

Corporate Social Responsibility and Competitive Advantages

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Resumo

Nos últimos anos a Responsabilidade Social das Organizações (RSO) tem ganho uma profunda popularidade. Actualmente, muitos gestores têm-se apercebido da necessidade de terem em consideração a responsabilidade social e também têm tido preocupações acerca dos custos e dos benefícios potencialmente gerados pela RSO. Desta forma, o estudo do impacto da RSO nas Vantagens Competitivas (VC) tem uma relevância prática e teórica acrescida.

Este trabalho baseia-se num conjunto de proposições teóricas, procurando avaliá-las de acordo com uma escala de medida definida, sobre a relação do modelo HEXIE e a RSO. Através da aplicação de um questionário foram colectados 176 questionários entre 1 de Setembro de 2010 e 30 de Janeiro de 2011 no Norte da China. Para analisar os dados recolhidos foram usadas as técnicas estatísticas da análise factorial e o modelo de equações estruturais.

Com base nos resultados obtidos, discutimos o papel da RSO no modelo HEXIE no processo de mediação das VC e da relação entre os stakeholders. Usou-se os softwares Amos 9.0 e SPSS 18.0 para processar e analisar os dados do questionário, para verificar a relações existente entre as variáveis do modelo conceptual e as hipóteses de investigação. Estas são as principais conclusões:

- (1) Como um todo, os gestores Chineses têm um bom desempenho na responsabilidade requerida pelas normas/lei; contudo têm desempenhos fracos na responsabilidade “obrigatória” ao nível ético e filantrópico;
- (2) A RSO no modelo HEXIE começa com duas dimensões, mecanismo do princípio-dual, a interna “He” (gestores, cultura organizacional, estratégia do negócio, liderança) e a externa “Xie” (normativos legais, supervisão das instituições governamentais e organizações não governamentais, supervisão dos media, standards internacionais);

- (3) A relação com os Stakeholders deve ser dividida em dois aspectos: stakeholders que não têm uma relação de negócio e os que têm uma relação de negócio;
- (4) As vantagens competitivas também devem ser separadas em duas dimensões: as externas (reputação da organização, apoio governamental, tanto financeiro como outro tipo de apoio) e internas (talento interno, capacidade de inovação);
- (5) O modelo HeXie tem uma relação directa com a RSO, mas não positiva, na promoção e manutenção de VC;
- (6) A influência da relação entre a RSO e o modelo HeXie nas VC pode ser analisado da seguinte forma: RSO no Modelo HeXie -> stakeholders -> vantagens competitivas. Os stakeholders têm um importante papel na mediação entre a RSO e o Modelo HeXie, potenciando as VC.

Palavras-chave: Gestão; Responsabilidade Social das Organizações; Teoria dos Stakeholders; China

classificação: M14; Q01

Abstract

In the past years, Corporate Social Responsibility (CSR) gained more and more popularity. At present, many businesses have realized the necessity and imperative to undertake CSR, and also been concerned about the costs and benefits possibly generated from CSR. The study about the impact of CSR on Competitive Advantage (CA) is an important practical and theoretical issue. The thesis based on theoretical analysis about CSR's HEXIE management, Stakeholder Relationship and CA, brings forward a series of propositions and establishes the measurement scales for them. Through pilot in-depth interview and the questionnaire approaches, we collect 176 questionnaires in the context of North China from September 1, 2010 to January 30, 2011. On the basis of the statistic analysis of Factor Analysis and Structural Equation Modeling (SEM), we discuss the role of CSR's HEXIE management on promoting CA through the mediator variable (Stakeholder Relationship). The statistics softwares SPSS18.0 and Amos9.0 have been used for processing and analyzing the survey data, to verify the hypotheses. The conclusions of the thesis are as follow:

- (1) As a whole, the Chinese businesses have a good performance in CSR required by the laws, however, a poor performance in mandatory responsibility at ethical and philanthropic level.
- (2) CSR's HEXIE management is started with the two dimensions, dual-principles mechanism, internal "He" principle (employee management, corporate culture, business strategy, leadership concepts) and external "Xie" principle (legal restraint, governmental and non-governmental organizations' supervision, media supervision, international standards);
- (3) Stakeholder relationship is divided into two aspects: non-business related stakeholder relationships and business related stakeholders;
- (4) Competitive advantage is also separated into two dimensions: external CA (enterprise's reputation, financing and government support) and internal CA (enterprise's employees and innovation ability);
- (5) HEXIE management on CSR Plays a direct but not positive role in promoting and maintaining of competitive advantages;
- (6) The positive influence of CSR's HEXIE management on CA is passed on as follows: CSR's HEXIE management -> stakeholders relationships -> CA. The stakeholder relationship plays a crucial mediator role in increasing the effect from CSR's HEXIE management on CA.

Keywords: Management; Corporate Social Responsibility; Stakeholder Theory; China

Classification: M14; Q01

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Resumo

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1 Introduction

In this chapter, the thesis background, significance, framework, methods, roadmap and the main contributions are described.

1.1 Background and significance of the topic

Since the new century, China's reform and development has entered a brand-new historical stage, and the people have newer understanding about the nature and role of enterprise and the entrepreneurs' mission. In the new era, there are higher requirements for the Chinese businesses and entrepreneurs. It is a great significance for the businesses to undertake the corresponding social responsibility. A business needs to pay attention not only on the market, but also on the entire social environment, because the corporate development depends not only on economic power, but also on political and social power. Therefore, a business must establish its social position through participating in the social affairs. At present, CSR develops from a business operation concept to the corporate behavior and then to the international standards of social responsibility. So far, it has become an important issue that the governments, legislators, shareholders, managers and scholars are very concerned about.

In August 2005, the double environmental protection directives WEEE (Waste Electrical and Electronic Equipment) and ROHS (The Restriction of the use of certain Hazardous substances in Electrical and Electronic Equipment) adopted by the European Parliament and the Council of European Union came into effect to China. From July 1, 2006, the Chinese businesses who sell electronic products in Europe must take the proper responsibility of take-back fees of their own obsolete products. At the Fourth Plenary Session of the Sixteenth Central Committee in 2007, Chinese government firstly stated the concept Sustainable Development. Since the United Nations Climate Change Conference in Copenhagen (December 2009), the whole world also began to focus attention on the mode of "low-carbon economy", and a green and low-carbon economic revolution has been spread quietly across the world.

In recent years, more and more contents relating to “carbon emission” appeared in the CSR reports in many multinational corporations. At the meetings of the National People's Congress and the Chinese People's Political Consultative Conference held in 2010, the low-carbon economy and new energy economy have become important topics. Environmental protection and the transformation of economic growth model have been put on the agenda, and have also become an important aspect of corporate competitive advantage.

CSR standards (SA8000) implemented by the European and American countries require the businesses to undertake social responsibility for the laborers. Toys, sports equipment, costume, footwear, furniture and other labor-intensive products exported from China to the European and American market have been confronted with stringent requirements of SA8000. Many experts, scholars and managers acknowledged that, SA8000 becomes a barrier to Chinese labor-intensive enterprises. However, the implementation of SA8000 will also open up a new way for enhancing the Chinese businesses' CA. The Chinese enterprises' CSR performance is a vital elements for entering the international market, and also a necessary condition for gaining the employees' loyalty and thus increasing the competitive advantages.

A survey organized by China Entrepreneur Survey System in 2006 shows that, the enterprises' managers have been aware that CSR is important to sustainable development. Most of the managers are more concerned about the costs from CSR, and a few managers consider the enhancement of corporate image as the main motivation factor to do CSR, which means that although the enterprises have been aware of the necessity of CSR, they also have concerned the costs possibly created by it. In other words, the business needs to think about a series of questions: Why should the business perform social responsibility? What is the relationship between CSR and its short-term and long-term achievements? Can the enterprises improve its own CA by maintaining CSR and how?

Some Chinese scholars and foreigners put their viewpoints on whether CSR can enhance CA, and how to improve CA by performing CSR.

The most systematic study on CSR issues with CA was made by the famous strategic scholar, Michael E. Porter. In his important work *On Competition* (1998), Porter described his viewpoint on solving social issues by means of CA, discussed how the

corporate competitiveness was interlaced with social issues, and pointed out that it was a win-win strategy for a business to pursue its own interests and concurrently the social interests. Porter (2002, p6) pointed out that “Corporations can use their charitable efforts to improve their competitive context - the quality of the business environment in the location or locations where they operate.” Porter (2006, p2) further pointed out that “If, instead, corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage.”

The marketing experts Philip Kotler (2006) proposed six types of CSR activities from marketing angle as the tools to improve CA: cause promotion, cause-related marketing, corporate social marketing, corporate philanthropy, community volunteering, and socially responsible business practices. According to Kotler, these CSR activities can help an enterprise to establish a more sustainable CA.

Bhattacharya et al. (2008) indicated that CSR can be used to acquire and retain employees. Sylvia Maxfield (2007) discussed the mutual promotion relationship between corporate citizenship and CA from the angle of economics. According to Husted and Salazar (2006), it is more advisable for an enterprise to undertake strategic CSR on its own initiative other than compelled to invest in CSR. According to Pamela Sloan (2007), the relationship between CSR and competition strategy is a process. Sloan discussed the following three aspects: Does the business perform its CSR on the basis of the shareholders’ or stakeholders’ interests? How does social responsibility affect CA? How is social responsibility combined with the corporate strategy?

Some scholars in China pointed out for a enterprise’s long-term development, CSR is necessary. Xu Chao and Chen Jixiang (2005) brought the concept of “strategic CSR”, and in their opinion, it can support the enterprises’ core operations, so as to effectively achieve the corporate mission. They also pointed out the four features of strategic CSR activities: centrality, exclusivity, advance responsiveness, and visibility. Du Peifeng (2007) pointed out that, multinational companies pay more and more attention on the establishment of the corporate public images, and CSR frequently appears in the external publicity, annual disclosure, advertising creativity and other important strategic behaviors while pushing forward the global marketing. In the opinion of Liu

Cangyan (2005), the performance of CSR can be converted into its CA, and help it surmount international barriers. CSR enhances not only the enterprise's social image, but also the enterprise's long-term profitability. The results of the empirical study by Li Zheng (2006), by taking the 521 companies listed at Shanghai Stock Exchange in 2003 as the sample, show that if a business undertakes more social responsibility, its corporate value is lower in the short-term; however in a long run, this will not reduce the corporate value. In the opinion of Zhang Haoer (2008), as long as CSR strategy starts and is based on CA, the idealized CSR design or CSR system will play a positive strengthening role on CA.

To sum up, in the opinion of the majority scholars in this field, CSR is helpful to enhance CA. Such viewpoint is mainly discussed in terms of improving the corporate image and reputation, and attracting talents. Some scholars put forward the ways to increase CA through CSR strategy and activities. However, their methods are mostly limited to qualitative study, with few quantitative analysis. The empirical study on CSR and CA is rare and the contents of study are simple. Therefore in this thesis related literatures review and statistics analysis will be adopted to analyze the relationships between CSR's HEXIE management and CA on the context of Chinese businesses.

1.2 Framework of the thesis

This thesis consists of 7 chapters. Chapter 3 to 6 constitute the core contents.

Chapter 1 is the introduction. In this chapter, questions are raised, the background and significance of this thesis are discussed, the ideas and methods are defined, and the content arrangement, logical framework, and the contributions are described.

Chapter 2 contains the literature review on the Chinese and foreign researches. The fundamental theories include four parts: CSR theory, stakeholder theory, CA theory, and HEXIE management theory. We analyzed their relationships and also compared four concepts related to CSR, which include corporate citizenship, corporate ethics, corporate social responsiveness and corporate social performance.

Chapter 3 describes the theoretical model and research. Firstly, we discussed three groups relationships over all variables, which are CSR's HEXIE management and CA;

CSR's HEXIE management and Stakeholders Relationships and Stakeholders Relationships and CA. Then we stated the overall conceptual model and the research hypotheses are stated.

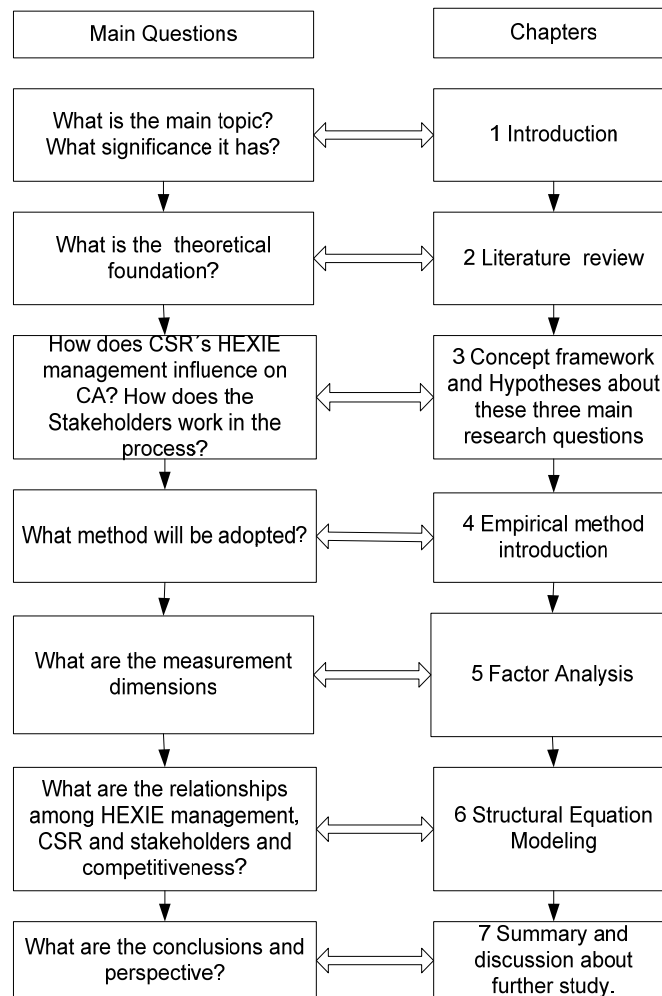
Chapter 4 includes the empirical study methods. We introduced the questionnaire design and collection process, and then detailed explained the empirical study methods, such as reliability and validity analysis, factor analysis and structural equation modeling.

Chapter 5 is the discussion about the empirical results. Firstly, the reliability and validity analysis on the data are made, and the measurement dimensions of CSR's HEXIE management, CA and Stakeholders Relationships are analyzed by using factor analysis.

Chapter 6 builds an overall structural equation modeling for testing the relationships among the dependent variables, independent variables and mediator variables.

Chapter 7 summarizes the conclusions, limitations and the Figure 1.1 shows the thesis structure.

Figure 1.1 Structural Diagram of this thesis



1.3 Study methods and roadmap

1.3.1 Study methods

In order to carry out the aforesaid issues and achieve the expected objectives of the thesis, literature study, polit in-depth interviews, questionnaires, reliability and validity analysis, factor analysis and structural equation modeling are used in this study for theoretical and empirical analysis.

(1)Literature study is the main method used at the early stage of this thesis. Through searching and analyzing the literature, deeply understanding the status of relevant

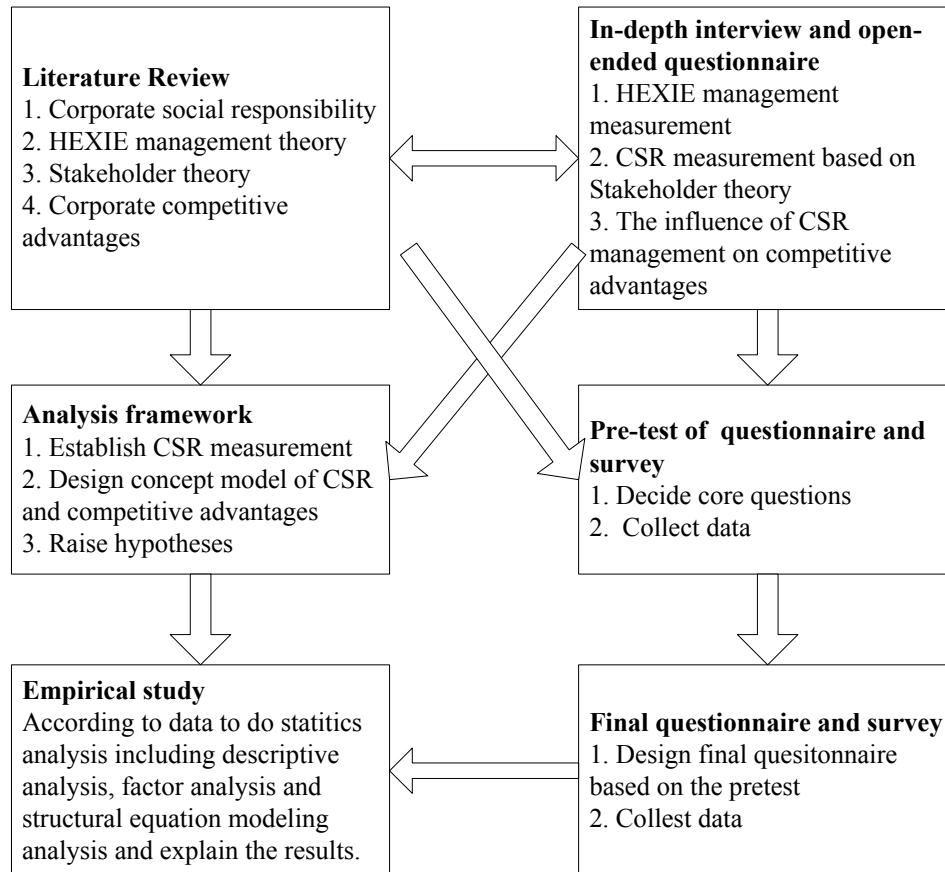
fields, the main thought of this thesis, conceptual model and research hypotheses will be formed. We mainly carried out the literature study in the following fields: CSR theory, HEXIE management theory, stakeholder theory and CA theory, emphatically referred to nearly 300 Chinese and foreign researches, and made detailed notes and comments. Through the literature study, we got an accurate grasp of the leading edge of CSR study. Through constantly paying attention on the current issue, the predecessors's research and latest viewpoints were integrated into this thesis.

(2) In-depth interviews and questionnaire approach are important methods of empirical study. The pilot interviews and questionnaire approaches contribute a very comprehensive consideration to the thesis, and meanwhile guide the later questionnaire design. We successively carried out pilot interview with 20 corporate executives and management science experts, and collected the 75 pilot questionnaires from large and medium corporations. In combination with the results and literature study, formal questionnaire was made for a large-scale survey. The formal questionnaires were distributed to near 300 corporate executives at the medium and senior levels, and 176 valid copies were recovered. The reliability and validity analysis methods are adopted to verify the reliability and validity of measurement scales.

(3) The survey data are processed and analyzed by using the following methods: factor analysis, structural equation modeling, and the statistics software SPSS18.0 and Amos9.0, to verify the relationships of variables and the research hypotheses in conceptual model.

1.3.2 Roadmap

Figure 1.2 Roadmap of this thesis.



1.4 Objectives of thesis

CSR is currently a hotspot for academics and practitioners. What is the impact from CSR on companies' short-term and long-term development? How does the CSR affect the corporate competitive advantage? How to manage CSR so as to bring more Competitive Advantages. Study in this aspect is still relatively few, and empirical studies are even rare. To discuss the aforesaid questions, the following main objectives are planned:

(1) Based on the HEXIE management theory, deeply discuss the content structure of CSR's HEXIE management, build and verify the CSR's HEXIE management measurement model. Measurement of CSR is becoming the focus in this field, without

any consensus reached so far. In this study, the CSR's HEXIE management measurement model is built on the framework of HEXIE management theory and verified by confirmatory factor analysis.

(2) Through systematic analysis over the literature related to CSR's HEXIE management and CA, to build and verify the model of the impact from CSR's HEXIE management on CA. To collect the data by questionnaire approach, and to test the theoretical hypotheses by using factor analysis and structural equation modeling.

(3) To verify the mediator effect of the stakeholder relationships in the process of the impact of CSR's HEXIE management on corporate competitive advantage.

1.5 Chapter summary

This chapter mainly describes the significance of the thesis, clarifies the thought, structure and methods.

2 Literature Review

2.1 CSR theory and practice

2.1.1 Connotation and evolution of CSR

The concept of business responsibility has moved from the narrow concept of maximizing the shareholder's return to a broader concept where corporate social responsibility is embedded in the many practices involved in doing the business. The scholars described the connotation of the social responsibility and defined it from various perspectives; however the viewpoints have not been fully consistent yet. Some viewpoints and comments are listed below.

