign-language publishing house, set up by the People's Republic after the Maoist revolution in 1949, were implementing. In particular, the spectrum of writing from late 19th and 20th centuries show that China was never adequately represented. Mitter (2008) also refers to the fact that a typical characterization of China's past, often put forward by the Chinese modernizers of the 20th century, is that (late) imperial China was a corrupt, "feudal" mess that was held back by unchanging Confucian thought. In the "West," publishing houses were not critical towards this official point of view and not concerned with relatively expensive translations of Chinese texts, which were hard to get. This resulted in an imbalance in the cultural exchange between China and Europe; Chinese readers traditionally had more access to large areas of Western literature and intellectual thought than vice versa.

Since the dismantling of most of the cultural apparatus of Maoism, many political restrictions no longer apply, but the Chinese state has ceased to concern itself with large-scale translations. Gradually, foreign scholars took over the task of correcting the imbalance of intellectual exchanges between China and Europe. Still, history and philosophy have found less skilled translators than classical poetry or fiction. Wang (2005) refers to the lack of English translations of the work of Hu Shih, the central figure of early Chinese liberalism, of Lu Xun's essays, which were at least as influential as his fiction, of Wang Guowei's literary and philosophical studies, and of Chen Yinke's historical scholarship. This explains why modern Chinese culture remains only partly visible in foreign mirrors. It also explains why the stereotypes about Chinese culture persist in Europe.

Conclusion

We suggest that if more importance in education is put on history, reflecting the achievements of mankind as global phenomena and stopping presenting everything within a dangerous West/non-West framework, understanding between China and Europe would greatly improve. Goody (2006) suggests understanding the great nations or civilizations of "Eurasia" as variations one of another. However, using notions like Asiatic or Chinese despotism and exceptionalism, and linking notions like capitalism and democracy to the "West" makes this impossible. They prevent rational enquiry. Of course differences certainly existed. But what is needed is a more careful comparison, "not a crude contrast of East and West, which always finally turns in favor of the latter" (Goody, 2006, p. 4). In many "Western" world history overviews, the entire continent of Asia is even overlooked, except when the so-called "West" interacts with it or intrudes on it. Goody (2006, p. 8) explains his own reasons for his book *The Theft of History*:

My own aim is to show how Europe has not simply neglected or underplayed the history of the rest of the world, as a consequence of which it has misinterpreted its own history, but also how it has imposed historical concepts and periods that have aggravated our understanding of Asia in a way that is significant for the future as well as for the past.

Obviously, history reflects personality and environment. It certainly reflects one's own time: most scholars still try to explain the success of the West from the 18th century to the 20th century. But in the very near future, the main object of scholarship may be how to explain the rise of the East in the 21st century. But in a world that is becoming increasingly conscious of the inter-relationship between the world's continents, there is a specific need to overcome these subjective factors and to consider globalization and development from a broadminded, genuinely international historical framework. The psychology of humans is to consider everything that they do not understand or can identify with as something suspicious. Sen (2006, p. 44) refers to a Hitchcock film called *Rear Window* where a crippled photographer, played by James Stewart, was observing some very suspicious events in the opposite house. Like James Stewart, the audience became convinced that a gruesome murder had been committed in the apartment that could be seen from the rear window. The film was actually an indictment of McCarthyism in the US, which encouraged everybody to watch the activities of other people with great suspicion. The relationship between Chinese and West-European business partners is not different. Even though huge progress has been made during the last three decennia, a certain uneasiness due to distrust continues to exist. If Western Europe would consider itself no longer as the ultimate vehicle of civilization, and

if China would stop considering itself as “the country in the centre of the world,” haunted by bad experiences of interactions with West-Europeans in contemporary history, then exchange of experiences and ideas would greatly be promoted.

The question whether we can simply implement the West-European ideals of democracy and market mechanisms within a mixed economy on a country like China becomes irrelevant as both concepts are no longer West-European. For that matter, India, the other fast-growing liberalizing economic Asian giant of the 21st century, took up both. It is nevertheless characterized by corruption and infrastructural problems. Many analysts argue that India grows despite its government which is synonymous for “bad governance.” Many Indians envy China for its strong unity, its planning capacities, its sense of order and discipline. India excels in individually driven activities like software and other intellectual activities connected to human capital, while China excels in any production activity that requires group coordination. Their different political cultures may explain the socio-economic differences between these two neighbors. Both have advantages and disadvantages. But when it comes to it a one party system, “on a full stomach” may be preferred to democratic rights “on an empty stomach.” And China, so far, has been more successful in fighting poverty than India. Friedman (2005) also argues that the Chinese economic growth itself has resulted in a better standard of living and has introduced more democratic values and tools compared to the beginning of the 1980s.