Bowen's book "Social Responsibility of the Businessman" in 1953 is the beginning of the modern period of literature about CSR. Bowen defines CSR as "The obligation of businessmen to pursue those policies, to make those decision, or to follow those lines of action which are desirable in terms of objective and values of our society" (Bowen 1953, p.6). Bowen's definition emphasizes the values and objectives of the society. Keith Devis during 1960s also thinks that CSR refers to the decisions and actions of enterprises for certain reasons at least partially beyond their economic or technical interest. In 1973, Keith brought forward the classic definition of CSR. He argues that CSR refers to other affairs and needs enterprises to consider and respond. CSR is beyond the parochial economic, technical and legal requirements for enterprises. Eells and Walton (1961) asserts that CSR refers to the problems that arise when corporate enterprise casts its shadow on the social scene, and the ethical principles that ought to govern the relationship between corporation and society. McGuire (1963) thinks that CSR is the economic and legal responsibilities and also other responsibilities beyond these two for the society as well. Drucker (1974) thinks that the responsibilities of enterprises for the society come from two aspects, i.e., the impact of enterprises on the society and the problems the society has already had. Gordon's (1976) definition of CSR is the corporate responsibilities or obligations to resolve the whole or partial social problems caused by themselves".

Wartick and Cochran (1985) brought two basic premises of CSR: (i) If enterprises want to survive, their economic activities must meet the social requirements and their behaviors and business processes must follow the social rules; and (ii) enterprises play a role of moral agencies in the society and their behaviors are ultimately embodied as follow or reinforce certain values supported by the society. Epstein (1987) thinks that CSR primarily refers to the determination on the specific issues which are most benefit to the main stakeholders rather than that have negative effects. Epstein's definition initially mentioned the stakeholder, but only the main stakeholders rather than the whole stakeholders are concerned. Griffin (1989) thinks that CSR refers to the responsibilities for protecting and increasing overall social welfare while increasing the corporate profit. Drucker (1995) thinks that the managers should realize the impacts of corporate policies and behaviors on the society during business activities, and consider whether certain behaviors can promote the public interests, conducive to the progress of social basic beliefs and social stability, prosperity and harmony. Koontz (1998) thinks that CSR refers to the serious consideration of the impact of every move of enterprises on the society. McWilliams and Siegel (2001) define CSR as "some behaviors beyond the business interests and legal requirements, which appears as promoting the society to the good side."

Bobbins (1997) distinguished the two similar concepts -- social responsibility and social obligation. Bobbins thinks that enterprises in compliance with the economic responsibility and legal responsibility have already fulfilled the social obligation, while social responsibility refers to increasing moral responsibility on the basis of the social obligation, which requires enterprises to pursue the things that can make the society better rather than harm the society. Bobbins defined CSR as below: The obligation of enterprises beyond legal and economic requirements and pursuing long term goals beneficial to the society.

The above definitions and expositions mostly define CSR from ethics and moral levels, which are relatively abstract, and mainly analyze the responsibility relationship of the "enterprise – society". Meanwhile, all external environmental factors of the enterprises are generally expressed as social issues without specific division.

The United States Committee for Economic Development (CED) (1971) brought forward a specific definition and pointed out the three levels of CSR: The innermost level is the clear and basic responsibilities for realizing the effective operation of the economic functions (product, work and economic growth responsibilities); the medium level is relevant responsibilities for enterprises to implement the economic functions in the manner of sensitively know the changed social values and expectations; the outermost level includes the new and invisible responsibilities, mainly refers to more responsibilities participated by enterprises in order to improve the social environment (issues such as poverty). This definition defines the specific contents of CSR, which can provide exact CSR instructions for enterprises.

Despite the plethora of CSR definitions over the last 50 years, Carroll's four-part conceptualization has been the most durable and widely cited in the literature (Crane & Matten, 2004). Carroll (1979) first delineated the now-familiar four categories of CSR in a paper on corporate social performance, depicting them as ordered layers which he labelled economic, legal, ethical and discretionary responsibilities. Carroll (1979) explained that the four classes "are simply to remind us that motives or actions can be categorized as primarily one or another of these four kinds" (p.500). The order and relative weighting was "to suggest what might be termed their fundamental role in the evolution of importance" (p.500) In 1991, Carroll (1991) first presented his CSR model as a pyramid. He once again uses his original historical explanation for the relative weighting, saying: "To be sure, all these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place" (p.40). He also introduces dependence as a rationale, "beginning with the basic building block notion that economic performance undergirds all else" (p.42). Finally, he suggests that, although the components are not mutually exclusive, it "helps the manager to see that the different types of obligations are in a constant tension with one another" (p.42).

Along with further development of relevant theories and continuous integration with CSR theory, many scholars describe and define CSR from the angle of stakeholder, consequently make CSR more specific and introduce more guidance to CSR theory and practice.

The introduction of stakeholder theory wraps up the progress from ethics in general, via ethics in business and CSR to a management strategy. In that sense stakeholder theory strives to show how to implement ethics and CSR in the organization, while also extending the areas of corporate responsibility somewhat further. Freeman stated (1984, p.46)“A stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives” Epstein (1987) brought forward that CSR has impact on the main stakeholders of enterprises. Donaldson & Preston (1995) point out a different opinion that no priority of one set of interests prevails over another, i.e. the company's interests are not more important than an individual stakeholder group's. Besides the four groups from the managerial view, many others including media, consumer advocates, competitors, environmentalists etc. Deborah (2005) thinks that enterprise should be responsible for “all stakeholders” rather than just certain type (such as consumers) or some stakeholders (for example, “main” stakeholders brought forward by other scholars). Most scholars in China adopt the definition of Carroll (1979, 1991); meanwhile, many scholars also define CSR and its connotation in combination with the stakeholder theory. The details will not be described here.

This study defines CSR based on the definition of Carroll (1979, 1991) and the stakeholder theory: CSR refers to the sum of economic responsibility, legal responsibility, ethics responsibility and philanthropic responsibility, specifically including the responsibilities for the stakeholders such as investors, employees, consumers, business partners, natural environment, community and government.

2.1.2 Different viewpoints of CSR

Debates in the 1970s are hotter concerning whether enterprises need to assume the social responsibility. The viewpoints of many scholars can be divided into three factions according to the basic position, i.e., support, opposition and other viewpoints. The supporters of CSR think that assuming CSR can receive the following benefits: for example, balance between corporate power and responsibility; acquisition of government support; leading to technical innovation and system innovation by taking care of changes in the demand of the stakeholders; resolution of problems caused by

enterprises themselves; conducive to recruiting and retaining talents and reduce business risks. The opponents of CSR think that assuming social responsibility will bring the following negative impacts on enterprises: increase operating costs and consequently to reduce economic benefits; aggravate costs between competitors; aggravate transformation of hidden costs to the stakeholders; require enterprises to master the social skills at which many enterprises are not good.

2.1.2.1 Argument in favor of Corporate Social Responsibility

Businesses are members of society. They take resources from society for their own use; hence they have a responsibility to return a value for those resources to the society. Society should be able to determine the value to be returned and expect organizations to assist in solving social problem. (Davis, 1973 p. 312-322)

George W. Perkins, the director of the United States Steel Enterprise and the International Harvester Enterprise, has pointed out in 1908 that the bigger the enterprise is, the more responsibilities they need to take for the community. Eells (1956) brought that enterprises should gradually transit from the traditional form of only assuming the minimum responsibilities to the form of assuming the maximum social responsibility; Enterprises assume social responsibility mainly because of the changes in human needs, changes in the role of enterprise managers, changes in enterprises and economic system, and the changes in society itself. Frederick (1960) thinks that “businessmen should oversee the operation of an economic system to fulfill the expectations of the public.” Keith (1984) thinks that, along with the change in times and continuous increase of the level of the society’s aspiration for enterprises, the enterprises’ social role has expanded accordingly, enterprises need to assume the social responsibility inevitably.

The Social Contract theory brought forward by Donaldson and Dunfee (1999) indicates that there is a social contract between enterprises and the society; enterprises should fulfill the social responsibility for the society providing conditions for their existence, and the society should take responsibilities for the development of the enterprises.

Some scholars analyzed the necessity for enterprises to fulfill the social responsibility and the resulting benefits from the aspects of stakeholders, some analyzed relationship between fulfillment of the social responsibility and the financial performance from the angle of theoretical or empirical, and positive correlation was obtained, therefore the conclusion of supporting CSR was brought forward.

Sethi (1975) thinks that under the pressure from the stakeholders, the enterprises should put the social responsibility above its financial performance when seeking the legitimacy. Freeman (2002) thinks that the purpose of the existence of the enterprises is to serve the great society and the direct beneficiaries of business operations including the stakeholders such as shareholders, employees, customers, suppliers and local community. Donaldson and Dunfee (1999) think the “instrumental viewpoint” of CSR from the angle of stakeholder. They think that the enterprises may obtain more benefits by taking social responsibility and paying attention to their stakeholders, therefore, they need to do so.

Freeman (1984), Porter and Linde (1995) think that people supporting the stakeholder viewpoint agree that it will help enterprises to improve their financial performance if they can meet their stakeholders’ demands.

Preston and O'Bannon (1997) analyzed the relevant data from 1982 to 1992 of 67 large U.S. companies and got the conclusion that social performance of the large U.S. companies are positively related to their financial performances. The social participation of enterprises may result in the following benefits: positive consumer image, employees with clearer goals and fewer intervention of the government.

Porter and Kramer (2002) focused on the study of donation behaviors of enterprises. They brought forward that donation can introduce value increase to enterprises and directly or indirectly improve the corporate performance. Wood (1991), Jones (1995) reached a similar conclusion through empirical study and other methods: Social performance of enterprises is conducive to long-term sustainable business and positively related to the corporate performance.

Some scholars support CSR from the viewpoints that CSR can recruit and retain talents and can stimulate the enthusiasm and creativity of the employees.

Turban and Greening (1997) brought forward that generally it is easier for enterprises with strong CSR promises to recruit talents and save new employee recruitment and

training costs, consequently to reduce the working capital. Some scholars think that enterprises can stimulate the morale of employees, increase productivity and obtain actual interests through the social responsibility behaviors.

2.1.2.2 Arguments against Corporate Social Responsibility

Milton Friedman, economist and Nobel laureate, is a typical representative of CSR opponents. Friedman (1962) thinks that CSR should be separated, there is no social responsibility in commercial operation, enterprises are shareholders' private properties, the purpose of business operation is to obtain more profits for the shareholders, and therefore, enterprises only have the economic responsibility for the shareholders, and do not have moral or other particular responsibilities. This viewpoint is called the "Fundamentalist Doctrine" or "Legal Recognition". Friedman (1970) brought forward that the only CSR is to gain incomes through lawful means, and fulfillment of CSR will weaken the enterprises' competitive position. Many scholars adhere to Friedman's viewpoint and oppose wide range CSR activities.

Most CSR opponents put the objections from the angle of direct financial performance.

Williamson (1964), Jensen and Meckling (1976) brought forward that when the goals of the managers conflict with that of the shareholders and the stakeholders, the social performance will have a negative impact on the corporate financial performance. Through studies on the chemical industrial enterprises, Griffin and Mahon (1997) found that there is "certain relevance" between the perceptual corporate social performance and the financial information and the two are contradictory overall. Roman, Hayibor and Agle (1999) re-analyzed Mahon's (1997) data but came to a different conclusion. They think that good CSR does not lead to bad social performance.

2.1.2.3 Other viewpoints

Besides the support and opposed viewpoints, some scholars get some different conclusions through theoretical and empirical studies.

Bowman, Haire (1975) and Moore (2001) think that the relationship between corporate financial performance and corporate social performance is very complicated. The studies of Barnett and Salomon (2002) show that the relationship between corporate financial performance and CSR is inverted U-shape rather than linear. McWilliams and Siegel (2001) got the conclusion of neutral relationship. They think that the market balance will offset the cost of CSR behaviors, enterprises invest for social responsibility activities because it needs to meet the stakeholders' requirements, and that is the basis of the neutral relationship. Margolis and Walsh (2001) summarized the 122 empirical studies published from 1971 to 2001 concerning the relationship between CSR and the financial performance and then divided it into two categories as below. (i) With respect to the evaluation of the impact of responsible or irresponsible corporate social performance on the short-term finance using the event study method, the study results are not consistent. Posnikoff (1997) thinks they are positively related; Weight and Ferris (1997) found out that they are negatively related; while Welch and Wazzan (1999) brought forward that the two have nothing in common. With respect to the study on the relationship between some index of the corporate social performance and the long-term corporate financial performance (usually adopt the accounting or financial index), the study results are not consistent. Cochran and Wood (1984) pointed out that though manipulation of the useful life of assets, there is positive correlations between CSR and the corporate financial perform. The studies of Aupperle, Carroll and Hatfield (1985) show that when the asset income is adjusted, there is no obvious relationship between the corporate social performance and the corporate risks. Waddock and Graves (1997) found out that there is a significant positive correlations between the corporate social performance and the next year's financial performance index (for example, ROA), and there is a one-year-period delay.

In Geoff Moore's study on England supermarket industry, he showed that the corporate social performance is negatively correlate with the financial performance in the same period, but the previous financial performance is positively correlated with the latter corporate social performance, furthermore, established life and scale of enterprises are positively correlated with the social performance.

At present, constant conclusions have not been drawn concerning the relationship between CSR and its financial performance, which means that the relationship between the two is not simple positive or negative correlation, and there might be some other important impact factors.

2.1.3 Contents and scope of CSR

Steiner (1980) divided CSR into two kinds: internal social responsibility and external social responsibility. The internal social responsibility mainly aims at the aspect of employees, including legal and fair selection, training, promotion and dismissal of employees, increase of employee productivity and improvement of their working environment. The external social responsibility includes stimulating the entrepreneurial spirit of minority groups and training or hiring disabled persons. Steiner made a clear division of CSR and also brought forward the specific responsibilities that enterprises should take for certain stakeholders. But Steiner did not include the important internal stakeholders -- shareholders -- into the object of the internal social responsibility, meanwhile, the scope of the external social responsibility is too narrow, and only a small part is involved. Therefore, the contents of CSR summarized by Steiner are not comprehensive enough.

Frederic (1983) divided CSR into mandatory responsibility and spontaneous responsibility: 1) the mandatory responsibility refers to the responsibilities limited by various laws and regulations, such as prevention of environmental pollution, providing equal employment opportunities, protection of employee safety, protection of consumers and recognition of trade unions; 2) the spontaneous responsibility includes participation in charitable donations, promoting community activities and offering suggestions to the government as to resolving the national and local issues.

Modic (1988) divided the CSR activities into eight aspects: 1) product manufacturing. Produce safe, credible and high quality products; 2) marketing activities, for example, honest advertising; 3) employee education and training, for example, teach and train the employees that have not mastered the new technology instead of firing them; 4) responsibility to protect the environment; 5) the provision of good employee relations and welfare, for example, the increase of job satisfaction feeling of the employee; 6)

the provision of equal employment opportunity and avoidance of gender discrimination or racial discrimination; 7) concerning about the safety and health of employees; and 8) participation in charitable activities, for example, sponsoring educational, art and cultural activities and protecting vulnerable groups. Modic's division of CSR is mainly from the angle of business management and covers a wider scope but did not mention the responsibilities for the investors and government.

More scholars define the contents and scope of CSR from the angle of stakeholder.

In the four-stage model of CSR brought forward by K. B. Boal and N. Peery (1985), each stage separately extends CSR's objects: Stage 1. Responsibility object refers to increasing the shareholders' benefits; Stage 2. The responsibility object extends to employees, including improvement of the working environment, expansion of the employee rights and increase of job security; Stage 3. The responsibility object extends to other stakeholders, including the provision of a fair price, high quality product and service, safe product, good supplier relationship; and Stage 4. Emphasize on responsibilities to the whole society, including promotion of the social justice, environmental protection, support for social activities and cultural activities.

Waddock (2002) divided the stakeholders into internal stakeholders (economic field) and external stakeholders (including social field and ecological environmental field). He also pointed out that enterprises should invest not only for the internal stakeholders, also the external stakeholders. Mercer (2003) pointed out the responsibilities that enterprises should take for each stakeholder, including taking corresponding social responsibilities for the shareholders, employees, customers, suppliers, community and competitors. In his doctoral dissertation study, Subroto (2003) listed that enterprises should take corresponding social responsibilities for the following stakeholders: investors/shareholders/owners, employees, customers, business partners (suppliers and competitors), communities and environment. Carroll (2004) thinks that enterprises should fulfill CSR by considering the interests of the external and internal stakeholders. The internal stakeholder includes owners and employees, and the external stakeholder includes consumers, natural environment, government and community. Mercer, Subroto and Carroll generalizes the definition of stakeholder widely. Carroll divided CSR into the responsibilities for the internal and external stakeholders. However, none of them has mentioned some important

stakeholders such as publics and non-government organizations. Both Mercer and Subroto missed the government, and Mercer ignored the natural environment. These stakeholders that have not been mentioned play an important role in the development of enterprises even may directly cause the success or failure of enterprises in certain cases.

Most Chinese scholars follow Carroll (1979)'s theoretical framework or define the contents and scope of CSR from the angle of stakeholder. Some scholars also divide the levels of CSR.

Qu Xiaohua (2003) pointed out that CSR includes economic responsibility, legal responsibility, ecological responsibility, ethical responsibility (including charities and other public welfare) and cultural responsibility. According to the closeness of relationship between the social responsibility and enterprises, Chen Xun and Han Yaqin (2005) divided CSR into three levels: 1) basic CSR level, including taking responsibility for the shareholders and treating employees well; 2) medium CSR level, mainly including taking responsibility for the consumers, subject to government leadership, improvement of the relationship between enterprises and the community and environment protection; and 3) high CSR level, including active participation in the charity and donation activities and enthusiastic support to public welfare. They also pointed out that the CSR should depend on the conditions of enterprises, and enterprises may fulfill the social responsibilities level by level instead of all responsibilities at one time. The Guidelines of Social Responsibility of Good Enterprises for Protecting Consumers' Interests published by the China National Consumers' Association in 2007 mentioned the three levels of social responsibility that enterprises should assume for the consumers: the first level refers to the responsibilities and obligations stipulated by laws and must be assumed by enterprises, including real and sufficient information disclosure, clear price indication, normative contract and fair competition, credible and safe product, convenient and fast after-sale service, prompt and fair settlement of disputes, respect for human dignity and protection of privacy. The second level refers that the responsibilities and obligations should be assumed by enterprises such as environmental conservation and sustainable development. The third level refers to education and guidance of consumption.

Among many researches on stakeholders, the consumer responsibility has been most studied. For example, Zhou Yanfeng (2007), through experimental studies, brought that the CSR activities in the three levels (charity, environmental protection and well treatment to employees) have significant impact on consumers' purchasing intention and perception of product quality, and the complicated relationship between CSR activities and the consumer responsiveness is influenced not only by the personal characteristics of the consumer (for example, whether the consumer supports for CSR activities), but also by the characteristics of the product itself (for example, the price signal).

Based on the analysis on the references in CSR, this thesis puts that CSR includes the responsibilities for internal stakeholders and the external stakeholders. The former includes responsibilities for shareholder and employees, and the later includes responsibilities for customers, business partners, natural environment, community, government, publics, non-government organizations.

2.1.4 CSR measuring tools

At present, there are many CSR measuring tools. Some divide CSR into different fields and adopt the evaluation methods such as CSR total investment, self-report method, reputation assessment method, number of charitable donations, environmental and other evaluation systems, event analysis method and case analysis method. Some adopt the method of disclosure of corporate social performance, social audit, reputation assessment method, and the principles and value analysis for the management of the corporate social performance (Orlitzky, 2003), for example, the measuring tools such as the Reactive, Defensive, Accommodative, and Proactive (RDAP) Scale (Clarkson, 1995), KLD index, SRE model (Hopkins, 1997) and Fortune's reputation score (Wood 1995). The Fortune Score mainly adopts eight characteristics to evaluate the corporate reputation: management quality, product quality, innovation, long-term investment value, healthiness level of the financial system, attraction and retaining of talents, responsibility for community and environment and the application of the corporate assets.

With regard to the CSR measurement questionnaires, the CSR orientation questionnaire prepared by Aupperle, Carroll and Hatfield (1985) is more representative, which is based on the CSR four-level model brought forward by Carroll (1979, 1991). But it only measures the attitude towards CSR without the actual behavior. Meanwhile, Carroll's four-level model (1979, 1991) does not define the responsibilities clearly and its objects of analysis are fuzzy. Thus, the applicability of existing measuring tools is not strong.

The Chinese Textile CSR Management System (CSC9000T, 2005) is the first CSR evaluation system introduced in China, involving the following nine aspects: management system, labor contract, child labor, forced or compulsory labor, working hours, compensation and welfare, trade unions and collective bargaining power, discrimination, harassment and abuse, occupational health and safety. The Chinese CSR Investigation and Assessment System and Standards (Private Economy Research Institute of Peking University, 2006) divides the main indexes of CSR into seven aspects: the interests of shareholders, the interests of employees, social economy, legal responsibility, credit management, public responsibility and environmental protection.