China may follow South Korea’s path in introducing democracy after being a one-party military dictatorship for almost half a century. But at the same time, Friedman emphasizes that no society, no matter how rich it becomes, is ever immune from seeing its fundamental democratic values placed at risk at any time. Western European countries have introduced fascism and Nazism at a time when they still economically performed much better than most other areas in the world. By the beginning of the Second World War, the economic crisis of the 1930s had actually been solved. Friedman concludes that moral benefits are an important part of the story of economic growth but that a reframing of policies in order to move in the direction of genuine growth is necessary.

There is no doubt that China has the tools and the values to find its own path to balance economic growth and moral considerations. The development of business ethics among China’s cultural circles is hopeful. The present renaissance of religion and philosophy in China may contribute to this development. The Tibetan problem may be a very important challenge, but the Indian-Buddhist spiritual heritage of Tibet itself and its role in Chinese history, which cannot be denied, may play an important role in the establishment of Chinese business ethics. If this development would then interact with the central and especially the local political structures, China may have the potential of becoming a model for combining responsible business ethics with the necessity for growth. The so-called “West” never really solved the contradiction between these two.

Mitter (2008) refers to the novel *Brave New World* (1980 (1932)), by Aldous Huxley, where the book’s protagonist, the Savage, is brought into a civilization set several centuries into the future where everybody is happy. On the one hand, materials are satisfied on demand, and everybody is part of a social category that suits their needs. On the other hand, dangerous and uncomfortable information is kept away from the public, and people with independent ideas are exiled to “Iceland.” Is there a “Brave New China”? The Chinese authorities send confusing signals. Democracy only brought chaos and an impoverished countryside to democratic India, which is full of stubborn individuals with independent ideas. The Peoples’ Republic brought growing prosperity and harmony to China. But in *Brave New World*, the Savage claims “the right to be unhappy.” The Controller, who defends the safe, cosy, and unquestioning new world, replies:

Not to mention-the right to have too little to eat; the right to be lousy; the right to live in constant apprehension of what may happen tomorrow; the right to catch typhoid; the right to be tortured by unspeakable pains of every kind (Mitter, 2008, p. 140).

After a long silence, the Savage says: "I claim them all." The Controller, shrugging his shoulders, replies: "You're welcome." Mitter concludes that both are right and wrong. Maybe a major contribution of Western Europe, and especially its literature and arts, to China is this capacity to accept contradictions and to integrate them in an artistic way like Aldous Huxley did. But Europe itself, so far, has shown little sign of accepting contradictions in its interpretations of the world outside Europe, including China.

China, sometimes, continues to be nationalistic and, even, occasionally xenophobic (Mitter, 2008), and continues to promote itself as "the alternative" or "the other," in contrast with some other external power, which in this case is the so-called imperialist "West." By seeing themselves as a unique and ultimate civilization, which was different from all other civilizations, "Westerners" contribute to this phenomenon. Such theories like the West-non-West theories "have lives of their own, quite defiantly of the phenomenal world that can actually be observed" (Sen, 2006, p. 104). Goody (2006, p. 9) rightly observes that "the voices on the other side (the Eurocentric side) are often so dominant, so sure of themselves, that we can perhaps be forgiven for raising ours."

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The Roots of the Lack of Honesty in the China Market

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Abstract: This paper identifies five roots of the lack of honesty in the current China market. The first is history. After the Song dynasty, events distorted Chinese culture, forming a real slave culture and affecting the development of the society and paving the way for a lack of honesty in society. A second is Westernized methods of education. Western education emphasizes the importance of knowledge and problem solving rather than one's social responsibilities. In contrast, traditional Chinese education teaches people how to behave well, serving the function of religion to some extent. By abandoning traditional Chinese education and adopting the Western one without its accompanying social and religious tenets, the embrace of Western education reduced Chinese students' awareness of social responsibilities and reduced honesty in the market. Third, the admiration of violence is a factor. Ignoring the basics of human civilization during the present age, unregulated propaganda of the impact of violence, no distinction between the violence against feudalism and foreign enemies and the one to eliminate exploiters and others, the blind advocacy of violence through public opinions and literary forms, and the blind advertisement of painstaking sacrifice for success contributed to the lack of honesty in the Chinese market. A fourth factor is the slighting of the importance of equity. Modern society cannot just prioritize "efficiency" and must consider equity. Ignoring equity can lead to a lower efficiency than expected, as well as severe dishonesty in the market. The last factor is backward or old ways of thinking, which is unsuited to the contemporary world.

Keywords: Honesty, culture, education, civilization, thought

Since 2004, the Chinese economy has boomed as a result of industrialization. This will help the Chinese to eradicate servility culture rationally and revitalize national culture with humanity. Face up to the history and respect humanity. Only in this way can we eventually change the culture of lacking honesty, which is the result of sufferings throughout history.

Historical Root

The lack of honesty in China's market has deep historical roots. History cannot be changed. The history of ancient China contributed to the distortion of Chinese culture and formed a real servility culture, affecting the development of the society and the status of integrity. Before the southern Song dynasty, the main body of Chinese culture was the Han culture. After the southern Song dynasty, the Yuan dynasty emerged, and the main body of cultural heritage was still the Han culture. This is the result of the greatness of the Han culture and its long history. Therefore, even under alien rule, the Han culture spread and expanded. This is the first time in the history of the development of the Han culture that it expanded under invasion.

However, under the spread and expansion of the Han culture, indisputable distortions appeared. Before

the invasion, Han people firmly believed that they would die without the rule of the Han dynasty. However, after the invasion, thinking changed. The vast majority of Han people realized that they could bear living under servitude rather than die with the former dynasty. That is to say that under Yuan rule, in terms of the Han people, only slaves can survive and there was no longer a sense of traditional Chinese culture. In feudal society (a slave society), humans and slaves are fundamentally different in relation to the nature of their objective social existence. Chinese traditional culture speaks of "kindness, righteousness, propriety, wisdom and honesty," which are for humans but not for slaves. First, owners do not treat slaves as humans. Second, the main task for slaves is to survive rather than to uphold these virtues. If slaves uphold principles like "kindness, righteousness, propriety, wisdom and honesty," then they must die rather than live a slave's existence. History shows that after the southern Song dynasty, there were a lot of Han people who chose to survive. Regardless of their actual thinking, they could only be slaves in real life and were no longer humans with "kindness, righteousness, propriety, wisdom and honesty."

Traditional Han culture disappeared. As Hans under the rule of the alien, they could only pursue a culture of survival, which belongs to the culture of servility. So, Han people and their descendants lost the traits of "kindness, righteousness, propriety, wisdom and honesty." From that time, a servility culture has prevailed. The features of this culture are as follows: a view life is more important than virtue, shamelessness, no righteousness, and a willingness to harm others for benefits. For nearly 100 years of the Yuan dynasty, the characteristics of traditional Chinese culture existed and education was still there, but, in fact, for homeless citizens, the collapse of the Han took the people away from traditional culture.

After overthrowing the Yuan dynasty, the Ming dynasty did not play a fundamental role to reverse the servility culture based on historical truth. The history of the Ming dynasty is full of dirtiness, cunning, sinisterness, and servility. After the Ming dynasty, the Qing dynasty ruled the country as an alien for 268 years, and this further consolidated and strengthened the servility culture of the Han nation. This made the Han people, as the main body of the Chinese nation, further behave as servile since then. Therefore, this culture harms its descendants, including our generation, and has not been rationally solved for the distortion of servility culture and its resulting rational slavery attitude towards life.

Honesty is part of human nature. However, people with a servile mentality are not honest but act loyally only to their master. As for today, we cannot change history and blame our ancestors but can only rationally understand the cultural changes of the Chinese nation and eradicate the servility culture rationally and thoroughly in order to bring the culture back to its right direction and achieve a great rejuvenation of the national culture before economy. Face up to the history and respect humanity. Only in this way can we eventually eliminate the culture that lacks integrity, which was caused by a history of suffering.