Some indexes of the above measuring tools are not easy to obtain. Some are lack of the maneuverability and pertinence, some just measure parts of CSR. In order to measure CSR more comprehensively, completely and clearly, some scholars (Modic, 1988, Dima Jamal, 2008) analyze CSR through the introduction of the stakeholder theory in order to measure the overall situation of the CSR. The KLD Social Ratings data is also the most frequently cited source of CSP in academic researches (Harrison and Freeman 1999). The KLD index method measures the CSR through the combination of the stakeholder theory and CSR. KLD data covers approximately 80 indicators in seven major Qualitative Issue Areas, including Community, Corporate Governance, Diversity, Employee Relations, Environment, Human Rights, and Product, capturing most of the CSR concerns listed earlier. It does not include ratings explicitly related to animal rights or biotechnology issues as of 2005. Each area has number of strengths and concern items, where a binary measure indicates the presence or absence of that particular strength / concern. The advantages of the KLD index are as follows. 1) reflect the focus of the social investors and evaluate through the

relevant social criteria, which has better fairness and objectivity to some extent; 2) more industries are covered (About 650 enterprises are covered, including those listed in the S & P 500 companies). The researchers may continuously evaluate CSR across the time. The variation of the CSR can be reflected better. The KLD index is considered as “not only the best study design but also most easily to understand” by Wood and Jones (1991). However, the KLD index does not include some key stakeholders such as investors, business partners and government into the examination variables, and some variables such as the military curtailment and South Africa issues do not apply to most enterprises in China. Therefore, it is necessary to develop a measurement scale suitable for Chinese CSR.

Li Yanhua (2006) brought forward that the CSR performance is a seven-factor structure: employee guarantee, business management, trade responsibility, customer responsibility, community responsibility, environmental responsibility and shareholders responsibility. The scale items of Li Yanhua cover a wide range of corporate responsibilities for the important stakeholders, which are more comprehensive. However, her division and factor denominations can be further improved. For example, the items in the factors “business management” and “employee guarantee” are both the responsibilities for employees and can be combined into one factor; the “trade responsibility” factor is the responsibility for business partners, if the name is changed into “business partner responsibility”, it will coordinate with other factors named on the basis of the stakeholder theory. Furthermore, this scale lacks some items for an important stakeholder – the government, and there are too many items included, which limited its application.

Zheng Haidong (2007) divided the CSR behaviors into 3 dimensions based on the stakeholder theory: responsibility for the people inside (shareholders, managers and employees), responsibility for the outside corporate partners (creditors, suppliers, distributors and customers) and the responsibility for the public. A corresponding CSR behavior questionnaire was developed and its reliability and validity were tested. Zheng Haidong’s division of the CSR behaviors is clearer, with obvious responsibility objects and strong operable scale. But there are also some disadvantages as below: the division of CSR behaviors is too detailed, for example, the business partner is distinguished among creditors, suppliers and distributors, which cause too many

measuring items; it is also lack of the items for an important stakeholder – the government, and there are too many items included, it is hard for the interviewees to complete all of the items within short time.

Shi Junwei et al. (2009) measure the social responsibility from seven aspects: environmental protection, charity in compliance with social norms and ethics, high quality product or service, employee development, interests of the shareholders and other important stakeholders and the evaluation system for the social responsibility activities. Their scales essentially integrate the concept of Carroll (1979, 1991) with the stakeholder theory to design the measuring indexes. From the stakeholder viewpoint, the scales of Shi Junwei et al. have not covered most responsibilities for the main stakeholders such as the basic responsibilities for business partners, community, government and employee. With this division, the responsibilities for the environmental protection, charity and in compliance with social norms and ethics may overlap, and consequently the scientific measurement of the social responsibility may be affected.

Most of the above measuring tools are implemented from the sub-field of CSR. Usually the evaluation is performed by adopting a single index or certain aspects of the corporate responsibility. The measuring tools developed from the Carroll's four-level model have the disadvantages of unclear definition of objects. The measuring tools developed on the basis of the stakeholder theory are more specific and with strong maneuverability, however, also have the disadvantages of too many items and complicated scales. Therefore, it is a difficult problem to develop a comprehensive and simple scale.

2.1.5 CSR strategy and tactics

Craig (1999), Porter and Kramer (2002) connect the corporate charity responsibility with the corporate strategic objectives. Clarkson (1995) describes the four CSR strategies from the angle of overall social responsibility.

Craig (1999) first identified the “new corporate philanthropy”. He suggests that, by assuming the social responsibility, enterprises shall not only be limited to provide donations of money, but also shall make long-term promises for a particular area of

public welfare and activities. Meanwhile, the ideas should also be changed, i.e., change the idea of considering CSR as a pure responsibility into a kind of (also mandatory) strategic behavior for supporting the business goals. This means that not only the corporate philanthropy, but also the whole CSR behavior shall be raised to a strategic height to support the business goals.

Porter and Kramer (2002) suggest that corporations can use their philanthropic giving in a more strategic nature in order “to improve their competitive context—the quality of the business environment in the location or locations where they operate” (Porter & Kramer, 2002, p. 58). Corporate philanthropy which is strategic in nature can improve a company’s long- term business prospects (Porter & Kramer, 2002). Porter and Kramer (2002) conclude: If systematically pursued in a way that maximizes the value created, context-focused philanthropy can offer companies a new set of competitive tools that well justifies the investment of resources. At the same time, it can unlock a vastly more powerful way to make the world a better place (p. 68). Porter and Kramer (2002) also warn that philanthropy should not be used as solely a way to enhance the firm’s corporate reputation but should be used strategically. An example of strategic corporate philanthropy would be a firm supporting education programs in the local community which would subsequently enhance the skill base of the potential employees for the firm.

Clarkson (1995) drew lessons from the four terms of CSR strategy described by Wartick and Cochran (1985) and constructed the RDAP model for evaluating CSR. The four terms and the corresponding CSR attitudes and behaviors are: Reactive, deny CSR and try to evade social responsibility; Defensive, admit the responsibility but negatively react and try to fulfill the responsibility as little as possible; Accommodative, admit and accept the responsibility and only perform the required items; Proactive, foresee the responsibility and do more than the required. Burke and Logsdon (1996) brought forward the five dimensions that determine whether the social responsibility can turn into CAs and promote the financial performance: visibility, exclusivity, voluntary, centrality and first mobility.

In recent years, some Chinese scholars gradually began to look at CSR from a strategic perspective. Some make theoretical and empirical researches or case studies

in combination with the specific circumstances of China's enterprises and brought forward some specific strategy recommendations in the CSR strategic areas.

Xu Chao and Chen Jixiang (2005) brought forward the definition as: "strategic CSR can bring profits to enterprises and relate to CSR policies, projects or process". They also think that through supporting the core operations of a business, the strategic CSR can effectively achieve the corporate mission. Xu Chao and Chen Jixiang also brought forward the four features of the strategic CSR activities: centrality, exclusivity, advance responsiveness and visibility.

Through the studies of multinational companies, Du Peifeng (2007) found that the multinational companies gradually began to pay attention to their public images in recent years, and the CSR often appears in their publicities, annual reports, advertising creative ideas and some important strategic behaviors. These multinational companies have regarded CSR as their corporate cultures and given it a profound connotation. Du Peifeng (2007) suggests that the Chinese enterprises give full play to the connotation during formulation and implementation of the social responsibility strategy to realize the multi-factor marketing difference strategy.

Through the empirical study of private enterprises in Zhejiang Province, Chen Xudong and Yu Xunda (2007) brought forward that the sense of social responsibility of current enterprises is still in the primary stage, and the recognition of legal responsibility is higher than that of the ethics responsibility and charity responsibility. The motivation of enterprises for assuming the social responsibility is not only the pure altruism, but also with certain strategic awareness. Through investigations, Hu Gang (2007) found out that currently some multinational companies have put their social responsibilities into the overall development strategies; in contrast, there is a very large gap in Chinese enterprises, even those enterprises that are recognized for doing the social responsibilities better.

Zhang Haoer (2008) thinks that the CSR strategy is the direction for enterprises to perform, which is determined by existing overall strategy, the industry's key success factors and the core competitiveness of enterprises, also instructive to CSR project design, system construction and performance evaluation.

Zhao Shuming (2009) asserted that the CSR strategy should not just pursue interests and avoid disadvantages, it should also consider different dimensions from inside to

outside and from outside to inside, many opportunities come from the foresee innovations of enterprises, which can not only help enterprises enhance their competitiveness, but also benefit the society.

Li Yongjie (2009) brought forward some suggestions concerning the CSR marketing strategy of the commercial insurance: establishment of the CSR development plan, interfusion of CSR concept into the corporate cultural system; superposition of the brand image with CSR, consolidation of the business marketing means in the manner of social marketing and the adequate coordination and communication with external organizations.

Through case studies, Yu Gongming (2009) brought forward some action strategies for enterprises to assume the social responsibility: multi-factor responsible forms, centralized mode, diversity mode and occasion mode. He thinks that these strategies can help enterprises obtain best effects for fulfilling the social responsibility under the conditions of limited resources.

Therefore CSR strategy is the trend of CSR theoretical development. At present, the study of CSR strategy is still in initial stage. Craig(1994), Porter and Kramer (2002) specialize in the philanthropic responsibility strategy. The overall CSR strategy has not been systematically brought forward yet. Under the current environment of “Sustainable Development” as the social theme, it is a topic worth much exploring on how to prepare CSR strategy, get the optimum CSR level, affect the CA most effectively, consequently to achieve a balance between the social responsibility and the economic balance.

2.1.6 Relevant concepts

2.1.6.1 Corporate Citizenship

Corporate Citizenship refers to the social role played by enterprises in the management of citizenship. The World Economic Forum defines Corporate Citizenship as contribution of enterprises to the society through their core business activities, social investment, charitable projects and participation in public policy. In some cases, it is difficult for the government to solely bear full responsibility for

protection of the citizenship, and enterprises may partially substitute the government to some extent to manage the citizenship. The theory of Corporate Citizenship considers enterprises as part of the society, like the individual social citizenship, not only own the rights and interests of social citizenship but also shall take responsibility for the society in terms of legitimacy.

Corporate Citizenship considers enterprises as partial substitution of the society, which means that the CSR, formerly as a conscious act of social expectations, has turned into an obligatory legal obligation, and the intensity of responsibility has greatly increased. Enterprises certainly can not fully substitute the government to manage the citizenship; they only take over partial responsibilities of the government, and can not fully substitute the government to become the sole manager. When the relation of stakeholders is emphasized, the Corporate Citizenship put community in the center; enterprises become a member of the whole social ecological environment, co-exist with other stakeholders and assume the social responsibility together.

2.1.6.2 Business Ethics

Business Ethics is also known as commercial ethics or commercial morality. Business Ethics usually refers to the application of general ethics in corporate behaviors and reflects the concept of good and evil, right and wrong, justice and injustice of corporate behaviors. The behavioral subjects can be enterprises, organizations or the individuals and employees within the organization. Business Ethics crosses over many organizational functional areas such as accounting ethics, IT ethics, procurement ethics, production ethics, market ethics and financial ethics. The breach of Business Ethics may constitute a violation of laws and regulations, or just a violation of general code of ethics and does not commit the laws.

The theory of Business Ethics considers that the mainstream ethics codes represent the social expectation to enterprises, and the enterprises behavior of assuming the social responsibility is the response to social expectation. When the ethical guidelines followed by enterprises are in accordance with the mainstream social ethics codes, the ethical behavior of enterprises is also a CSR behavior.

The main differences between Business Ethics and CSR are: The former has a certain degree of voluntary and the later has not only voluntary but also non-voluntary; the behavioral subject of the former can be enterprises and organizations or the individuals and employees, while the behavioral subject of the later is enterprises; if the object of an ethical behavior is enterprises themselves, usually such behavior is not considered as the CSR behavior, only when the object is not themselves, will it be considered as CSR behavior. Under normal circumstances, if the corporate behavior is in accordance with the Business Ethics, it is also seen as taking the responsibility for the society.

2.1.6.3 Corporate Social Responsiveness

Corporate Social Responsiveness refers to the ability of an enterprise to fit the variable social conditions.

Stephen. P. Robbins and Mary. Kurt (1997) think that the reason for an organization with the ability of social responsiveness to take certain behavior is that it wants to meet some general social needs. Social Responsiveness is led by the Social Norms, which is to say, the difference between Social Responsiveness and social responsibility is that the social responsibility requires the business operations and decision-making of enterprises strictly subject to the moral norms, but the goals of Social Responsiveness is more specific and practicable than the social responsibility. Generally, Social Responsiveness refers to the response to the changed status, and the action time of Social Responsiveness is shorter than the social responsibility.

Corporate Social Responsiveness focus on the specific behavior of enterprises for assuming the social responsibility, it is essentially the same as CSR. Carroll (2003) considers the Corporate Social Responsiveness as another expression of CSR, and thinks that it is the action-oriented social responsibility, which can be considered as the ability of assuming CSR, also the strategy for assuming the responsibility.

2.1.6.4 Corporate Social Performance

Corporate Social Performance (CSP) is divided into broad and narrow definitions. The narrow definition mainly refers to the performance of enterprises in fulfilling the

social responsibility and focus on evaluating CSR externally. The broad concept refers to a system study framework in the "Enterprise and Society" study field, and can be considered as the new framework of CSR study field in certain sense. CSP is a system constructed by the following three parts: social responsibility principles, social responsiveness process and the visible results (including company policy, planning and other visible results).

2.1.7 Conclusion

CSR, Corporate Citizenship, Business Ethics, Corporate Social Responsiveness and Corporate Social Performance are the same in nature. They all study the relationship between enterprises and the society, the role of enterprises played in the society and the functions they bear and the impact of enterprises as market players and legal subjects on the society. They all advocate the harmony between enterprises and other subjects in the society.

Each of the above concepts has its own emphasis. As mentioned above, the broad concept of CSR is the most general and original concept, covers a wide range and can reflect the nature of the concept best. Corporate Social Performance emphasizes particularly on the evaluation of the CSR behavior performance (narrow definition) or fully understanding of CSR from the three links -- "principle – process - result" (broad definition). Corporate Social Responsiveness emphasizes on the enterprise's strategy or ability to response the social pressures. The concept of Corporate Citizenship centers on community instead of enterprises, it emphasizes on partial substitution for the government and the social responsibility. Business Ethics emphasizes more on the self-discipline of enterprises on their behaviors rather than the social heteronomy.

To sum up, this thesis adopts the most general concept of "CSR" to cover the responsibilities that enterprises should assume for their main stakeholders (shareholders, employees, customers, business partners, natural environment, community)

2.2 CSR and HEXIE/Harmonious Management Theory

2.2.1 HEXIE/Harmonious Management Theory

With the development of science and technology, the enterprises are facing a changeable environment. More and more knowledge workers are seeking after self-fulfillment and their behaviors are un-examinable; meanwhile, the bounded rationality of the management is more remarkable under the complicated and changeable external environment; consequently the management has to apply many comparatively complicated methods and structures to cope with the external uncertainty and at the same time be faced with the uncertainties following these complicated methods. In the field of management theory, the theory fails to cope with the problems, but the researchers have been coming up with such new management theory as organizational learning, core ability and process reengineering according to the new management requirements. Each management theory is only restricted to its specified field of research, thus is hard to give a comprehensive and integrated strategy to cope with the complexity and uncertainty. The HEXIE Management Theory comes out in such practical environment and theoretical background. Since it is brought up in 1987 (Xi Youmin, 1987.1989), after years of development, the HEXIE Management Theory has been gradually structured as a theoretical system of modern management themed as harmony and centered on He Principle and XIE Principle (Xi Youmin, 2002). This thesis, reviewing and summarizing the related parts in the previous theories, combining our latest thoughts and current research achievements, analyzes systematically the background under which the HEXIE Management Theory is brought up and its principles.

2.2.1.1 The practical environment in which the HEXIE Management Theory comes up

“People usually regard management as an art of ‘completing a task” (Simon, 2004), also as that Management is an art to effectively complete a task among people and group in an organization”. In such description, the management activity relies

obviously on the organizational environment. Organizational environment is generally regarded to include internal and external environment (Duncan, 1972), in which the internal environment includes the staff factor, the organizational function and group(department) and the factor of organizational level and the external environment includes such factors as customers, suppliers, competitors, social politics and technologies.

HeXie management theory selects the uncertainty to describe the characteristics of internal and external environment in an enterprise. In the research of organizational uncertainty, Milliken (1987) made the following definition that is generally accepted: uncertainty refers to the fact that an individual finds it hard to predict accurately due to the lack of information or the inability to distinguish related and unrelated information. This theory hold that the uncertainty includes the emotional factors of human beings, which can be explained as that it is hard for managers to predict an individual's behavior accurately due to the bounded recognition and sensational factors. The sources of enterprise environmental uncertainty come mainly from the variability, complexity and unpredictability of enterprise environment. Variability (Child, 1972) is characterized by the frequency and degree of difference and irregularity of the change, i.e., the velocity, extent (quantity) and regularity of the change; complexity is in positive correlation to the external affairs related to the enterprise; while the unclear causal laws, ambiguity, and random phenomena directly constitute the sources of the enterprise's unpredictability. The enterprise environmental complexity is the main source of uncertainty. In Wu Tong's (2004) research of over 50 complex concepts worldwide, whatever the classification system is, complexity is closely related to such concepts as "multi-classification, multi-level, multi-factor and non-linear". Although human beings are more advanced in knowledge accumulation and tools to acquire knowledge, the complexity and variety of organizational environment (like financial crisis, internationalized operation and sustainable development) and the complexity of management system (like the introduction of non-linear systematic dynamics, biological evolution and cognitive behavioral approach make more obvious the bounded rationality of the management, which will be elaborated below. One thing worth noticing, though some

organizational environment involves many factors and changes quickly, they have obvious regularity and are comparatively easy to analyze and deal with. What we refer to as the uncertainty is the complexity and variety that are hard for people to recognize accurately. Comparatively, uncertainty appears to be a more direct barrier when people deal with problems.

(1) Uncertainty analysis of corporate external environment

The current society is undergoing an unprecedented change driven by hi-tech, and great changes are taking place from macro social and economic orders and cultural features to meso-regions and industrial trend and even to micro corporate features and individual ideas. These changes will definitely bring about unprecedented uncertainty to the corporate management environment. To summarize the classification of the environmental factors above, the following index can be selected to analyze the variety, complexity and un-prediction: international CAs, industrial competitions (customers, competitors and suppliers), technology, social change, government. See Table 2.1.

Table 2.1 Variability, complexity and prediction of organizational external environment

| External Environment | Variability | Complexity | Prediction |
|--|---|--|--|
| Industrial competition | Fierce competition, The situation of client, competitor and supplier is uncertainty | Industrial factors and relationships are increasing. | It is hard to predict due to the unobserved regular pattern. |
| International competition | Accelerated industrial internationalization | International competition is more complex and affect by more factors. | Ditto |
| Technology | Technical innovation quickens and spread broader | Technical innovations are more diversity and its effecting mechanism is non-liner. | Ditto |
| Society change | Significance change in cultural idea and the way of living | There has been many aspect influence on organization from social changes. | Ditto |
| Governmental policy | Continues changing following the external environment | Governmental policies are diversities. | Ditto |
| Source: Wang Ying, 2005, 和谐管理理论“双规则”机制研究 | | | |

It can be seen from Table 2.1, under the tendency that the external environment, on a whole, takes on a look as complex, rapid changeable and unpredictable, the management will definitely feel a stronger and stronger uncertainty.

(2) Uncertainty analysis of corporate internal environment

Corporate internal environment, to a certain extent, is the reaction to external environment. We analyze the uncertainty of internal environment according to the level of internal environment, selecting three aspects of employee, corporate function and corporate department. Drucker (1999) holds that “Knowledge workers and their productivity are the most valued assets for any organization (commercial or non-commercial) in 21st century”. The emergence of large quantities of knowledge workers is undoubtedly the biggest change of the staff factor inside the organization. Compared to traditional physical workers engaged in simple and repeated physical work, the tasks of knowledge workers are more comprehensive, complex and innovation-required; their labor contributions are hard to calculate separately; they tend to center on targets instead of the set procedures; their behaviors are comparatively recessive and hard to evaluate. Therefore, it is defined as the biggest challenge of the 21st management science by Drucker to improve the productivity of knowledge workers.

The changes of corporate function and group are the reaction to the uncertainty of external environment and knowledge workers in a certain extent. External environment uncertainty requires an organization of higher resilience and innovation; while knowledge workers uncertainty requires that an organization transform the management method from “process based on design” to “staff self-dependence”. Therefore, the level of organizational function shows a tendency including responsive and innovative function; organizational flow are more complex; the collaboration and mutual dependence among staff are intensified; organizational conflicts are more frequent; on group (department) level, team management are unprecedented valued, and all types of teams like task groups, quality circles and multi-functional teams and committees are very popular in enterprises. All the changes make it harder to define staff behaviors. It is not the managers’ expectation, instead it is a product when an organization deals with the external environment. As to the factor of organizational level, future organizational mode shows a diversified tendency, and the boundary

between commercial and non-commercial organizations tends to be obscure. In recent years, new organizational modes such as strategic alliances, virtual organizations, industrial clusters and group companies have become the hot research issues of the theorists. The increasingly fine division of work and professional production make more frequent the cooperation among organizations. Compared to the traditional single company mode and linear functional organizations, these new organizational modes and organizational structures make more complex and harder to control the organizational operation; it is also an inevitable outcome for organizations to deal with the high uncertainty of external environment.

In summary, the bounded rationality tends to be more obvious under the increasingly complicated and changeable external environment, knowledge workers whose behaviors are harder to predict and the complex and variable management and organizational modes. The extent of uncertainty sensed by the management is also uprising. It is hard to compare the uncertainty sensed by the management of large-scale modern enterprises and bosses of manual workshops (who may play multi-role like management, technical expert and salesperson at the same time). Now let us see what the corresponding solutions are according to HEXIE Management Theory.

2.2.1.2 The core of HEXIE Management Theory

Compared to the limitations of the above stated theory, the introduction of new theory is expected to reach the following goals: the new theory is devoted to discuss, under the high uncertainty background of practical management activities, how to realize contingency management by an organization and acquire more aimed and operable skills. It is expected that the theory, the same as other mature theories in the management field, should be logical with simple form and good explanation and predictable ability. The basic idea of HEXIE Management Theory is the problem-oriented interaction and coupling of the two rules of “optimized design” and “dynamic role of human beings”.

(1) HEXIE Management and problem orientation

HEXIE Management adopts an analytic idea of “problem orientation” and introduces the concept of HEXIE Theme, and defines it as the core problem or task that an

organization needs to solve or finish in order to realize the long-term organizational goal under specified development period and context. Based on uncertain point of view, the bound conditions constituting “HEXIE Theme” include external environment, internal environment and related goals (the goal of the theme and its role in organizational goal). HEXIE Management Theory studies how to analyze a “problem” (that is, how to analyze and identify the HEXIE Theme according to organizational environment), the final goal is to solve the problem (seek out the corresponding regularity of solving problem according to the uncertainty feature of different themes).

“Problem orientation” complies not only with people’ idea of solving practical problems, but is also the general regularity of the development of social theories. Researchers tend to find some problems that are not solved (or that are ineffective) according to theories and start to research and bring up the theory.

(2)Interaction and coupling of the two rules of “optimized design” and “people’s activity”

“Optimized design” and “the active role of people” can be defined that the basic mechanisms of management activities. Combining with the previous analysis, the basic implications and characteristics of the two methods are summarized as in Table 2.2.

Table 2.2 The comparison on mechanisms of “Optimized design” and “The active role of people”

| Compared Item | Optimized design | People’s activity |
|----------------------------|--|--|
| Definition | Set down rules about corporate behavior | People have different, independent behavioral space. |
| Mechanism | Through choosing the comparatively satisfied rules to eliminate inefficient rules. | By using people’s knowledge, experience and comprehensive abilities to judge and choose on the context of uncertainty. |
| Characteristics of process | Pre-design, control in the event, post-check | People’s choices are affected by certain factors but not the simple non-governmental freedom. |
| Angles of design | Design peoples’ and corporate behaviors. | Increase motivation and ability before the event, supply conditions in the events, evaluate after the process and solidify into regulations and culture. |

| | | |
|--|---|---|
| Advantages | Process is ordered and stable. | Creativity, soft, flexible and responsive |
| Disadvantages | Rigidity, Fossilization, slow reactions | Easily generate chaos and non-governmental situation. |
| Related theories and methods | Scientific management, mathematic analysis, structured, regulations | Behavior theory, corporate culture, motivation theory |
| Source: Wang Ying, 2005, 和谐管理理论“双规则”机制研究 | | |

It can be seen that “optimized design” and “the active role of people” are a pair of relative concepts in management activities which are mutually opposite (opposite mechanism) and complementary (any mechanism of action of management activity can be decomposed to “optimized design” and “the active role of people”). Therefore, the classification of “optimized design” and “the active role of people” has completeness and independence in theory.

The dual principles of HEXIE Management Theory refer to “optimized design” and “the active role of people”. It is worth special attention that the word “HEXIE” in HEXIE Management cannot be regarded as simple as “matching or unanimous” as it appears to be, or assume it as “harmonious” as its literal Chinese meaning. According to the Advanced Chinese Dictionary, “XIE” implies “matching, average” and “coordination of each part”; while “HE” implies “harmonious and friendly”, “happiness” and “pulling together in times of trouble”. While the substance of “optimized design” is to make systematic factors more coordinated and matching and show better order by designing the behavioral routes of human being and disposal of objects that comply with internal systematic regularities, which is similar to “XIE”. Meanwhile “harmonious and friendly” and “pulling together in times of trouble” of human beings are the premise and embodiment of “the active role of people”, which is similar to “HE”. Therefore, HEXIE Management Theory corresponds “optimized design” to “XP, Xie principle”, and “the active role of people” to “HP, He principle”.

The correlation of HP and XP are related to HEXIE Theme (HT) in different levels, It is defined as the Coupling. The Coupling is an interaction of HP and XP under the

effect of HT. The idea of Coupling encompasses the strategic thinking when identifying HT and the systematic thinking when analyzing XP and HP.

(1) Strategic thinking refers to it that XP prevails to realize Harmonious Theme if the management task can be fully recognized in advance and optimized.

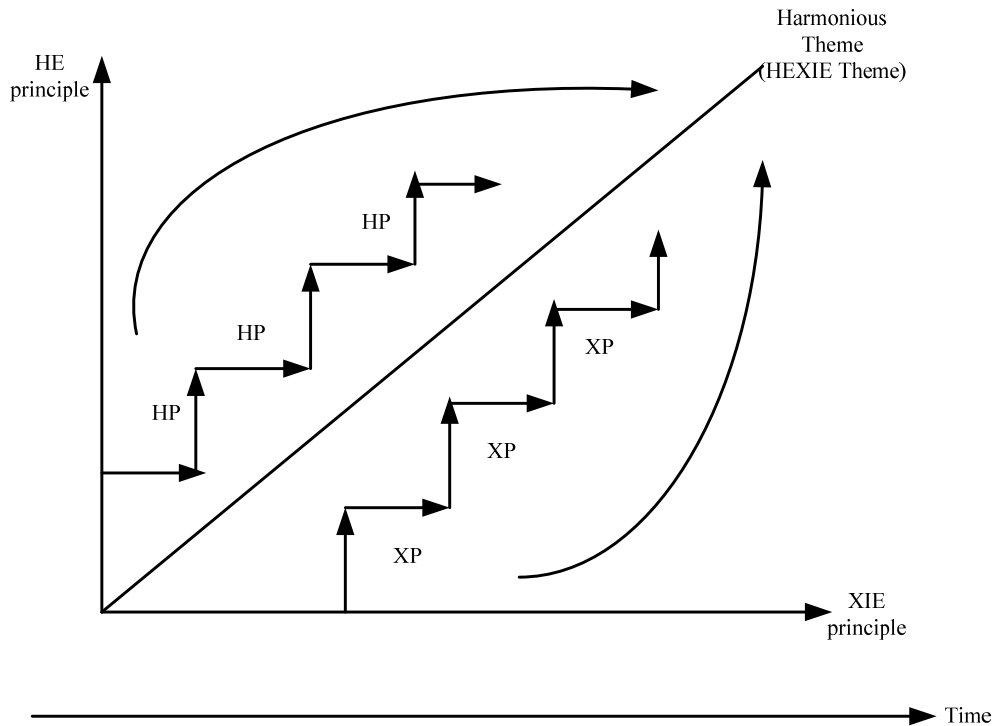
(2) Thinking of process and procedure means to set detailed behavioral routes and methods and standards for measurement and evaluation for work that can be defined and optimized under current situation with the guidance of rational design.

(3) HP prevails when behavioral routes fail to be set due to environmental uncertainty and manager's bounded rationality. Thinking of culture and inter-person means to apply such environmental measures as creating cultural atmosphere, to encourage close communications among human beings and to match their commitments to organization; thus to seek out solutions independently for parts in tasks that are hard for rational design.

(4) Systematic thinking couples organically thinking of process and procedure and thinking of culture and inter-person; thus to decide actions beneficial to realizing Harmonious Theme and put into action.

The hard core of HEXIE Management Theory can be simply defined as that, the target of management activities is to solve problems or complete tasks around organizational target (existence and significance of HT); certain problem or task can always be effectively solved through interaction and coupling of the two rules of "optimized design" and "the active role of people" (existence and significance of HP and XP).

Figure 2.1 Concept framework of HEXIE management theory



2.2.2 CSR and HEXIE Management Dual Principles Mechanism

CSR is a combined product of enterprise autonomy and government interference. Enterprise is the subject to shoulder social responsibility, and its autonomy is a base to fulfill social responsibility; government supervision is the main external drive of CSR. Only effectively combining the enterprise's autonomy and government supervision can the CSR target: fairness, efficiency and justness, be achieved. The balance restriction between society to enterprise's stakeholders and government is a way to solve CSR issues. The consensus of CSR and enterprise's profit targets and the convergence of enterprise's reputation and the maximum of enterprise's value offer the possibility for enterprise to take CSR and therefore are the internal drive of CSR. When stakeholders' demands can be expressed through legal and market forces, the pressures from society will change to the supervision from government. Therefore, CSR's drive is the organic unity of external government restriction with internal

enterprises' self-discipline. Only the combination of external pressures from governments and society and enterprise internal management can promote CSR development in a positive direction, thus to gradually promote enterprises to solve a series of environmental and social problems.

Bowen (1953), when referring to CSR, clearly brought up that the principle of CSR is volunteering, which distinguished CSR from statutory restrictions and government supervision. In 1972, in his debate of CSR with another economic professor Wallich, Manne mentioned that "any other aspect about CSR feasible definition is that corporate behaviors must be voluntary" (Carroll, 1991). He especially emphasized that only the shoulder of social responsibilities came out voluntarily can be qualified, also any payment for that should be corporate real payment instead of generous individual donation. Legally bounded responsibilities are not included in CSR. We name the voluntary and positive fulfillment of CSR as internal CSR drive, or rather "HP" management.

In the condition of market environment, if it is up to corporate voluntary choice without government enforcement, and if consumers are weak in sense of social responsibilities, the phenomenon of "taking a ride" will definitely occur to CSR (Du Lanying, et al., 2007). For instance, corporate pollution brings the negative social externality. It might be negatively related when enterprises are faced with three bottom lines of the relation of economy and social and environment. It turns out unrealistic for enterprises to actively fulfill their social and environmental responsibilities (Orlitzky, 2005). On the contrary, powerful regulation or immense social pressures can realize CSR. This kind of government enforcement or social pressure is CSR external drive, which can also be called "XP" management.

2.2.2.1 CSR "HP" Management Mechanism

(1) Ethical drive of CSR

Some researchers hold that the internal drive of CSR lies not in seeking economic interests, but in corporate ethical guidelines and the ethical values of corporate leaders. This ethical values to fulfill social responsibilities should penetrate into corporate strategy decision and routines of general staff and become driving source for

corporate to fulfill social responsibilities. The objective of social responsibilities should be placed above economic profit maximum to sincerely carry out social responsibilities, and costs and profits are just one factor in CSR decision.

Some researchers hold that CSR is optional and that many social responsibilities are in fact routine management behaviors or methods related to leaders' values of social responsibilities, which will not incur obvious costs for sure (Waldman&Siegel, 2008). For instance, the social responsibilities of corporate staff include such contents as their health condition, safety, satisfaction, staff relationship, staff diversification, training and development. This is a major index for evaluating social responsibilities by Kinder, Lydenberg, and Domini (KLD), and is identified as a major factor to promote corporate performance. Sometime, responsible leaders go completely astray from cash payment in promoting staff and social responsibilities.

Researches have shown that overemphasis on profit targets may result in damage corporate financial performance, but the managers who are honest and operate responsibly for society can bring better financial performance. The question is who in earth can better improve corporate financial performance. Sully and others (Sully, Washburn & Waldman, 2006) have carried out researches over 500 managers in 17 countries. Its contents included two types factors and value. The first type was from economic perspective including preferential consideration of profits, cost and marketing shares and the second type was from stakeholder perspective giving priority to employees, clients, environment and social warfare. The results show that managers preferential to balance demands of many Stakeholders can achieve better financial performance compared with those only emphasizing profits and cost control. Moreover unethical corporations involve higher operating costs. Discarding ethical rules and saving the expense on social responsibilities may incur higher costs. For instance, environmental pollution brings heavy penalties; staff dissatisfaction causes low productivity and product quality and thus incurs complaints and customer defection. There are even some corporations lacking social responsibilities and corporate managers lacking powerful ethics that finally bring disasters to corporations. Thomas et al.(2004) have verified that compared to corporations lacking social responsibilities, honest, integrated and responsible corporate operating behaviors can reduce corporate operating risks and unnecessary expenditures.

(2) Economic drive of CSR

Most scholars hold that the target and drive of CSR are profit maximum. In decisions of CSR, profits should be preferred. Only when they bring about profits for corporations will social responsibilities be considered.

Zhang Weiyang (2007) pointed out that profit itself is a major indicator for enterprises or entrepreneurs to bear responsibilities, because profit is a ruler to measure whether the values enterprises created for consumers are higher than the social costs. As a result, with the same resources, the higher the profit is, the greater the social value is and the enterprises create for society and the more social responsibilities they bear.

The relationship of CSR and financial performance is one of the most focused research content. Since 1970s, the empirical studies have been increasing rapidly, and most of them have concluded that enterprises should engage themselves in social responsibilities, which can bring them profits. As said by McWilliams and Siegel (2001), since society has needs for CSR, and satisfaction of these needs can create profits for corporations, corporations should bear social responsibilities.

In summary of the above statements, it can be seen that social responsibilities driven by ethic and profits appear to be opposite, but have something in common. The profit-driven viewpoint, though emphasizing shareholders' interests, emphasizes as well the legal and ethical bottom lines of law-biding, non-fraud and non-cheating in corporate operations. The ethic-driven viewpoint emphasizes the interests of Stakeholders instead of shareholders as well as the interests of shareholders. That is to say, both viewpoints recognize shareholder's value and profit targets, but the latter emphasizes to meet the needs of Stakeholders instead of shareholders to achieve the profit target. That is why in the interviews managers on the one hand argue that profit is important but on another hand they put product quality and stakeholders' interests in the most position. Enterprises are economic organization or the mixture of utilitarian and ethic, thus cost-benefit ratio must be considered. Anyway, social responsibilities purely out of ethic can be rare. In reality, ethics and economic drive can be hard to distinguish, because many ethical drives can be explained as for the long-term economic interests.

2.2.2.2 “XP” Management Mechanism of CSR

Bowen used to base CSR driving mainly on corporate “volunteer” and “activeness” in earlier years, had revised “voluntary principle” in his concept of CSR in 1970s, and held it as unfeasible. However, Bowen (1978) noted that corporate contributions to social responsibility is not a solution to many of the problems that society face, but carries an important truth that must guide business in its operations in their future dealings with society. Thus he gave up “voluntary principle” and started to propose that the effectiveness of the concept of CSR base on socially controlled corporations. It can be seen that the unanimity of social responsibilities and corporate performance does not mean the voluntary solution of CSR. As called for by many scholars, under today’s condition of market economy, enterprises have a hard time to solve the problem of their social responsibilities. To reach this goal, government, enterprise and citizens are called on to actively participate and cooperate to reach unanimous actions. It is safe to say that CSR are hard to realize apart from the external drive of social responsibilities.

(1)Government drive of CSR

Government regulation or government drive refers to it that enterprises overcome their direct economic profits to take compulsory responsibilities regulated by law or to abide by other “rules of game” (Carroll, 1979; Windsor, 2006). The Social Responsibilities of Commercial Businesses issued by American Economic Development Council in 1971(CED) defined CSR into two classifications according to corporate driving types: one is voluntary behavior, i.e., corporations implement actively and play a leading role in implementation; the other is non-voluntary behavior, i.e., governments guide and enforce through laws and regulations. Governments’ regulation on behaviors of CSR shows in two aspects: on the one hand, governments, as guardian of the public and arbitrator of corporate profits and social benefits, actively guide and regulate the development direction and level of CSR through laws and regulations, to ensure its correct path forward. Such regulation or regulatory binding is the bottom line of corporations, who shall lost their legal existence in case they go against the relevant laws and regulations. On the other hand,

governments should also, by virtue of CSR regulation, solve the external problems that are caused by enterprises and that are hard to solve by market mechanism.

Givel (2007) studied and showed that the main purpose that corporations bear CSR was to establish a good relationship with governments and promote their public images, thus to avoid the more troublesome government regulation. The tobacco industry also tried to promote CSR by joint efforts to avoid harsh regulations to the industry.

Dummett (2006) interviewed superior managers, academic authorities, enterprise researchers and environmentalists from large-scale Australian enterprises concerning CSR driving factors and showed that government legislation or regulation was the first and foremost driving factor of CSR. Moreover, most surprisingly, enterprise managers showed more supports for policies by government to enforce higher-level of CSR, despite some disagreement in types of legislation. Most participants held that “a guidance of government legislation is called for” and they hoped the government took a more active measure to stimulate or enforce enterprises to bear higher-level of environmental responsibilities. They held that government legislation “created a certain” and “fairly competitive environment” thus to avoid the phenomenon of “taking a ride”.

Some researches held that government intervention could be excessive or inefficient in most conditions, because studies showed that social responsibilities and financial performance can be promoting and intertwined mutually. Enterprises themselves could analyze and take corresponding social responsibilities to achieve better financial performance according to their internal and external contingent factors (Orlitzky, 2005). Governments’ over-interference through legislation might potentially destroy enterprises’ innovative solutions to social and environmental problems (Kanter, 1999) Baden (2009) and others studied small and medium British enterprises and showed that small and medium enterprises hated government regulation. Nearly half of the enterprises expressed their dissatisfaction with government regulation or governments’ imposed CSR standards. Though 82% said they followed environmental standards, 40% were still worried about the troubles brought by government management.

(2)Social drive of CSR

Social drive or social pressure includes pressures from social groups or stakeholders. Many western CSR studies are carried out from the viewpoint of pressures from some specified stakeholders. Social supervision, as the external driving mechanism to enterprises, exists as the coexistence relationship of enterprises and staff, society and environment is increasingly obvious. In a certain sense, enterprises are a collection of interests of all kinds of Stakeholders who have made specified investment for enterprises' existence and development. They have either shared certain operating risks or paid price for operating activities. It justifies for enterprises to bear responsibilities for them (Freeman, 1984; Mithcel, 1997). While enterprises' existence and development depend on the fact if they can effectively deal with the relationship with all the Stakeholders. When the production and operating activities of enterprises ignore the interests of certain Stakeholders, these Stakeholders can unite to boycott corporate behaviors or choose to leave. Whether boycott or leave, they can affect enterprise development. The socially Stakeholders include: consumers, communities, non-government organizations and competitors.

Dummett (2006) interviewed superior managers, academic authorities, enterprise researchers and environmentalists concerning enterprise external driving factors such as market advantages, protecting or promoting images and brands, avoiding risks, corresponding to threats of accidents or environment, pressures from shareholders and consumers and from governmental organizations, and social expectations. According to the evaluation of their importance, the following conclusion could be reached: protecting or promoting images, saving costs, avoiding risks, unfavorable reports of corporate environmental responsibilities and social expectations were the major external driving factors of corporate environmental responsibilities; while seeking market advantages, pressures from shareholders and consumers were not major realistic driving factors. Views on environmental non-governmental organizations were disputable. Partial enterprise leaders were hesitating to admit the active role of non-governmental organizations, while environmentalists and academic authorities universally recognize the active role of non-governmental organizations.

2.2.2.3 Summary and evaluation

Studies on CSR and HEXIE Management mainly focus on two aspects: (1) “HP” management of CSR behaviors comes mainly from internal enterprises, including enterprises focus on staff, consumers and commercial partners, corporate cultures and values (Perrini, 2006; Ju Fanghui, Xie Ziyuan, 2005); (2) “XP” management of CSR comes mainly from external, such as government regulations, legal binding and social pressure like media. (Guo Hongling, 2006). “HP” and “XP” of CSR work almost the same and are closely related and mutually function in CSR (Juholin, 2004).

2.3 CSR and Stakeholder

2.3.1 The concept of Stakeholder

In 1960s, the study group of Stanford University defined Stakeholder as follows: there are some interested groups inside enterprises which cannot survive without their help. Ansoff (1965) formally used the term of “Stakeholder” in his works of “Corporate Strategy”, who held that to set an ideal target, enterprises needed to comprehensively and fairly consider the mutually conflicting claims of many enterprise Stakeholders who may include shareholders, managers, workers, customers, and suppliers. He also stated that Stakeholders can only be regarded as necessary to enterprises under certain conditions. Sweden’s scholar Rhenman (1968) clearly stated in his works on industrial democracy that Stakeholders refer to those who depend on enterprises and rely on them to realize individual goals; meanwhile, enterprises are dependent on persons in them. These earlier studies on Stakeholders lack uniformity and strictness in theory and the definitions are not clear nor are they unanimous.