Westernized Education

Education is sacred. Under this background, all levels of society, even with real servility, are still the result of Westernized education. This means that the fact that the lack of honesty in the market seems to need to find some reasons from the aspect of education, which is undoubtedly extremely profound. Perhaps we can definitely say that the lack of honesty in the present Chinese market has certain relations with the actual situation of modern education.

Once upon a time, education in China was substantially Westernized. Not only the attention and flood of English education, but also teaching methods and basic systems are Western and make it difficult to find any

trace of Chinese traditional education. It is like Chinese dress. In addition to minority clothing, there is no one belonging to traditional Han Chinese clothing. Even for crosstalk, actors are not in a coat but in a suit with tie. Due to the Westernized education in China, one of the serious consequences is that quite a few educators can only do things rather than behave properly. This is probably a reflection of disastrous, blind Westernization in modern China. However, by contrast, Western education, which was learned by China's modern education, seems not to bring those Western countries terrible conditions. Why?

Compared with Western countries, the biggest difference in the Chinese society is not the social system in recent decades but the social culture inherited from the history from ancient times. China has been a country of no religion. For the vast majority of Chinese, there is no religious life. China's history shows that only in the northern and southern dynasties, when the society was under extreme unrest, Buddhism went into the mainstream of social life. Nevertheless, from a global perspective, religion has always been indispensable in the long history of the development of human society. A society without religion is imperfect. So, today's thinking can make us clearly recognize that China, coming from the depths of the history, exactly needs common social and religious life. Considering the actual situation of the world, especially in the Western countries, the role of religion is mainly to purify human minds and help regulate daily life.

Although in some Western countries there are a lot of ugly and heinous crimes, Western schools are not responsible for educating students about how to be social beings but to imbue them with knowledge and ways of doing things in order to transmit heritage and develop labor skills and intelligence to the greatest extent possible. By contrast, before the Westernization of Chinese education, despite the cultural distortion, traditional Chinese education had a certain religious function, which was to educate students how to be a social human

Advocating Violence

Integrity and violence seem two distinct matters. And so they are! There is no integrity where violence is adored. Indeed, there is an old Chinese saying: "War allows deceit." However, when violence is restrained, integrity exists. The bottom line of human culture is law and order, which is the opposite of violence. Once the bottom line is broken, violence dominates the market, and integrity vanishes. When the society developed into the capitalist phase, violence left the strict control of authority, which uses violence strictly. In the absence of restraint, societies become chaotic, with cultural disasters and market hazards. Undoubtedly, the wide-spread violence among Chinese people is the key factor in the lack of integrity in Chinese market.

Arms mean violence. Dependence on violence represents a classic manifestation of feudal thought. Only the emperor would maintain his governance through arms and violence. The history of warlords in modern China is the best example of feudal characteristics. Based on a retrospective of the history of the Cultural Revolution and 30-years of reform and opening, we can easily conclude that socialism is not built on the violence or an army but is constructed upon increasing social productivity and the development of the workforce and intellectual ability. Productive relationships must fit the development of productivity, not the other way around. Violence cannot eliminate exploitation, only exploiters, which will lead directly to the destruction of productivity. No one can bypass the social development rules. In other words, violence may be an option for the elimination of exploiters, for violence sometimes is the best answer to violent authority, but violence is not the right answer for the foundation and maintenance of a people's democratic regime under which the rights belong to the people. However, it is not the case in our society, where violence is still a

powerful tool to rule people, which does not conform to the nature of people's democratic regime.

Libyan strongman Mohammed Gaddafi's government once committed to seek a way towards democracy before it was overthrown. Gaddafi invited many political experts to attend seminars for the purpose. But the initiative failed in the end, since he never abandoned violence. Ironically, his government was overturned by domestic and foreign violence. What's more, it is violence that rules the post-Gaddafi Libya. According to our logic, Libya will remain in chaos for a long period.

People's perceptions vary over time as they did in the transitional period. In contemporary China, people never know the difference between state-level violence and individual-level violence. The media take advantage of the diffusion, advocating the necessity of violence, which indulges in the abuse of violence and the neglect of integrity. Because the lack of integrity is no worse than the violence! As a result, a market fulfilling people with no respect for integrity will eventually collapse. To avoid this situation, we appeal for high social rationality. In the meantime, we argue that it is significantly crucial to scientifically acknowledge and distinguish the effects of different kinds of violence on stability, the health of Chinese society, and the normalization of the Chinese market.