Since the first came-up of this concept of Stakeholder by Stanford Institute in 1963, there are many definitions of Stakeholders; however there is no uniform definition, nor any unanimous views agreed among scholars, nor any uniformity about what subjects belong to Stakeholders. As pointed out by Rowley (1997), the fundamental challenge of Stakeholder is how to establish a commonly accepted definition about “stake”.

2.3.1.1 General concept of Stakeholder

American economist Freeman, the founder of Stakeholder theory (1984), gave a classic definition: Stakeholders refer to all the individuals and groups that can influence the realization of organizational goals or be influenced by the process of realization of organizational goals. Freeman further made it clear that Stakeholders have rights of claim in corporations, and he considered Stakeholder groups as shareholders, managers, staff, suppliers, clients and local communities. Freeman (1984) made a most classic definition for Stakeholder; according to his definition, the concept can be infinitely enlarged; and is therefore regarded as “general concept”. As mentioned by Mitchell, Agle and Wood (1997), the definition of Freeman might enlarge the fields of Stakeholders to include anyone. In spite of the shorts of over-extensiveness, his definition was followed by most scholars in this field. In the development process of Stakeholder theory, many scholars followed tradition and tended to define Stakeholder from a general view.

The above general concept of Stakeholder, though extensive and inclusive of everything, is hard to quantify accurately.

Freeman, Clarkson (1995) and others also realized the shorts of this general concept, thus they tried to clearly define Stakeholder in quantitative aspect. Clarkson held that Stakeholders refer to such natural persons or social groups who enjoy or claim ownership, rights or benefits of enterprises and their past, current or future activities. According to the closeness of Stakeholder groups and enterprises, Clarkson defined Stakeholders into two primary and secondary Stakeholders, of which primary Stakeholders, including shareholders, investors and customers, refer to those staff, suppliers, government and communities that cannot continue to exist independent of the enterprises they involved; secondary Stakeholders, including all kinds of media and some specified group, refer to those who, though influence or can be influenced by enterprises, have no commercial relations with enterprises, nor do they constitute the necessary existence conditions for enterprise survival. That is to say, corporate Stakeholders exist around enterprises, and they influence not only enterprise goals, but be influenced by enterprise behaviors. Clarkson’s division of Stakeholders also fails to solve quantitative problem. Wijnberg (2000) pointed out that Clarkson’s

division “appeared to have two obvious problems”: Stakeholders of the two levels are obscure in boundary and are easy to mix; any over-emphasis on primary Stakeholders may result in the fact that managers lay emphasis only on primary Stakeholders.

2.3.1.2 Narrow concept of Stakeholder

Stanford studies offered a special concept of Stakeholder. Some scholars also brought up and adopted this special definition.

Cornell and Shapiro (1987) held that Stakeholders were “contracted claimer” of enterprises. Hill and Jones (1992) held that Stakeholders offered crucial resources (contributors) to enterprises in exchange for, and hope to realize self interests. Clarkson (1994) came up with the definition of Stakeholders: “due to investment in enterprises in certain valuable capital form, thus to bear risks of some kind, or be placed in risk edge due to enterprise behaviors”.

Carroll (1993) came up with a representative concept. He referred to Stakeholders as such individuals or groups that interact with enterprises and have interests or rights in enterprises. Here, Carroll emphasized the “interests” of such individuals or groups in enterprises. He held that to know the concept of “related interests” was a premise to understand the concept of Stakeholders, who include the extreme of interests and ownership owned by the parties. Between the two extreme is rights which include rights in morality and justice.

Mitchell, Agle and Wood (1997) held that special concept of Stakeholder contained three major features: power, legitimacy and urgency, of which power referred to the ability owned by enterprise Stakeholders helpful for acquire their desired results; legitimacy referred to structure and behavior recognized by society and compliant with anticipation; urgency referred to the urgent degree that Stakeholders require to focus on their interests at once.

2.3.1.3 The concept of Stakeholder in this study

Compared with the general and narrow concepts of Stakeholder, Stank (1994) held that special concept of Stakeholder only covered “realistic” Stakeholders (like current clients); while general concept might also include “potential” Stakeholders (like

friends and relatives of current clients). Usually general concept is based on description, emphasizing those individuals or groups that are influenced in realistic life by enterprise operation, regardless of the legitimacy of these individuals or groups. Narrow concept takes only a crucial feature of Stakeholder, and is more related to enterprise activities, and easy to operate. General concept can better reflect the objectives of CSR, while narrow concept emphasizes partial crucial Stakeholders.

This thesis mainly research the relationship between CSR and CA, therefore, we chose the narrow concept of Stakeholder stated by Clarkson(1995), by reviewing previous literature and materials, and listed the Stakeholders: shareholders, employees, consumers, business partners, communities, environment.

2.3.2 CSR study based on the framework of Stakeholder theory

By studying literature, many scholars study CSR in the framework Stakeholder theory. It is Professor Wood from Pittsburgh University who first put Stakeholder theory in general CSR. Wood (1991) mentioned in his article “On Corporate Social Performance” that Freeman’s viewpoint on Stakeholder can answer the question about who should enterprises bear responsibilities for”. Wood held that Stakeholders evaluate corporate social performance not only in compliance with their own interests, but also with their comprehension and acceptability of the principles of corporate social performance and their relationship with corporate social performance.

Carroll (1991) held that the Stakeholder theory should be applied to CSR studies, and it could “show directions” for CSR. The scope of CSR can be defined according to each major Stakeholder group.

Clarkson (1991) held that when defining CSR from Stakeholder perspective, it must include two major concepts: profitability and ethic. Therefore, CSR include both economic and ethical aspects. Clarkson (1995) proposed that the Stakeholder theory can provide CSR study with “a theoretical framework”, within which, CSR is definitely defined as the “relationship between enterprises and Stakeholders”. The Stakeholder theory held that enterprises should bear social responsibilities for all their Stakeholders, combine social responsibilities with daily routines, carry out CSR in maintaining relationships with Stakeholders and in practical operation. Clarkson also

asserted that enterprises should manage the relationship with Stakeholders instead of with society.

Evan and Freeman (1993) pointed out that “though Stakeholder theory cannot replace CSR, it can be seen as a major condition in CSR research, and it can concrete the objective of CSR”.

Wood and Jones (1995) argued that effects would vary depending on expectations and evaluations of CSP, which differ from one stakeholder group to another. For example, Wood and Jones’s (1995) review suggested that the match between market measures and market-oriented stakeholders (for example, customers) would produce significant positive results, while the correlation between market measures and charitable contributions, for instance, would not.

It is helpful to solve the following problems if Stakeholder theory is introduced in CSR research. First, the introduction of Stakeholder theory clarifies the objectives of CSR. The objectives of CSR are clearly defined and concrete Stakeholders instead of abstract society. Earlier studies of CSR were obscure in some concepts. Now its scope is defined, which is subject to the choice of objectives of social responsibilities, choice of contents of social responsibilities and balance of realization of interests of each party. The three aspects define the boundary of CSR, and effectively avoid the shorts of unclear scope or unlimited extension of CSR. The framework of Stakeholder theory is helpful for CSR measurement. It clarifies the objects and contents of CSR scientifically and easily to operate.

Enterprises improve the quality of relationship with Stakeholders by meeting the needs of interests of Stakeholders, thus they bear their social responsibilities and construct their own CA. It is a good cutting point and common wish of all circles of society to solve the problem of CSR by forming enterprise CA through social responsibilities.

Porter and Kramer (2006) pointed out that promoting CSR must be based on the macro-comprehension of enterprise and social relationships, and imbedded in corporate strategies and daily routines. The bridge of the two aspects is Stakeholder theory.

In summary, the Stakeholder theory provides theoretical basis for CSR; on another side, the study of CSR provides empirical method for examination of the Stakeholder

theory. The Stakeholder theory is helpful to test or quantize the influence of CSR on an enterprise, so as to affect on CA. Therefore, this thesis analyze CSR's impact on CA through the mediator variable, Stakeholders Relationships.

2.4 CSR and CA Theory

2.4.1 Overview of CA Theory

The concept of competitive advantage has a long tradition in the strategy literature. Ansoff (1965, p.110) defined it as follows: "isolate characteristics of unique opportunities within the field defined by the product-market scope and the growth vector. This is the competitive advantage. It seeks to identify particular properties of individual product markets which will give the firm a strong competitive position". Hofer and Schendel (1978) pointed out that CA was the unique market status of enterprises compared to competitors due to resource allocation. Porter (1985) held that CA was a unique and superior competitive status of enterprises compared to competitors, its external performance was a higher-than-average market share and profitability, and it could be measured by the two index of values and costs created by corporate activities. Barney (1991) mentioned that "if the current or potential competitors of an enterprise fail to implement the same value-creating strategies", this enterprise has CA. Besanko et al. (2000) held that if the enterprise performance is higher than the average level, it has CA.

Relative theoretical studies of CA can be generally classified into two categories: the first is the theory of exogenous CA represented by Porter's industrial analytic theory, who held that CA of an enterprise was determined by enterprise external environment and market structure; second is the theory of resource basis, and internal driven CA represented by enterprise capability theory and knowledge theory, which held that enterprise's resources and capability determined its CA. The two theories are specified as follows.

The exogenous CA theory first came from the famous S-C-P (Mason-Bane), i.e., Structure--Conduct--Performance. According to S-C-P, differences of enterprise performance were determined both by structure and conduct, which were outside the

enterprise. Therefore, it can be inferred that the enterprise performance (CA) was external driven. Michael Porter accepted the S-C-P system and put up with the CA theory based on industrial analysis. Porter's first book "Competitive Strategy" (1980), sets out a very useful vehicle for the business historian. "The essence of formulating competitive strategy is relation a company to its environment". (P3) The structural analysis of industries includes descriptions of rivalry among existing competitors, the threat of new entrants, the threat of substitute product of services, the bargaining power of suppliers, and the bargaining power of buyers. Starting with the threat of new entrants, Porter considers barriers to entry which include economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels, cost disadvantages independent of scale, government policy, and expected retaliation.

Finally, his book, "The Competitive Advantage of Nations" published in 1990, seeks to determine how nations become economically successful. He argues that the term "competitive nation" has little meaning. Instead, the economic goal of a nation should be to produce a high and rising standard of living for its citizens. To do this a nation, or rather the industries of a nation, must become more productive.

The theory of exogenous CA made an important contribution in the research field of CA, but it also has some shorts in guiding enterprise operating activities. The presumption exogenous CA theory have their origin from the "Black Box" theory and the presumption of enterprise homogeneity of new classic economics, which held that the CA of enterprises came only from such external factors as industrial structure, market opportunities and competitive relations, and it ignored the differences of resources and capability within the enterprises. Thus it failed to penetrate into internal enterprises to study the influence of inner operating mechanism to CA. Related researches on enterprises to obtain competitive advantage can be divided into two categories. One is competitive advantage exogenous represented by Porter's (1980) industry-analysis theory, the other is competitive advantage endogenous represented by Rumelt (1984) and Teece (1997). Theory of competitive advantage endogenous started from Penrose (1959) and her enterprise internal growth theory. It is mainly discuss the resources and capacity enterprises needed to produce competitive advantage. Further researches on theory of competitive advantage endogenous include

resource based view (Wernerfelt, 1984; Rumelt, 1984; Barney, 1991; Nonaka, 1994; Putnan, 1993; Lin Nan, 1999) and ability based view (Richardson, 1959; Prahalad & Hamel, 1990; Leonard-Barton, 1992; Teece, 1994). Rumelt (1991) has shown that intraindustry differences in profits are greater than interindustry differences in profits, strongly suggesting the importance of firm-specific factors and the relative unimportance of industry effects. Jacobsen (1988) and Hansen and Wernerfelt (1989) made similar findings.

Porter's Industry Analysis Method emphasized the enterprise' external environment and enterprises' "positioning", but ignored the internal differences and the internal sources for CA. Thus enterprises enter certain industries with high profitability but irrelevant to their CA, which usually lead to failure of enterprise strategies. Thus in his next book, "Competitive Advantage", written in 1985, sets out the concept of the value chain. "Every firm is a collection of activities that are performed to design, produce, market, deliver, and support its product." Primary activities in the value chain are inbound logistics, operations, outbound logistics, marketing and sales, and service. Support activities include firm infrastructure, human resource management, technology development, and procurement. Porter demonstrates that a firm may develop a competitive advantage in anyone of these areas.

In all, exogenous CA theory shows a limit to guide the operating practices of modern enterprises.

Since 1980s, enterprises have been faced with an increasingly fragile external environment, which are obviously out of enterprise control, thus it urged researchers to seek sources of CA from inside the enterprises. Therefore, has gradually become the mainstream theory in the study of CA.

Marshall (1920) had discussed in earlier time the endogenous feature in enterprise growth. Penrose (1959), Nelson and Winter (1982) realized the accumulation of endogenous knowledge and capability in enterprises could be the resources for CA. Alchain (1950) emphasized the role of enterprise knowledge accumulation and the adaptability, imitation and error trial activities to CA. While Andrews (1971) held that strategy was to adapt enterprise own conditions to the opportunities. He also emphasized the important significance of the enterprise internal conditions.

Competitive advantage endogenous theory admitted internal enterprise factors as the sources of CA, held that the formation of enterprise internal knowledge, resources, capability, accumulation and updating are crucial to acquire and maintain CA. Competitive advantage endogenous theory breaks the assumption of enterprise homogeneity, goes deep into the enterprises, explains the differences of enterprises in the same industry and put forward the studies on the sources of CA.

Competitive advantage endogenous theory underwent the three following phases: CA Based on Resources-based theory, Capability based theory and Knowledge based theory.

2.4.1.1 Resource-based Theory

(1)The content of enterprise resources

Concerning the definition of enterprises resources, scholars from both in China and abroad have given different definitions. Daft (1983) regarded resources as a series of factors controllable by enterprises, and that could be used to stipulate and execute strategies to improve organizational efficiency and effectiveness. Wernerfelt (1984) mentioned that enterprise resources included material resources, human resources and organizational resources. Barney (1991) also defined enterprise resources from the viewpoint of CA. He proposed that enterprise resources included all kinds of assets controlled by enterprises, corporate features, information, capability, organizational process and knowledge, and he also divided enterprises resources into three categories, material resources, human resources and organizational resources. Amit and Schoemaker (1993) defined enterprise resources as a group of storage factors obtainable and controllable by enterprises. Resources transformed into final products by virtue of other assets and the combined organism involving technology, management information system, incentive system and labor trust, including tradable intangible factors, material factors and human resources factors. Grant (1991) held that enterprise resources were a series of factors put into production. The basic types include: financial resources, tangible resources, human resources, technical resources, image and organizational resources. From definition, he enlarged the scope of

resources, and included those immeasurable intangible factors into the scope of resources, thus to enlarge the boundary of enterprises.

Wang Yingjun (1998) followed Grant's opinion to further enlarge resources, and he held that enterprise resources, besides input factors, should also include such active factors as intangible techniques and capability. Chi Kelian (2000) defined enterprise resources from strategic viewpoint, and he held that enterprise resources were a collection of all kinds of factors owned by enterprises and that could help enterprises to realize their strategic targets in the process of producing products or providing services. He Xiaogang (2002) made an even broader definition, who held that the definition of enterprise resources should target on profitability. All the items that can potentially or actually influence enterprise value (rent) creation could be regarded as resources. Meanwhile, he also pointed out that not all the resources could provide sustainable CA for enterprises, and some might impede enterprise strategic implementation. Also some scholars defined enterprise resources from application, such as Santhanam (2003), and Wade (2001), who made an in-depth division of resources of IT capability, including IT infrastructure resources, IT human resources and IT intangible resources. Chen Jian (2005) and Chen Yaoyao (2005) analyzed the innovative resources of R&D from the viewpoint of innovative ability, who held that innovative resources were a collection of innovative economic resource factors, systematic factors and social factors, besides general factors, including innovative environment and technical supportive system, that promote economy to transcend simple reproduction and enlarged reproduction.

(2)Resource-based Theory of Enterprise CA

There are many kinds of resources inside the enterprises, then what are the unique and special ones? Chamberlin (1933) was the first advocator of resource-based value, who listed many important enterprise resources as technical ability, brand popularity, reputation, and capability to cooperate with others, managers' independent working ability, technologies like patent, brand. Penrose (1959) regarded enterprises as a collection of material resources, human resources and intangible resources. Barney (1986) held that because there could be incompleteness of information of markets of strategic factors, some enterprises, thanks to their strong market predictability or good luck though lack of market predictability, could obtain CA and achieve excess profits.

Dierichx and Cool (1989) held that in the strategic resources required to implement a strategy, many strategic resources, especially those intangible resources, could not be traded in market, and could only be accumulated in a long term inside the enterprises. Based on the assumption of Porter's Five-force Model, Barney (1991) held that the Five-force Model was not applicable to resource-based viewpoint. He proposed two assumptions: "strategic resources controlled by enterprises inside an industry or a group was heterogenous", and "these heterogenous resources flew incompletely inside enterprises, or else heterogeneity disappeared". Based on these two presumptions, he proposed the analytic framework based on CA of resource viewpoint. He pointed out that if enterprises desired sustainable CA, they should control special and non-complete flowing resources and capabilities, which resulted in the four features of value, scarcity, non-complete imitation and non-complete substitution, thus to further promote sustainable enterprise CA. In his definition, Barney ignored the factor of human resources; subsequently, many scholars proposed that human capital is a major heterogenous resource. Wright (1994) verified that human resources also should belong to the four features brought up by Barney for heterogenous resources. Human resources had value, scarcity, non-complete imitation and non-complete substitution.

2.4.1.2 Capability-based view of Enterprise CA

(1)The content of enterprise capability

Selznick (1957) held that capability was a special substance of enterprises, which could make an organization better than others. The concept of capability dated back to the labor division theory of classic economist Adam Smith. Later, many scholars studied and defined enterprise's capability from different viewpoints.

Richardson (1972) held that capability referred to the knowledge, experience and techniques of enterprises, which tended to engage in those activities that their capabilities could bring Moingeon and Ramanantsoa (1997) held that capability was a process during which enterprises could optimize allocation of resources. Petroni (1998) mentioned that enterprise capability was a special intellectual capital, which ensured owners of engaging in production and operation and promoted enterprise to

deal with all kinds of realistic problems in production and operation more effectively in specified methods. Mahoney and Pandian (1992) held that enterprise capability behaved as to transfer potential enterprise resources into activity and action. Grant (1991) held that capability refers to the potential resources used to finish certain task or activities. Instead of simply being some information, capability stands for the interaction of resources inside enterprise or organization with the nature of exclusivity. Capability changes when solving the practical problems (Dosi and Marengo, 1994). Meanwhile, capability was not only a collection of resources, but rather a complicated model of mutual interaction of human and other resources (Foss, 1997). It is safe to say that enterprise's capability is a kind of application or operation of resources, which is property by enterprise and gradually develops through the complicated interaction of enterprise's resources.

(2) Capability-based view

Capability-based strategies are based on the notion that internal resources and core competencies derived from distinctive capabilities provide the strategy platform that underlies a firm's long-term profitability. Evaluation of these capabilities begins with a company capability profile, which examines a company's strengths and weaknesses in four key areas: managerial, marketing, financial, technical. The works of Enterprise Core CA by Prahalad and Hamel (1990) initiated the hot wave to study core enterprise capability. This article emphasizes that sustainable CA comes from core enterprise capability. Prahalad and Hamel described the features of core capability as: the source of organization's learning, especially learning about how to coordinate diversified productive skills and how to integrate multiple technologies, that it is about organizing work and offering value, and that it is work of communicating, involving and devoting to cross-border and it involves many personnel of different levels and many functions. Therefore, core capability will not wear out for usage, instead, will be intensified for application and sharing.

The viewpoint of capability theory is that the competition of final products is a phenomenon; whereas the competitive substance of modern enterprise is the competition of core enterprise capability.

By extension of recognition of resources, capability theory further promotes the recognition of sources of CA, but fails to make rational explanations for the following questions: why do enterprises have core capability? Why do some enterprises lose core capability at the occurrence of “core rigidity” when they acquire core capability? According to the core enterprise capability of Prahalad and Hamel (1990), enterprises achieving sustainable success had something in common: they consistently developed and intensified certain capability, thus to form CA, and instead of simple enterprise resources, it was an organic combination of many resources, technologies and different skills that decided enterprise CA. Prahalad and Hamel (1990) also held that core capability was the accumulated knowledge in organizations; especially when it came to how to coordinate many different productive skills and organically integrate many technical flows. Therefore, this “core capability” was a combination of individual technologies and productive skills with obvious advantages in the process of enterprise production and operation process.

Stalk, Evans and Shulman (1992) held that core capability mainly embodied as the collective skills. They argued that the collective skills are vital for CA and the core capability characterized by the interaction among organizational members' knowledge.

Resource and capability are crucial to enterprise development, but they fail to explain how and why some enterprises could gain CA under rapid, unpredictable and changing environment. Teece et al. (1997) held that the study of competitiveness should be carried out from a resource-based and dynamic viewpoint. This dynamic study should include both external and internal conditions. Dynamic capability theory was a combination of resource-based viewpoint, contingency theory and evolution theory, which was brought up aiming at the shortcomings of resource-based viewpoint.

(3) Dynamic Capability-based view of Enterprise CA

The dynamic capability theory is an important theory in strategic management field in recent years, which came from and developed the capability theory based on resources. Teece, Pisano and Shuen (1997) defined Dynamic Capabilities as the capabilities to change enterprises. They held that core enterprise capability had rigidity, because once the environment changed, core CA could become barrier to enterprise development. The dynamic capability theory focused on the impetus of

innovation, which held that innovative dynamic should be applied to overcome inertia of core capability. Compared to the resource viewpoint, it emphasized on the dynamic efficiency of enterprises. Barney (2001) held that dynamic capability focused not only on resources in enterprise boundary but the acquisition of resource control outside the boundary. Therefore, dynamic capability influenced not only the production inside enterprises but influence enterprise operating capability and enterprise boundary. Teece (2007) further clearly proposed the comparatively perfect and detailed analytic framework and type: dynamic capability is the capability to sense and seize the flashing opportunities and make necessary resource restructure at a pace constantly faster than competitors, including three dimensions of opportunity sensation, opportunity seizing and strategic restructure.

Lianisti and Clark (1990) held that integrated enterprise capability, especially the integrated technical capability, was dynamic enterprise capability, i.e., enterprises chose those technical knowledge related to current knowledge basis from the evolution or related technical knowledge related to self business, and execute the related capability. Bitar, et al. (2006) held that dynamic capability referred to those organizations developed, maintained and updated the capability, which included individual and organizational learning, resources, skills, system, structure and culture. Nelson and Winter (1982) held that capability was a high-level practice that provided a group of output decisions for organizational correlation, which also stood for large quantities of typical and important activity collection deciding enterprise survival and development. Therefore, Eisenhardt and Martin (2000), after analyzing the features of dynamic capability, held that dynamic capability were confirmed routines. It was a series of capability collection which promoted enterprise development and adapt to environmental changes, including integrating resources, reallocating resources, and acquiring and transfer resources. That is to say, some dynamic capabilities could integrate resources, some could restructure internal corporate resources, and others applied to resource acquisition and release. Zollo (2002) held that though Teece (1997) analyzed what were dynamic capability and its function, he failed to propose where dynamic capability came from. Therefore, he redefined from the source of dynamic capability as that dynamic capability was a kind of collective learning and steady

activity, and organizations could systematically produce and revise their operating routines to improve organizational efficiency through it.

In summary, dynamic capability is both a capability to change and integrate enterprise but is a clearly confirmed flow or processes practice. Many scholars studied the formative mechanism of dynamic enterprise capability, and proposed that it was formed through reorganizing and restructuring current capability factors, and through further practice and reflection (Porter, 1985). The dynamic process of knowledge formation was an evolving process of dynamic enterprise capability; the formation process of dynamic capability was a process for enterprise to form technical track and technical paradigm (Nelson and Winter, 1982; Dosi, 1982). Learning mechanism played a crucial role in the process of formation of dynamic capability (Eisenhard and Martin, 2000).

2.4.1.3 Knowledge-based view

Grant (1996), Nonaka (1994), Simonin (1998) held that knowledge is the utmost and core capability for enterprises to gain sustainable CA.

Enterprise CA theory based on knowledge held that compared to market mechanism, enterprise organizations could effectively share and transfer individual and team knowledge. Differences of performance among enterprises had their origin from unsymmetrical knowledge and differences of enterprise capability. Distinguished from tangible resources, knowledge and skill could provide enterprise with “Ricardian rent” and “Chamberlinian rent”, that is to say, high industrial barriers to get excess profits by virtue of such mechanism as economic model and expensive transfer cost. Ricardian rent gained profits because it reduced margin production costs compared to competitors. Chamberlinian rent was the result that it put price above the level of enterprise efficiency. Moreover, organizational learning to update knowledge can consistently create “Schumpeter rent”, i.e., economic rent based on innovation. Schumpeter rent was gained by enterprises by bearing risks and forming unique insight in an excessively uncertain or very complex environment. Ghoshal, and Bartlett (1988) directly regarded enterprises as a “warehouse producing knowledge”. Ikujiro Nonaka

(1991) held that knowledge was a determined resource of CA under current fierce competition.

Ikujiro Nonaka (1991) also proposed that enterprises could only achieve success by consistently creating knowledge and quickly applying new knowledge into innovative technology and products if they stay in an industry where the original market declined gradually, new technologies developed rapidly, competitors appeared fast and products were quickly kicked out.

Cohen and Levinthal (1990) held that it is hard to gain knowledge in internalizing process, because external knowledge needed the absorptive capacity or identifying, copying and using abilities in internalizing process. Therefore, knowledge became advantageous resources of enterprises, and the source of enterprise CA.

Iles, Yolles (2000) stated through empirical analysis that it was rare to gain CA by individual staff knowledge accumulation or dissemination; enterprises could establish a knowledge system, though which to disseminate core knowledge in internal organizations. Meanwhile, Pfeffer and Sutton (2000) pointed out that the atmosphere of organizational learning and encouragement of leaders could facilitate knowledge accumulation or dissemination in internal organizations. When it carried out knowledge accumulation or dissemination by constructing proper atmosphere or culture of organizational learning, the enterprise gained knowledge sources of CA.

In his work “The Fifth Discipline”, Peter M. Senge (1990) mentioned that the fundamental way to cope with changes was learning, which was the basic law of survival through competition. In his later works “The Dance of Change: The Challenges to Sustaining Momentum in Learning Organizations” Senge again emphasized that the competition of enterprises in 21 century was in its substance a competition of enterprise learning capability, while the only advantage was the learning capability faster than competitors. Enterprise core capability came from core capability, which appeared as some knowledge and skills, which could only be updated by consistently organizational learning.

According to the Knowledge-based CA viewpoint, in a consistently changing and developing environment, CA derives from a dynamic application of knowledge and capability. Enterprises must gain knowledge from both internal and external and apply

current capability and construct new capability to bring better knowledge, thus to bring CA for enterprises.

2.4.2 CSR and CA

How to influence enterprise CA by performing social responsibilities? Many scholars made in-depth study from ethics, sociology, economics and management science. Shibusawa Eiichi (1994) held that careers beneficial to state and public would definitely develop and be strong, and action should be based on “justice” despite of any loss currently; any speculation unprofitable to state and public would not last long and should not act out of private interests. That is to say, enterprises should first consider performing social responsibilities for the country and public, and enterprise behaviors should comply with state or public interests; thus they could achieve long-term development, and short-term losses could be justified by long-term development. Michael Porter (1985) proposed that the fundamental source of enterprise CA came from the values created by enterprises for clients that surpassed their costs. Barney (1991) held that when an enterprise could implement value-creative strategy, while any other current or potential competitors failed to implement, this enterprise owned CA. That is, when an enterprise create for its customers resources, capability, values, profitability and market shares that were stronger than its opponent, this was CA.

In terms of measurement of enterprise CA, many scholars carried out from financial performance, however over attention to which might bring short-term actions, thus failed to explain long term enterprise development drive. Meanwhile, pure pursuit of financial performance by enterprises could easily cause external uneconomic and social problems, which was not consistent with CSR in a certain degree. Therefore, this thesis, instead of adopting financial index to measure CA, selects four dimensions that are closely related to CSR and that can reflect long-term enterprise development by referring to literatures and expert interviews to measure CA: enterprise reputation, enterprise talents, innovative capability and crisis disposal capability.

According to the “value, heterogeneity, hard for imitation and un-substitutable” of the condition of “strategic resource” brought up by Barney (1991) that could gain CA (Boar 1994), enterprise reputation and enterprise talents were strategic resources

that could influence long-term enterprise development. According to core capability theory, innovative capability and social resource were core capabilities for enterprises to gain and maintain CA, and were closely related to CSR.

2.4.2.1 CSR strategy and CA

Scholars supported that social responsibilities contributed to long-term enterprise development. Some scholars proposed the concept of strategic CSR, and held that it contributed to gaining CA by enterprises.

Reinhardt (1998) proposed that when applying CSR if enterprises can stop competitors' imitations, they will gain abnormal return than opponents. In their works, "Build to Last", Collins and Porras (1994) compared excellent and good American enterprises. Their studies shows that the corporate missions and cultures are strongly social responsibility-oriented. From short-term, though they may pay large quantities of resources or lose some development opportunities, when shouldering social responsibility, but from long-term, they gain CA. The payment in social responsibilities is actually long-term investment, which plays a role in their long-term development. McWilliams, Van Fleet and Cory (2002) proposed that CSR strategy can be used to build sustainable CA.

Burlingame (2001) held that voluntary CSR is for enterprise's and social goals, meanwhile is a tool to realize enterprise strategic goals. Therefore, many scholars tried to find common interests of CSR and enterprise goals. They proposed new viewpoints from Stakeholder theory, enterprise resource theory and enterprise capability theory, and make theoretical and empirical studies on some concrete key resources and core capability of CSR and enterprises.

Feng Xiaoyu (2008) proposed in his Ph. D. dissertation that social responsibilities was a necessity for enterprises to maintain and improve competitiveness, but the social responsibilities they shouldered should combined with their value chain, only the transferring mechanism of the latter could play a competitive role. Feng Xiaoyu also proposed the concept of "CSR competitiveness", holding that it was an improvement of productivity and acquisition of CA by enterprises due to their bearing or intensifying social responsibilities. Feng Xiaoyu verified his viewpoint from

individual case analysis and logic deduction instead of investigating large quantities of enterprises, thus his conclusion was not generally significant.

Shi Junwei et al (2009). carried out empirical studies by investigating 151 Chinese enterprises and found that CSR was not obviously related to economic performance, but was positively correlated to organizational reputation, and enterprise social capitals play a role of intensifying the reputation of social responsibilities.

2.4.2.2 Strategic charity responsibility

Since 1980, some scholars defined the following viewpoint: the social and financial goals of enterprises should be compatible instead of conflicting. A tool that could increase both enterprise resources and profits should be applied to practice social responsibilities. The logic of this viewpoint was that good staff relationship could improve productivity, and enterprises with a reputation of safe products and environmental protection could better attract clients. therefore, some scholars came up with the concept of Strategic Philanthropy, which proposed that donation and profits were compatible instead of conflicting. Enterprise donation could attract clients, staff, communities and other Stakeholders, thus to reinforce enterprise resource basis or reduce resource boundary, in order to help enterprise form core ability and strengthen CA (Mescon and Tilson, 1987; Craig Smith, 1997).

Mescon and Tilson (1987) described a new conception that enterprises view charitable donation as the strategic component for seeking CA. Craig Smith (1997) issued an article named The New Corporate Philanthropy on Harvard Business Review, which confirmed for the first time the so-called “new enterprise philanthropy”. He proposed that CSR was not limited to provide cash donation; instead it made a long-term commitment to specified public affairs establishments. He made it clear that strategic charity could improve client awareness of enterprise brands, improve staff productivity, reduce research costs, and help to overcome regulatory barrier, and bring such benefits as increasing profits. Instead of regarding CSR as a pure obligation, CSR should also support the strategic activities of enterprise goals. That is, enterprise philanthropy and the whole CSR behaviors should be lifted up to strategic height to support enterprise goals.

Porter and Kramer (2006) published an article named *The Competitive Advantage of Enterprise Charities* in *Harvard Business Review*, which stated from enterprise level that philanthropy is a behavior with strategic significance that can improve enterprise competitiveness, and that should be integrated with enterprise strategies for an enterprise behavior that can change competitive environment and win CA. They also pointed out that enterprises who are engaged in public affairs aimed at more recognition and social influence in appearance; they should focus on strengthening competitiveness in substance.

Porter and Kramer (2006) pointed out that not all philanthropy can lead to improvement of enterprise competitiveness. Only when the philanthropy has both good social benefits and economic profits, can they be compatible with economic goals, and this philanthropy is what Porter defined as Strategic Philanthropy.

What kind of strategic philanthropy should enterprises adopt? What kind of charitable strategies could help enterprises gain CA? Porter and Kramer (2002, 2006) and Philip Kotler (2006) proposed their viewpoints. Porter and Kramer (2002, 2006) proposed the “Context-focused Philanthropy Theory”, which held that enterprises could improve their competitive environment by adopting philanthropy, thus to promote long-term prosperity. Porter and Kramer proposed in their article named “Strategy and Society: the Relationship of CA and CSR” that the major reason why the public service activities failed to release productivity was that these enterprises made the following two kinds of mistakes: first, they opposed enterprises with society; whilst in fact the two were mutually reliant; second, the comprehension of these enterprises to public service activities was too shallow to combine philanthropy with the strategic needs of enterprises. Following these viewpoints Porter and Kramer (2011) lastly stated a concept CSV (Creating shared value) that CSV should supersede CSR in guiding the investments of companies in their communities. CSR programs focus mostly on reputation and have only a limited connection to the business, making them hard to justify and maintain over the long run. In contrast, CSV is integral to a company’s profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social value.

Marketing expert Philip Kotler (2006) pointed out that bearing social responsibilities by modern enterprises is a kind of strategic activity and is optional. Kotler (2006)

proposed the philanthropy theory of “Cause Marketing”. He held that successful cause marketing is helpful for combination of enterprise philanthropy and their commercial interests, the two of which were mutually promoted and complemented. Kotler (2006) also mentioned six concrete schedules for enterprise philanthropy: (1) choose minor-supporting social themes; (2) choose locally popular themes; (3) choose philanthropy coordinating with enterprise missions, values, products and services; (4) choose philanthropy capable of supporting operating goals; (5) choose key group cared themes; (6) choose the public good that has support for a long run. The six schedules have significant guidance for enterprise philanthropy strategies.

2.4.2.3 Studies of Chinese scholars

Concerning the studies of CSR and CA, many Chinese scholars adopted qualitative study method and proposed through logic deduction that CSR was beneficiary to competitiveness promotion, thus to gain and maintain CA. Many scholars held that CSR played an active role in such aspects as images, reputation, attracting and retaining talents, and improving living environment.

Xu Chao and Chen Jixiang (2005) propose that strategic CSR could support core business activity, thus helpful to fulfilling enterprise missions. Du Peifeng (2007) point out that multi-nationals has integrated CSR into strategic activities. Hu Gang (2007) point out that some multi-nationals had included CSR in overall development strategy, which is deficient in China. Chen Xudong and Yu Xunda (2007) propose the private enterprises in Shenzhen have already the strategic awareness on CSR.

Zhou Zucheng (2002) proposed that “Excellent Ethics” was a resource of sustainable CA, which had three conditions that complied with resources of sustainable CA: values, scarcity and hard for imitation.

Liu Zangyan (2005) hold that CSR plays the following role in promoting competitiveness: fulfill social responsibilities to improve living environment; fulfill social responsibilities to improve public images; fulfill social responsibilities to surpass international barriers; fulfill social responsibilities to attract talents; and fulfill social responsibilities to improve financial performance. Chu Jinqiao (2006) held that CSR is not contradictory to enterprise competitiveness. Enterprise fulfilling social

responsibilities can both improve their social images and optimize labor relationship, and gain access to the international market; thus can finally improve enterprise long-term profitability. Chen Zhonghao (2007) proposed that enterprises or organizations that are brave to fulfill social responsibilities can bring the following positive influences for their profits: beneficial to improve financial performance; beneficial to reduce waste, improve environment and efficiency; beneficial to improve sales and customer loyalty; beneficial to construct talent reserve; and beneficial to reduce supervisory force and market barriers. Zhang Haoer (2008) proposed that the CSR strategy plays a positive and strengthening role in core competitiveness. Li Yanhua (2006) also proposed through empirical study that CSR makes enterprises attractive to potential job-seekers and plays an importantly positive role in consumer decision.

Zhong Hongwu (2007) made empirical studies about how to improve enterprise competitiveness by philanthropy donations. He used the enterprise donation data of the annual reports of all the listed companies in Shanghai and Shenzhen Stock Exchanges in 2004 (exclusive of small and medium-enterprises board) and data collected and selected from Sina Financial Network¹, adopted the fixed-effect mode to check, which showed that enterprise donation level showed no obvious influence to performance index of accounting and values. Zhong Hongwu explained that Chinese donation showed no influence to enterprise competitiveness from four aspects of enterprise internal management, government intervention, donation market and social donation environment.

Shi Junwei (2009) find from empirical studies that CSR is positively correlated with organizational reputation, while social capital acts as a bridge in promoting integration of social responsibilities and other resources; thus effectively promotes enterprise social performance. But Shi Junwei just explain the role of social capital, which is derived from enterprise external Stakeholders, in the process of CSR influencing reputation; instead of the role of enterprise internal Stakeholders in this process. Whilst in fact enterprise reputations also came from internal Stakeholders in a large extent.

¹ <http://finance.sina.com.cn/>

In summary, the problem has almost been solved concerning whether enterprise should fulfill social responsibilities. It is a consensus of the whole society that enterprises should fulfill corresponding social responsibilities. The pending question is how enterprises should combine their social responsibilities with their survival. It is of utmost significance to discuss how CSR influences enterprise CA.

Many scholars made theoretical and empirical studies on the influence of CSR to financial performance, but they come to no consensus and get different conclusions, which means that the relationship of CSR and enterprise financial performance was not simply positively or negatively correlated. There may exist some important influent factors or mediator variables among them. Meanwhile, enterprise financial performance partially reflects enterprises' past achievements but not a fully representation to the whole achievements and situations. Furthermore, if the enterprises get good current financial performance, it does not mean they can sustain this financial advantage in the future. Therefore, it is inappropriate to study CSR purely from financial performance viewpoint, which can not recognize CSR's influence on enterprise development.

As a complement to financial performance index, also some scholars connected CSR with enterprise reputation and talent attraction. Currently, studies on the influence of CSR to CA are scattered and unsystematic, and they merely stated CSR's promotion to CA from a single viewpoint or from cases, but the in-depth functional mechanism and way of the two are still obscure. Therefore, studies of the functional relationship among CSR and in what way and how does CSR function in enterprise provides a bridge for further deepening and extending of CSR theory and enterprise CA, and plays a practical role in enterprise CSR implementation.

It also has great significance to develop proper CSR measurement model. Currently, the measuring tools of CSR are mostly carried out from CSR sub-field, and most adopt comparatively single evaluating index to evaluate or evaluate responsibilities of a certain aspect of enterprises, for example, adopting such evaluating index of total CSR investment volume or philanthropy donation amount or adopting enterprise reputation ranking. Some measuring tools based on the four-level mode CSR development of Carroll (1979, 1991) have such defects as unclear definition of responsibilities and obscure objection of responsibility orientation, which constraint

the practicality. Also some scholars develop measuring tools based on Stakeholder theory, which is more concrete, operational and practical compared to those developed on basis of Carroll model. Anyhow, enterprises involve Stakeholders of every aspect, which makes measuring tools, developed on basis of Stakeholder, defected with many items and over complicated scales. It is an important subject to develop scales that could not only fully reflect responsibilities of major Stakeholders but simple.

2.5 Summary and evaluation

This Chapter gives a systematic summary of CSR Theory, HEXIE Management Theory, Stakeholder Theory and CA Theory, makes a literature review of the relationships amongst HEXIE Management on CSR, Stakeholders relationships and CA, and points out the defects of current studies. The next Chapter is devoted to analyzing the concept mode and research proposition on the influence from CSR, based on HEXIE Management and through strengthening Stakeholders Relationships, on Competitive Advantage.

3 Conceptual Framework and Hypotheses

The rational CSR management and good Stakeholder relationship play positive roles in expanding business market and winning opportunities, consequently competitive advantage is created. Fulfilling CSR for the stakeholders is fundamental to establish good Stakeholder relationship. For instance, British Petroleum successfully defeated the opponents for the oil drilling rights in Alaska through establishing good relationship with the local community; Suncor Company won the support of the local community and obtained the exploration rights of oil sands in Alberta province. In this way, good Stakeholder relationship plays an important role in obtaining CA. To satisfy stakeholders' interests is critical to establish high quality relationship, which is also a part of the social responsibility for the stakeholders. To establish good relationship with only a small number of stakeholders may not bring CA to enterprises because the good relationship may be neutralized by the negative impacts from other low quality Stakeholder relationships. Therefore, only when enterprises establish good relationship with most of the stakeholders, will its contribution to the corporate CA be fully reflected. To establish good relationships with stakeholders can not happen overnight, only long-term investment and maintenance can achieve the desired effect. Meanwhile, the return for establishing comprehensive and high quality Stakeholder relationship is a long-term rather than an immediate result. Therefore, we can say that assuming CSR is a long-term investment.

The foregoing statements have described the main research contents of this study and the main results of Chinese and foreign scholars in the related field. By comprehensive reference of the results of the predecessors, the middle and senior managers and experts in management field have been invited to fill out the open-ended questionnaires, and some of the managers and experts were selected for in-depth interviews. By studying the interview results and literature studies, this chapter analyzes the impact from CSR's HeXie management on CA, proposes hypotheses and constructs the conceptual model. The proposal of hypotheses and the meaning of conceptual model are elaborated respectively below.