Efficiency First

Under these social circumstances (full of servility, blind embrace of Westernized education systems, and advocacy of violence), thistles and thorns limit the pursuit of an honest community and norm-based market. Furthermore, after China's reform and opening up, a sense of "efficiency first" has made the situation even worse. Presently, almost all citizens in China have a common idea about the government's announcement of "giving priority to efficiency with due consideration to fairness."

Fundamentally, the stress of efficiency will damage the market's spirit of contract, and this phenomenon is due to a misunderstanding of the concept of "fairness." Fairness and efficiency are a pair of economic topics that have been discussed by each class of society in China for many years. However, many individuals did not know that the topic they had been talking about for years was a distorted proposition advanced by some ignorant people. The original idea, taken from foreign economists, is that of a balanced connection between fairness and efficiency, which implies that a system will have less efficiency as a result of greater fairness. The logic above is easy to understand, and it is a true reflection of modern economic activities, whereas some Chinese economists have confused fairness with equality. In their opinion, fairness is equal to efficiency. Actually, the fact is that they are not the same. The misunderstanding of these two conceptions results in a false explanation of fairness and ignorance of equality in society.

In modern economics, the issue of the fairness of distribution relates to the rules of distribution. Fair distribution is just a respect of the rules of distribution under different forms of ownerships. There has never been absolute fairness in distribution, just like there is no absolute justice in society. According to the development level of labor, in the given period of private ownership, the exploiters and exploited existed concurrently. In some sense, the acknowledgement of usufructuary investment was based on the admiration of the majority of exploiters. Social distribution is established on this foundation naturally. Usufructuary investments are fair to both investors and labors, as they would have fair incomes according to their contributions. On the contrary, having a higher or lower income not linked to efforts is a reflection of unfairness in distribution.

Actually, it is fair enough to have different levels of income in modern society so that individuals can have decent incomes based on their contributions. Generally speaking, the efficiency of production owes something to the fairness of distribution. This fair distribution means that the economic order has not been broken. Equality respects order, and with order there is efficiency. So, in a rational society, "fairness" should be placed first. Where there is no fairness, there is no efficiency. According to this logic, "giving priority to efficiency with due consideration to fairness" would be a mistake. Fairness is not equality. Furthermore, people could not suppose that we can gain high efficiency in the development of a society that is in chaotic social economic circumstances. Modern society must consider fairness but not efficiency first. "Consideration for fairness" means that fairness has been subordinated. Because of this, we may have efficiency, but we have it at the cost of huge damage to market honesty.

Backward Thinking

Although there are many historical and realistic reasons accounting for the lack of integrity in the Chinese market, the current problem can never be resolved as long as we do not update our social ideas in a prompt fashion. Therefore, practically, the culprit of the problem is a traditional-minded and outdated social ideology.

Since the middle of 20th century, the New-Technology Revolution has been leading our era. This Revolution had changed the fate of human beings based on the great breakthroughs in the field of natural science, which have produced many new tools that liberate people from painstaking work and provide a better life.

Many Chinese limit their use of computers to Internet games. To make the problem worse, many people get addicted to the gaming, which makes computers a target of much blame. However, in fact, the birth of the computer was never meant for Internet games, rather as an efficient instrument of labor meant for creating more wealth for mankind. Compared to labor's contribution, knowledge plays a far more important role in productive activities. In the past, no instruments of labor are a perfect reflection of human wisdom. While numerous instruments perform manual labor for mankind, the number of instruments that can substitute for human thought is still zero. Hence, the invention of computers that can to some degree think like humans is epoch-making in the turning point of human development. Since computers can do some kinds of easy mental work and free people for much more essential activities, the productivity of humans has been improved to an unprecedentedly high level. Consequently, mankind's lifestyle has profoundly changed.

Still, it is very superficial to learn the role of the new technological revolution through the lens of the greater significance of computers as an extension of the human brain. From the view of human development, this stage has to deeply uncover the change before and after this Revolution; the key contribution of the Revolution has opened the sealed box of human thoughts. Therefore, the updating process of current social thinking should recognize the importance of this "think-out" idea. Essentially, the ideas have profound meaning for the survival and continuity of human race.