3.1 HEXIE Management of CSR and Stakeholder relationship

3.1.1 “He Principles” management of CSR

“He Principles, HP” is defined as “the active role of people”. From the perspective of internal stakeholders, enterprises themselves undertaking and fulfilling social responsibility for internal stakeholders is essential to promote their own social reputations and images, and conducive to obtain the supports of the investors and attracting high quality talents. Capital and talents are the most important resources for business survival and development, sufficient capital and high quality talents are important factors for enterprises to obtain and maintain CA. By actively fulfilling the employee responsibility especially on the employees’ development, it is conducive to increase employee loyalty and to sustain innovation, consequently core competence is formed. CSR is the basic premise to establish mutual trust between enterprises and employees and employee loyalty. Full trust and cooperation between enterprises and employees are conducive to reduce the inside waste, enhance morale and cohesion and inspire the enthusiasm and the creativity of the employees. The consistency of CSR and corporate profit target or the moral consciousness of CSR is the internal drive of CSR behaviors, which provides subjective possibility for enterprises to actively and voluntarily perform the social responsibility.

Through studies on American outstanding and excellent enterprises, Collins and Porras (2002) found that business missions and corporate cultures of these enterprises have a strong sense of social responsibility orientation. Michael Porter and Kramer (2006) also put forward that it will bring CA and social advantage if enterprises can integrate social responsibility into their core strategies. Hillman and Keim (2001) found that establishing close relationship with the main stakeholders can help enterprises to develop invisible and valuable assets. Russo and Fouts (1997) found that high quality business environment brings two intangible resources to enterprises, one is reputation which may impact on the customers’ purchasing, and the other is political influence assets, i.e., the capability of an enterprise to influence the formulation of public policy. That is to say, CSR is conducive to establish and

improve Stakeholder relationship and good relationship can help enterprises obtain resources such as reputation.

3.1.2 “Xie Principles” management of CSR

“Xie Principles, XP” is related to “optimized design”; CSR is not only consciousness of enterprises but also the result of interactions among enterprises, government and society (Freeman, 1984). The negative feedback from the society as to enterprises unfulfilling the CSR and the government’s legal control for the absence of CSR are external drive to CSR behaviors. That is to say, the attitude and pressure of the government and society directly determine the status of CSR.

In China, the relationship between country and society is integration and symbiosis, family and country have combined into one body for thousands of years, full-time and all-powerful image of the country has been internalized, therefore, national intervention in social and personal daily life is quite natural. In the opinion of consumers, the country offers rights and assigns responsibilities, of course, the country contributes to safeguard the rights and fulfill the responsibilities. Better to let the country directly intervene than to act on one's own. Furthermore, under the circumstance that order and stability become the first choice of the government, the non-governmental organizations and movements gradually began to gain legal resources.

It is generally believed that under the condition of market economy, the first thing to consider in corporate production decision is how to “participate in economic activities with the application of resources to increase profits on the premise of law-abiding” (Friedman, 1970); however, the production decision of enterprises depends on their own cost-income analysis rather than the social costs and incomes, which brings the presence of external effects of the corporate economic activities and often causes “market failure” and wrong allocation of resources. In this case, it is necessary to strengthen the supervision and management of enterprises through legislative and administrative interventions and encourage enterprises to bear certain social responsibilities. If the regulatory mechanism is weak and freedom of choice is allowed, then “free riding” phenomenon will certainly arise in social responsibility

issues (Du peifeng 2007). In fact, the increasing transparency of business activities brought by modern media and information technology has greatly increased the possibility to supervise CSR behaviors. Generally, enterprises also consciously obey the supervision to avoid more regulations, raise entry barriers, exclude some potential competitors from the market and attract more consumers and suppliers (Waldman & Siegel, 2008).

The CSR level can definitely be raised through the intervention of the central government which controls the assessment of local government performance and the power of appointment and removal of local officials, legal status and the strengthen of supervision of some non-governmental social welfare organizations and media.

3.1.3 Hypotheses

Based on the above analysis, this study holds that the HEXIE Management of CSR can directly promote CA. Therefore, the following hypothesis is put forward.

Hypothesis 1: CSR's HEXIE Management has positive effect on corporate competitive advantages.

3.2 CSR's HEXIE management and Stakeholder relationship

Brammer and Pavelin (2004) pointed out that CSR promotes the good relationship between enterprises and their stakeholders, because CSR accelerates the process of "identification" of the stakeholders, and in this "identification" process, the stakeholders feel the integration of their personal values and the company values (Bowling, 2004).

3.2.1 Shareholder relationship

Under the condition of market economy, the relationship between enterprises and shareholders is actually the relationship between enterprises and investors, which is the most important content of the internal corporate relationship. The classical economic theory considers the enterprises as the agents of shareholders, whose first

duty is to maximize the interests of shareholders. With the development of market economy and improvement of living standards, the investment pattern becomes more and more diversified, and has turned from the original single monetary investment to stocks, bonds, funds and insurance. People become the direct shareholders of enterprises by investing stocks or the indirect shareholders by investing various bonds, funds and insurance. In modern society, there are more and more shareholders across all occupations and territories of the society, the relationship between enterprises and shareholders gradually evolved into the relationship between enterprises and the society. However, the corporate responsibility for shareholders differs from general social responsibilities. It has the following unique ways:

1. The most basic corporate responsibility for shareholders is to respect their rights provided by law. Law is the ethical bottom line by which an enterprise must be abided, and any behavior of the enterprise beyond this limitation constitutes the unethical behavior. Enterprises' violation of the law and the rights of shareholders are seriously irresponsible to shareholders.
2. Enterprises shall assume the main responsibility for the financial security and income of the shareholders. Investors entrust their live savings to an enterprise and hope to get good returns through the business investment, so the enterprise should satisfy the basic expectations of the shareholders. Enterprises should not use the money of shareholders to do illegal and unethical things, nor can they waste the shareholders' money. Any investment performed by enterprises must be on the premise of bringing profits to the shareholders.
3. Enterprises are accountable for providing the shareholders with truthful business and investment information by means of financial statements, corporate annual meetings, so that the investors can learn about the corporate products, operating achievements, price/earning ratio, return on assets, asset-liability ratio. Companies shall guarantee that the published information is true and reliable, any concealed, false corporate information and the behavior of cheating shareholders are immoral, for which the enterprises shall assume both moral and legal responsibilities.

3.2.2 Employee relationship

Many scholars agree that employees are one of the key stakeholders; fulfilling social responsibility will bring positive impact on employees and is conducive to recruiting and retaining talents, stimulating employee enthusiasm and creativity, consequently bringing positive impact on corporate CA.

Through the CSR behaviors, enterprises motivate the employee morale to increase productivity and obtain actual interests (Moskowitz, 1972; Parket and Eibert, 1975; Soloman and Hansen, 1985). Through empirical study of 633 organizations, Turban and Greening (1996) indicated that philanthropic donations can increase the attractiveness of organizations to the candidates.

Turban and Greening (1997) put forward that the enterprises with strong CSR promises are usually easier to attract talents, save new employee recruitment and training costs and reduce working funds.

An investigation among the students of the top U.S. business schools has been conducted by some American students working for the Reliable Enterprises magazine, and the results showed that 50% of the students interviewed are willing to work for the companies responsible for the society even with relatively low wages, and 43% are not willing to work for an enterprise failed to show a good image (Carroll, 2004).

The investigation of the Globescan Company in 2005 showed that CSR has increasingly become an important factor for attracting and retaining various talents.

3.2.3 Consumer relationship

Consumer is the key Stakeholder directly impacting on corporate behaviors. Many scholars specifically studied the relationship between CSR and consumer aim to identify suitable CSR strategies and behaviors to achieve business purpose. Sen (2003) put forward that buying and choice behaviors of the consumers are the most powerful drive of CSR. Some scholars studied the relationship between CSR and incomes from the perspective of consumer response (Brown, 1998; Bhattacharya and Sen, 2004; Mohr et al., 2005). These scholars widely studied the consumer response relationships such as CSR and consumers' product purchase intention (Sen and Bhattacharya,

2001), consumers' attitude towards the product and evaluation of corporate reputation (Mohretal., 2005), and proved that CSR has direct or indirect impact on above consumer responses.

The studies of Brown and Dacin (1997) showed that CSR behavior has indirect impact on the consumers' purchase intention, and different CSR levels influence the consumers' perception of the enterprise's product quality. Sen and Bhattacharya (2001) found that the level of CSR has a significant impact on the consumers' product evaluation; meanwhile, they proved that the correlation between CSR and consumers' purchase intention is also regulated by the following variables: personal characteristics of consumers, trust level of the consumers in CSR and corporate ability and the support level of consumers to the CSR behavior. Mohr and Webb put forward that consumers' support to CSR plays a regulatory role in the relationship between CSR behavior (environmental protection and philanthropy) and corporate evaluation. Bhattacharya (2003) thought that an enterprise with positive social responsibility image is easier to obtain the customers' sense of identity; therefore, the leading advantage of CSR is a powerful tool for increasing the sense of identity of the customers and employees and can bring potential value to enterprises which are difficult to quantify and describe accurately. Lois and Deborah (2005) thought that CSR can increase the product value, i.e., the recognition of consumers for the CSR behaviors will finally show through the selection of the company's product. Studies showed that CSR is also impacted by the consumers' product purchase intention (Sen, 2001) and their attitudes towards the product (Guido Berens, Cees B. M. van Riel and Johan van Rekom, 2005).

Lafferty and Goldsmith (1999) proved through experiments that enterprise trust (contribution of enterprises to environmental protection and philanthropy) has a significant impact on the consumers' purchase intention and their brand choice.

One study of the New York Walker organization (1995) showed that 90% of the consumers think they will buy products and services of the enterprises with best CSR reputation when the quality, services and prices are the same.

Through empirical studies, Xie Peihong and Zhou Zucheng (2009) put forward that CSR behavior has direct positive impact on the consumers' purchase intention which can also be indirectly and positively impacted through the company reputation and

consumers' sense of identity, and the strength of indirect effect is far greater than the direct effect.

Some scholars also put forward different viewpoints. The investigation of Webb and Mohr found that some respondents choose shopping places mostly according to the price, quality as well as convenience rather than the CSR behavior.

3.2.4 Supplier relationship

Business partner usually refers to the partners, collaborators, suppliers, dealers, peer companies. which have close contacts in business activities with the enterprise. Enterprise dealers directly contacting the end users will inevitably be affected by them so as to concern whether the products and services provided by the manufacturers meet environmental standards and whether working conditions and benefits of the employees meet the relevant standards. Meanwhile, dealers also concern about the behaviors that closely related to them, for example, if the goods can be supplied promptly, if new product and technical trainings and supports can be provided. Suppliers concern about the CSR fulfillment as well. Supplying goods for a responsible enterprise with strong CSR promises can effectively reduce the business risk. A responsible enterprise has good social relationship, lower business risk and lower probability of accidents, even in case of crisis, the enterprise has strong ability to solve the problem, therefore it has higher payment security and less potential risks of transactions. In addition, some service suppliers which have close contacts with the enterprise, such as financial, equipment leasing, logistics, technical consulting and management service enterprises or institutions, also care about some factors such as business ethics, corporate image and reputation in order to reduce the cooperation risk. Therefore, enterprises assuming social responsibility for the stakeholders convey a signal of good reputation to the consumers, which is helpful to obtain supports and trusts in all aspects.

3.2.5 Environment relationship

Hart (1995) thought that for some enterprises, assuming social responsibility in the environmental aspect can produce an important resource or capability to help them

obtain sustainable CA. The investment in environmental protection can improve the business performance. First of all, active involvement in environmental affairs can reduce the business cost for passive compliance and adaptation to the current and future environmental rules. Secondly, enterprises must minimize the consumption of raw materials, identify more secure, reliable and affordable alternatives, develop and use more advanced production technologies in order to reduce operating costs and improve efficiency. Thirdly, enable enterprises to design and create products with more diversity, attraction and affinity, consequently to obtain and maintain CA. And finally, paying attention to environmental protection can improve the corporate image, improve customers' and employees' loyalty, and reduce the cost for establishing and maintaining good relationship with the future stakeholders.

3.2.6 Community relationship

Infrastructures provided by the government and the community in which the enterprise locates have important impacts on the competitiveness of the enterprise. Quantity and quality of the infrastructures are determined by the corporate tax status and the enterprise's protection of (damage to) the environment. Waddock and Boyle (1997) found that the enterprise's active adjustment of the relationship with the community can expand its strategic choice. The result of an investigation of the senior managers of enterprises and the personnel responsible for community relationships showed that many senior managers believe that establishing good relationship with the community can bring advantages to the enterprise such as tax relief, reduction of adjustment costs and improvements of labor quality, and can enhance CA of the enterprise.

3.2.7 Hypotheses

Based on the above analysis, this study holds that the HEXIE Management of CSR plays a positive role in improving relationships with stakeholders of the enterprise. Therefore, the following hypothesis is put forward.

Hypothesis 2: The HEXIE Management of CSR has positive effect on improving the relationship between enterprises and their stakeholders.

3.3 Stakeholder relationship and CA

With regard to the studies of the impact of the relationship between enterprises and their stakeholders on CA, the scholars mostly conducted theoretical and empirical studies from the perspective of internal relationship, and most of them analyzed the impacts on certain CA (such as reputation, innovation.) of enterprises from the perspective of certain or a number of stakeholders. Zhou Zucheng (2002), from the perspective of the relationship between enterprises and stakeholders, expounded that fulfilling ethical responsibility for stakeholders is helpful to obtain their supports which consequently become the important resource of sustainable CA.

The studies of Cooke and Wills (1999) showed that an innovative team with high creativity depends on the good relationships between employees and managers and among the employees. A team with common vision and goals, mutual trust and diversified information networks is more creative. No matter how knowledgeable the employees are, once they think they are working in a low-confidence and even hostile environment, they hide information, negatively cooperate and do not show their creativities (Nahapiet, Ghoshal, 1998). That is to say, good employee relationship can help improve the innovative capability and consequently produce CA.

The studies of some scholars showed that good corporate reputation is conducive to obtain good customer relationship, enhancing customer satisfaction and loyalty and consequently makes the customers' purchasing behaviors more conducive to the enterprise. Abdullah (2000) thought that corporate reputation is one of the key factors for the enterprise to establish customer loyalty. The results of the study of the bank industry by Martensen et al. (2000) showed that corporate reputation and image are the main drives of the customer satisfaction and loyalty. Yoon et al. (1993) found that there is a positive correlation between corporate reputation and consumers' purchasing intention. The studies of Nha Ngugen and Gaston Leblanc (2001) supported the viewpoint that good corporate reputation can build the trust of consumers. They also thought that good corporate reputation can strengthen the existing customers' trust to the enterprise and consequently increase the repeat purchasing rate of the customers.

3.3.1 The impact of Stakeholder relationship on reputation and consumers

Because corporate reputation springs from stakeholders, enterprises must be responsible for their stakeholders and fulfill social responsibility for them so as to obtain good reputation and consequently affect CA. The brand building strategy of some multinational companies with good corporate reputation such as Wal-Mart, Nike, McDonald's, Starbucks. has transformed from the traditional advertising to the form of fulfilling social responsibility, i.e., creating corporate image, rebuilding corporate culture, integrating CSR into the corporate brand image and creating new brand influence through the fulfillment of social responsibility. It can be seen that in the long run, CSR is conducive to improving the brand image and the whole corporate image, and consequently conducive to enhancing the long-term development capability.

Studies showed that compared with competitors, CSR activities can bring a positive impact on the corporate image and reputation, and can form important CA which is difficult to be replicated. Especially in the circumstances of competitive market, more obvious product homogeneity and smaller product difference, good CSR image and reputation become the important means for enterprises to attract consumers, maintain employee loyalty, manage other Stakeholder groups and finally defeat the competitors. What effect does corporate reputation (i.e., the evaluation of stakeholders) have for acquisition of CA? Many scholars, from the perspective of enterprises fulfilling philanthropic responsibility, environmental responsibility and customer responsibility, put forward that CSR has a positive impact on corporate reputation and image and consequently has impacts on corporate CA.

The studies of Fombrun and Shanley (1990) showed that CSR (measured with company's philanthropic donation and philanthropic foundation) has a positive impact on the evaluation of corporate reputation. Fombrun, Gardberg and Barnett (2000) considered CSR as a kind of accumulation of reputation and honor capital. Weiss and Macinnis (1999) also proved that corporate reputation can be enhanced through participation in philanthropic activities. Amit and Schoemaker (1993) put forward that corporate philanthropy may enhance the corporate brand or reputation, both of which

are the important invisible and heterogeneous resources of enterprises and have a close relationship with the corporate CA.

Williams and Barren (2000) proved that corporate reputation can be enhanced through participation in philanthropic activities.

Russo and Fouts (1997) find that high CSR brings two intangible resources to enterprises, one is the reputation which may impact on the customers' purchasing, and the other is political influence, i.e., the ability of an enterprise to influence the formulation of policy.

The studies of Orlitzky and Benjamin (2001) showed that the higher the social performance, the lower the financial risk. Among all social performance evaluation indexes of their studies, reputation is most important in the risk issues.

Jocelyn Herridge (2003) held that high efficiency CSR system can be achieved by enhancing corporate image through CSR and not paying additional costs, which applies to enterprises in any scales; he also emphasized that the future industry leaders must be strong CSR practitioners first.

Fombrun (1996) put forward the theory "reputation creates wealth", and pointed out that an organization with sufficient reputation capital has its unique advantages, including: its product and financing plan can attract more consumers and investors, can set higher prices; can attract more job hunters, and the employees usually have stronger loyalty and can bring higher production efficiency; has stronger influence on its suppliers, can reduce the purchase price consequently to guarantee more stable income; small probability of encountering risks, even a risk does occur, it can get through with lower losses. That is to say, good corporate reputation can obtain more supports from the stakeholders such as consumers, investors, potential and serving employees, suppliers, consequently can bring more incomes to the enterprise. Gray and Balmer (1998) also pointed out that corporate reputation can finally bring CA to enterprises; it is an important strategic resource. In the book *Fame & Fortune*, Fombrun and Riel (2004) proved the importance of reputation through empirical investigations.

An investigation performed in Europe showed that the European consumers are more willing to buy products of the enterprises actively participating in social activities. If a company has formed a negative impression on the customers with respect to the social

responsibility, then this negative impression will easily extend to the company's products; on the contrary, if customers have a positive impression on a company in terms of fulfilling the social responsibility, they will also have a positive evaluation on the company's products. The study also found that there is a positive correlation between the enterprise's social participation level and the customers' loyalty, sensitive consumers will reject, even protest and boycott those socially irresponsible companies.

For instance, the Hong Kong JDB Group has always focused on philanthropic responsibilities such as education and disaster relief. It donated RMB ¥100 million yuan after the Sichuan earthquake in 2008, which is the highest single amount donation in the history of private enterprises. In 2010, it once again aroused strong reactions of the whole society by donating RMB ¥110 million yuan to the earthquake area of Yushu, Qinghai. Because the JDB Group actively fulfilled the social responsibility, it has passed the information of good brand reputation to the publics and created the consumers' loyalty, the company's "Wong Lo Kat" herbal tea grew rapidly from a regional brand into a national brand. It can be seen that CSR brings good reputation and image to enterprises and consequently becomes an important resource for obtaining CA.

3.3.2 Stakeholder relationship and talents

Some scholars proposed that CSR was helpful to attract talents. Dechant and Altman (1994) find that if the employees are willing to enter an enterprise is influenced by the enterprise's CSR culture. Studies of Turban and Greening (1997) showed that CSR-oriented enterprises were more attractive to staff than irresponsible ones. They also found that some enterprises attracted qualified employees by publicizing their social performances. For instance, such multinationals like IBM, GM and Microsoft introduced their social activities contributive to the communities, the nature, the working environment, staff diversity, products and services in their recruitment brochures in order to attract qualified employees. The studies of Albinger and Freeman showed that social-responsibility-oriented enterprises were more attractive to high-tech employees than those non-social-responsibility-oriented ones.

From Human Resource (HR) perspective, talents are the basis and fundamental guarantee for acquiring enterprise CA, especially under the knowledge-based economy. The basic channels that enterprise seeks continued development are depend on employees' initiative and creativity. Therefore recruiting qualified talents and retaining talents are the core to corporate management. CSR' management is helpful to improve employees' satisfaction and loyalty so as to create more values for enterprises.