For natural scientific research, this idea means forming a new-branded view of nature, i.e. Einstein's view of nature, which differs from the old one, i.e. Newton's view of nature. The presence of new technological revolution reflects the new view of nature, and after the revolution, the development of technology still has to be based on this new view of nature. In other words, all scientific research of humans should be based on Einstein's view of nature before it becomes a big scientific breakthrough. We cannot go back to the old one.

After the policy of reforming and opening, the ideas in universities have been shaken to their roots, but it

seems like people's view of nature have not changed. Apparently, some people are very radical and promote creation, embracing new ideas and things. Nevertheless, they make very little progress with their ambitions. The point is that those people's views of nature, who are eager to live on the frontier of technology, are still outdated, which seriously limits their development and contribution. Even more pathetically, Chinese social research, including economics research, have turned a blind eye towards the change in the view of nature. The lagging of the economy is superficial, while the outdated ideas are deeply rooted. With outdated thoughts, we ignore the fact that the development of social productivity is still highly dependent on the autarkical framing economy, still continues servility culture, blindly Westernizes education, blindly advocates violence, and creates inequity and injustice, is still serious. For this reason, China should essentially update its thinking and then catch up with the pace of the development of the new era, break the limitations of all traditional old ideas, leap onto the progress of social productivity, and resolve the lack of the credibility problem, and build an affluent and harmonious society.

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Global Ethics News and Events

Globethics.net Tenth Anniversary Celebration

With an event in Geneva, Switzerland, on Wednesday 10 December 2014, Globethics.net is celebrating its tenth anniversary since its founding workshop in 2004. The event has been deliberately organized on 10 December, International Human Rights Day, with the topic "Access to Information as a Human Right: The Ethics of Regulation and Freedom." Globethics.net is committed to the principle of open access and to the sharing of knowledge and information for the benefit of all.

The program features a welcome by Christoph Stückelberger, Founder and Executive Director of Globethics.net and by Walter Fust, President of the Board of Foundation; a presentation of the Globethics.net vision and Jubilee brochure by the Founder; short statements from supporters and staff; and a panel on "Access to Information as a Human Right." Panelists talking on the topic include the Director General of the European Broadcasting Union, a strategy and policy advisor from the International Telecommunication Union, and a member of the Board of Directors of the World Association for Christian Communication (WACC).

The publication *More or Less Equal: How Digital Platforms Can Help Advance Communication Rights (2014)* was co-published with the WACC, an NGO that builds on communication and addresses rights in order to promote social justice. The booklet explores the challenges posed by the use and abuse of digital platforms. Another publication of interest on the topic of access to information is *Ethics in the Information Society: The Nine 'P's. A Discussion Paper for the WSIS+10 Process 2013-2015 (2013)*. It is based on seven core values: equity, freedom, care and compassion, participation, sharing, sustainability and responsibility. These values are exemplified on nine core topics of the information and knowledge society, the "Nine P's": principles, participation, people, profession, privacy, piracy, protection, power, and policy.

<http://www.globethics.net/>

Partner Organizations:

CAUX ROUND TABLE
moral capitalism for a better world

Founded in 1986, the Caux Round Table advocates comprehensive global ethical principles for businesses, governments, non-profits and those who own wealth.

CRT management approaches bring ethics and social responsibility into focus as praxis and not just moral theory.



China Credit Research Center, Peking University (CCRC)

The China Credit Research Center was founded in October 2002 to assess public policy towards credit markets in China and provide independent support for policymakers in the development of a China's credit system.



Globethics.net

Globethics.net is a global network of persons and institutions interested in various fields of applied ethics. It offers access to a large number of resources on ethics, especially through its

leading global digital ethics library. In addition, it facilitates collaborative web-based research, conferences, online publishing and active sharing of information. Globethics.net aims especially at increasing access to ethics perspectives from Africa, Latin America and Asia. It strengthens global common values and respect of ethical contextual diversity.



SETON HALL UNIVERSITY

The W. Paul Stillman School of Business at Seton Hall University provides professional education geared toward the complex, practical needs of business leaders. The mission of the School is to enrich the life of each student through a nationally recognized educational experience that is inspired by innovative teaching, supported by applied research, and guided by a values-centric curriculum. The Stillman School collaborates with the Center for International Business Ethics to produce JIBE, together forming JIBE's joint editorial board, and awards scholarship to the winners of the annual CSR Essay Competition hosted by the Center for International Business Ethics.

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