Besides offering rational remuneration and benefits for employees, enterprises should also create an equal, non-discriminative, safe and sanitary working environment, and also provide individual development opportunities, which are all the responsibilities to employees. Currently, more and more talents, when choosing their careers, are paying more attention not only to remunerations and benefits, positions and development opportunities, but also to enterprise social images. In open and innovative enterprises which are compliant with social ethics, employees feel proud of their careers from the bottom of their hearts, and thus have morale to exert their full potentials to completely engage in enterprise development. Enterprises that are frequently engaged in social responsibility careers tend to enjoy good social images and be easier to gain public recognition and recruit and retain talents. During the year 1999 to 2001, American Aspen College carried out a social innovative investigation, which showed that over half of MBA scholars tended to resign when they found their values conflicting with their companies. Relevant studies showed that the plans of enterprises to perform social responsibilities were helpful to improve staff productivity and morale, promote staff teamwork spirit and improve working skills. Enterprises' active performance of social responsibilities was also helpful to build trust and steady employment relationships between staff and enterprises. Therefore, more and more enterprises have incorporated social responsibility performance into core enterprise values as a major means of staff motivation. Taking into consideration of the affordability of African patients, Merck decided to carry out the non-profitable "Mectizan Donation" plan, about which some were curious. Anyhow CEO Roy Vagelos explained that if they did not promote production of this medicine, those scientists in Merck Company might felt depressed, who had been firmly believing that they were engaged in "preserving and improving lives".

In summary, CSR to staff can directly influence enterprise recruitment, talent retaining, as well as talent activeness and creativeness inspiring.

3.3.3 Stakeholder relationship and innovative capability

Generally, enterprise innovative capability refers to the new method or procedure in which an enterprise applies its own technologies and resources to establish new technology and products to better satisfy customers. Enterprise innovative capability mainly includes product innovative capability, production-process innovative capability and management innovative capability.

Enterprises that bear social responsibilities increase in short time their expenditures, which can hardly be compensated by raising product prices; on the contrary, many enterprises have to reduce prices thus to increase market shares. Under such pressure, enterprises can only innovate their products and management to improve technical level, enhance product quality and promote new products consistently, thus to establish themselves CA. If they make clear their strategies of performing social responsibilities for stakeholders such as clients, communities and natural environment, enterprises will consistently improve productive techniques and develop new productive technologies; in order to produce superior, low-cost, safe and environmental-friendly products, thus helpful to improve enterprise innovative level Luetkenhorst (2004). Enterprise innovative capability is a guarantee for them to gain CA. By virtue of innovation, enterprises can win initiatives and gain excessive profits. That is to say enterprises perform social responsibilities by focusing on the interests and requirements of stakeholders to promote their innovation thus to gain CA. for instance, British Petroleum has been maintaining good CSR image. In an appraisal of social responsibilities of Fortune 500 initiated by a British consultative company, BP ranked first on the list; in an appraisal of social responsibilities of Fortune 500 initiated by World Business Council for Sustainable Development, BP also ranked top and was hailed as the most responsible enterprise in the world. BP is mainly engaged in petroleum and gas exploration, oil refining, gas sales and production and sales of petrol and chemical products. BP attaches great importance to environmental responsibilities and invests a lot of money. For instance, when exploiting petroleum,

enterprises tend to release and burn the gas on surface of oil wells, which both wastes energy and pollutes the air. To save energy and reduce pollution, BP has invested a lot of money to carry out technical reform and innovation in this field and finally achieved gas recovery, which kills two birds with one stone by directly reducing CO₂ emission and increasing gas revenue. BP has invested US \$20 million in reducing emission of CO₂. Compared with that of Year 1990, CO₂ emission of 2001 was reduced by 10%, and at the same time, a value-added return of US \$560 million was achieved. Therefore, it can be seen that performance of CSR is helpful to stimulate innovation and bring more economic benefits to enterprises.

Some of the enterprises that are in high energy consumption and emission industry in China also start to attach importance to environmental responsibilities and have showed initial success by developing a low-carbon economy through technology, system and management innovation. For example, Shandong Laiwu Steel International Corp. initiated advanced energy-saving technology in its industry, focused on “green degree”, promoted a low-carbon emission in the application field. Since 2001, the energy-consumptive index per ton of Shandong Laiwu Steel has decreased rapidly, and it has achieved an economic benefit of over US\$8 billion thanks to energy saving accumulated to Year 2007. It can be seen that it is helpful to stimulate innovation and improve enterprise innovative level by performing social responsibilities and including it into development strategies, thus to acquire social benefits, reduce costs and gain benefits by reducing energy consumption and emission.

3.3.4 Stakeholder relationship and internationalization

In the process of economic globalization, multinationals play an important role and function. Ex-chief economist of World Bank Joseph Stiglitz pointed out that fundamentally, economic globalization was a comprehensive process that connected all the countries and people more closely than ever before. In this process, any man-made barriers that impede the free flow of goods, services, capitals and employees among countries would be broken and transaction costs (including transportation and communication costs) would be greatly reduced. New international organizations and civil organizations would be created and come up, and multinationals would be a

strong propeller of this process. Multinationals have made important contributions to host countries by promoting economic development, employment and technical innovation. Thus, due to different legal systems and cultural differences in different countries, multinationals apply quite different CSR standards in business activities.

Generally speaking, for multinationals whose home countries are developed ones, the legal systems and traditions of their home countries are comparatively perfect, and the supervisory systems are sound. Moreover, multinationals are large in scale and high in fame, and they care more about establishing and keeping their self-images. What is more, due to harsh punishment system, they will have to pay high prices for illegal behaviors. Therefore, multinationals follow comparatively high CSR standards while operating in their home countries. However, once they work their way into developing countries where legal and supervisory systems are comparatively immature, they will probably take advantage of the legal defects of these countries or take an excuse of “when in Rome, do as the Romans do”, in order to avoid or even break the laws and regulations of host countries.

It can be seen that CSR issue brought by economic globalization is both an issue commonly focused in the world but one that has obvious differences in regions and countries. Governments of each country, when faced with this problem, should not avoid their commonly-shared responsibilities and should confront with the differences of such responsibilities. It holds that CSR is a practical attitude that should be adopted when the global cooperation is promoting CSR. In a certain sense, the promotion of CSR is also an opportunity for developing countries, and also the best way to force them to improve efficiency and high technology and service quality, thus to promote industrial transition and upgrading. If our self-consciousness and constraints are not strong enough to promote us to go this way voluntarily, proper external competition can be a good opportunity. Developing countries should be faced with CSR instead of regarding it as great scourges. We are totally able to strive hard for innovation and take a sustainable way of development to achieve a healthier way of development on our own.

3.3.5 Enterprise's stakeholder relationship

Many studies have shown that enterprise relationship resources have impact on enterprise CA. The geographical distributions of enterprises are mainly decided by regional division. When many similar enterprises are gathered in the same area, and form an industrial system by a final product, those enterprises start divisions on many spare parts and industrial chains of this final product. They try to reduce transaction costs by division and coordination and production in scale, thus to win CA. One major characteristic of enterprise clusters features on strengthening the connections of enterprises in the same industrial cluster, as well as their relationship network. Therefore, the advantages among enterprise cluster can be, on a large degree, internationalized as the relationship advantages among enterprises, that is, enterprises strengthen their relationships by industrial clusters, and intensify their relationship resources thus to win CA. Therefore, in consideration of the characteristics of enterprise clusters, this study discusses the influential factors of enterprise relationship resources to enterprises CA starting from their social responsibilities.

In the relationship network of enterprises, two relationship channels are of vital influence to enterprise business performance, and they are as follows:

(1) Their relationships with partners like major suppliers: enterprises draw on local resources and all the raw materials come from nearby coordinative enterprises in the same industrial cluster. Enterprises within the same industrial cluster have strong coordinative relationship with each other in production. Some large enterprises with strong technical capabilities also rely on coordinative manufacturers to finish assembly and process of products. Relationships with coordinative manufacturers (main suppliers) is directly related to the quality and supply speed of raw materials and spare parts. In case of good relationships with main suppliers, coordinative manufacturers tend to be willing to cooperate, and enterprises can involve the production plans and operating systems of coordinative manufacturers into their own ones, thus to reduce warehouse costs and risks of stocks, and achieve elastic production. When it comes to sales peak, product supply can be increased through coordinative manufacturers; when it comes to off seasons, production can be reduced without the obsession of stocks. Therefore, by virtue of powerful relationships with

coordinative manufacturers, enterprises can use and exert their resources to improve elasticity of operation and capability of risk hedging.

(2) Their relationships with governments: systematic advantages are the ones of economic development, and enterprises can benefit from them, such as the many supportive policies of governments in the process of enterprise founding and operating. Such good government services have brought about great favors and convenience for enterprise business. Therefore, good relationships with governments can bring about CA for enterprises.

Generally speaking, resources can effectively promote the coordinated relationships of enterprises in industrial clusters, thus to improve the elasticity of enterprise production, reduce production costs, and extend information exchange inside the industry, in order to improve manufacturing level. For instance, good relationships with suppliers can reduce purchase costs and stocks and improve raw material quality; good relationships with dealers can timely feedback the problems of products and improve timeliness of delivery thus to elevate product quality and delivery efficiency; and good relationships with governments can reduce the systematic friction costs of private enterprises in economic transition and acquire more external resources. Therefore, the stronger the enterprise's stakeholder relationship, the stronger the CA is. Meanwhile, enterprises in the same cluster tend to be matching relationships of product series and they tend to share the marketing channels and market information of the whole cluster. Therefore, the intensification of relationship resources is helpful for enterprises to share more information and channels, thus to intensify their competitiveness.

3.3.6 Stakeholder relationship and financing

Studies on the relationship of CSR idea and enterprise financing capability are of special significance to the development of enterprises in China. A report of UNIDO (2002) pointed out that there were two tendencies for the development of CSR. The first was that enterprises and governments had a deeper understanding of CSR; second, more small and medium enterprises were focusing on CSR when it was of vital importance to solve the problem of financing for Chinese enterprises. If enterprises

were willing to cooperate with multinationals or large enterprises which paid special attention to CSR, such enterprises had to reach certain environmental standard. In this way, CSR would influence the behaviors of such small and medium enterprises. CSR could also influence enterprise behaviors by influencing the local competitiveness of products. After Sichuan Earthquake on May 21, 2008, it showed from enterprise donations and public interactions that CSR had started to attract public attentions. Enterprises that make donations actively were highly praised by the public; while enterprises that were hesitant in donation and low in donating values were faced with unprecedented pressures. All the praises and pressures influenced directly the business performance of enterprises, as well as their positioning of CSR and financing capabilities.

3.3.7 Hypothesis

Based on the above analysis, this study holds that the Stakeholder relationship plays an active role in CA in such aspects as promoting enterprise reputation, attracting and training talents, strengthening enterprise innovation and financing capability and improving all social relationships of enterprises.

Hypothesis 3: the Stakeholder relationship has positive effect on improving CA.

3.4 HEXIE Management, Dual principles Mechanism: matching “HE” with “XIE”, promoting “HE” by “XIE”

According to HEXIE Management Theory, systems must have strong self-adaptive mechanism, thus to match their development with external environment. Only when the internal and external relationships of systems are harmonious and systematic development matches external environment, can external environment promote systematic development. Or else, systems will have a hard time developing. Therefore, the following aspects should be intensified for HEXIE Management of CSR.

1) Make alliances with interested parties by “HEXIE” and strengthen “value chain” competition.

In modern society, CA is not merely among enterprises, instead, it is the competition of “value chains”, which include suppliers, production enterprises, dealers and

research institutions. At present, social divisions have been more detailed and coordinations and connections among industries have been more important than ever before. Value gained by customers from final products are the total values created by all kinds of activities in the organic combination of value chains. Meanwhile, contemporary competition has developed into competitions of networks. Only those strong enterprises with good marketing networks and customer value transition system can acquire bigger market shares and gain profits. Differences of competitor value chains have developed into a major aspect of those of enterprises competitiveness. As a result, close cooperation between enterprises show extra importance, and the operations of each group and enterprise should be included in a cooperative system. State-owned enterprises should take the initiative to establish harmonious partnership to attract and influence partners with advanced corporate culture. The alliances relationships of enterprises should be based upon mutual trust and benefits, which can thus minimize transaction costs, reduce enterprise costs and expenditures, and maximize enterprise profits. Enterprises, in their process of growth and development, can not always sail with wind, instead they may encounter difficulties and setbacks from time to time; thanks to loyal partnership alliance, enterprises can tide over difficulties, resist risks and accelerate development.

2) Make alliances with the public by “HEXIE” and improve public image

American management expert Drucker pointed out that the internal organization had no achievements in itself; instead all the achievements come from external. Harmonious external relationship is an indispensable factor for the healthy growth, which should influence their external public behaviors by their own values, attitudes, ideas and cultures thus to develop in the direction expected by the public.

Strengthen connections and communications with government and seek government support.

The relationship of enterprise and government is one of the important relationships of external environment, and the correct disposal of this relationship is of vital importance to enterprise development. The relationship of enterprise and government is by far the most important social relationship in the Chinese business circle, and also the most and extensively disputable one since Chinese market economy. To maintain a unanimous relationship with government, enterprises should consistently strengthen

information channels with relevant departments of government. Only when they know and understand the state policies, strategies and changes can enterprises take the initiative of market competition. Vice versa, enterprises should also provide government with more information to make the latter understand their conditions thus to support and guidance.

Win the understanding and support of media and strengthen enterprise image management.

Due to the information disseminating function and news media are directly related to enterprise information dissemination and their images in public. With the emerging of information networks, media are exerting a stronger function. Thus it is a useful means to gain reputation and extend products popularities by winning the understanding and support from media. By voluntarily providing news and information, holding press conferences, inviting press circles for tours and visits, enterprises can establish friendship with the press and win their understanding and support.

Establishing good enterprise networks is the best way for the public to understand enterprise conditions, their information and product functions, as well as a good way to establish positive communications with the outside world. Establishing good enterprise networks should be carried out practically by recruiting professional talents, timely issuing all kinds of enterprise information, updating websites and timely replying all kinds of questions that consumers concern as soon as possible.

3) Make alliance with customers by “HEXIE” and implement customer satisfactory works

Enterprises should establish “win-win” ideas with customers, form alliance with customers and center on harmony for cooperation and win-win situation. Foreign enterprises are economically minded and market conscious by regarding customer awareness, customer idea and customer satisfaction as a major index to appraise enterprises, and they are worth learning and reference. Arouse awareness, transit idea and establish the idea of customer satisfaction based on such awareness. Stick to technical innovation and satisfy customers in advancement of product technologies.

4) Establish harmonious system

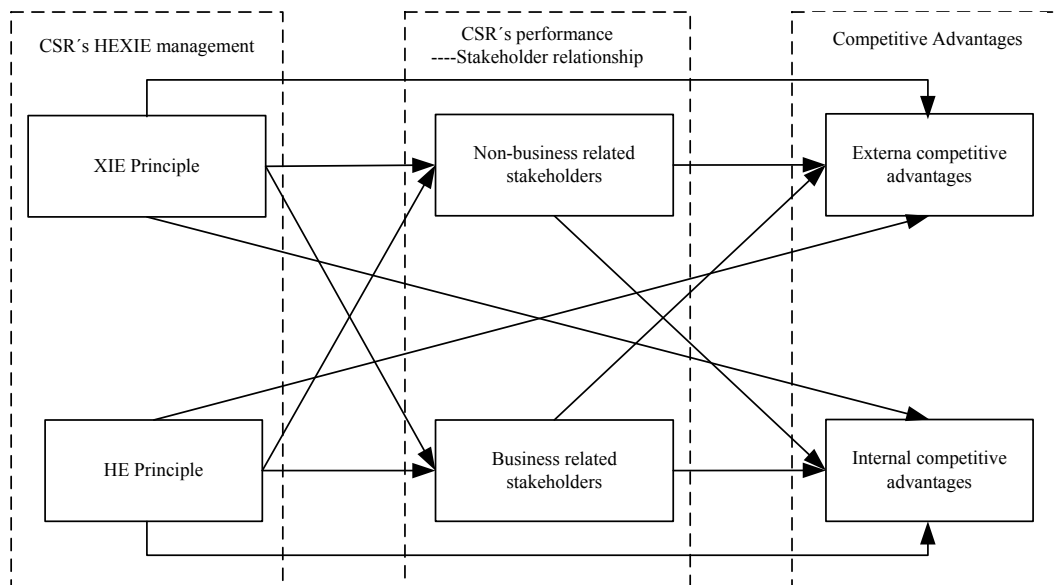
The enterprise's regulations and rules can stimulate and restrict employees' behaviors and influence the efficiency of resource allocation. Therefore, the design, optimization and innovation of a system seem important. Secondly, stick to the idea of "managing enterprises according to laws". Everyone is equal when it comes to regulations and systems, which is the same in bounding everyone. Every person should bind themselves with regulations, eliminate such artificial affinity, and create a fairly competitive atmosphere for all staff. Where there are people, there are regulations. Eliminate such unreasonable phenomenon as casualty, partial strictness and partial lose, as well as treating others strict and oneself loose are helpful for evaluation, incentive and supervision of the management and the staff, thus to realize strict management and reach the state of "harmonious co-existence".

Hypothesis 4: CSR' HP and XP management interact and promote each other.

3.5 Summary

According to the analysis and hypothesis of the relationships of CSR' HEXIE Management, stakeholder relationship and CA, a conceptive model of the influence of CSR on CA was initially constructed: (See Fig 3.1)

Figure: 3.1 Conceptual Frameworks



According to the analysis, CSR' HEXIE management is divided into two dimensions of HP Management and XP management, of which HP Management refers to the management within the enterprise, including investors, staff and consumers; XP management refers to the management outside the enterprise including government, laws and regulations and media supervision. HP Management involves some variables of enterprise internal management and XP management involves some variables of the enterprise 's outside supervisory management. Stakeholders relationship is separated into two aspects: Non-business related stakeholder relationship and business related stakeholder relationship. The former is the relationship of enterprise with community and environment. The latter is the relationship of enterprise with employee, consumer, supplier and shareholder. The Competitive advantage is divided into external and internal competitive advantages, which include enterprise reputation, enterprise financing

Based on the division of six dimensions of CSR HEXIE Management, stakeholder relationship and competitive advantage, four hypotheses can be further detailed as three groups hypotheses:

Hypothesis 1a: CSR XP Management has positive influence on enterprise external CA through mediator stakeholder relationship.

Hypothesis 1b: CSR HP Management has positive influence on enterprise external CA through mediator stakeholder relationship.

Hypothesis 1c: CSR XP Management has positive influence on enterprise internal CA through mediator stakeholder relationship.

Hypothesis 1d: CSR HP Management has positive influence on enterprise internal CA through mediator stakeholder relationship.

In the same way:

Hypothesis 2a: CSR XP Management has positive influence on the non-business related stakeholder relationship.

Hypothesis 2b: CSR HP Management has positive influence on the non-business related stakeholder relationship.

Hypothesis 2c: CSR XP Management has positive influence on the business related stakeholder relationship.

Hypothesis 2d: CSR HP Management has positive influence on the business related stakeholder relationship.

Hypothesis 3 can be detailed as:

Hypothesis 3a: the non-business related stakeholder relationship has positive influence on enterprise external competitive advantage.

Hypothesis 3b: the non-business related stakeholder relationship has positive influence on enterprise internal competitive advantage.

Hypothesis 3c: the business related stakeholder relationship has positive influence on enterprise external competitive advantage.

Hypothesis 3d: the business related stakeholder relationship has positive influence on enterprise internal competitive advantage.

This chapter makes a deep exploration of the relationship of CSR's HEXIE management and CA, with the business related and non-business related stakeholders as mediators. The hypothesis are: CSR's HEXIE Management positively impact on Stakeholder Relationship; the Stakeholder Relationships positively impact on CA; CSR's HEXIE management positively impact on CA through influencing Stakeholders Relationships.

4 Empirical Research Methods

To identify the effectiveness of the theoretical model in the preceding chapter, we make empirical studies based on previous studies. By virtue of some interviews with the senior and middle managements of some enterprises and experts in management, we design questionnaires, hand out and collect data of questionnaires, and determine the measuring scale of relevant variables of this study. This chapter gives a detailed introduction of the empirical study methods of this thesis.

4.1 Questionnaire design

4.1.1 Questionnaire design process

As we stated earlier, there has been no mature scale up to now for the measurement of CSR's HEXIE management, stakeholder relationship and CA. In order to effectively come up with the measuring projects of CSR, relationship of enterprise and the Stakeholders and enterprise CA, this study based on previous scales develops new questionnaires combined with enterprise interviews and expert ideas. First of all, relevant study literature has been referred to as much as possible and publicized information sources of relevant contents have been retrieved including newspapers, magazines, topic websites about CSR (such as China CSR International Forum, CSR Asia, China CSR Alliance, China CSR Guideline). Also views of CSR of the enterprise and reports on performance of CSR in the websites of these enterprises, as well as the CSR reports, sustainable development reports and enterprise citizen reports of part of large enterprises are also referred to so as to determine measuring items initially combined with enterprise interview results and expert ideas.

In order to overcome the shortcomings of single item measurement, three or more items are adopted for every Explanatory Variable and Explained Variable to improve reliability and validity. The main procedures for selecting and designing measuring items are as follows:

Step one: carefully read and study previous research achievements and select 20 senior and middle managements and management experts for in-depth interview

through meetings, phone calls and QQ chatting (See Appendix 2 for interview outlines).

Step two: design open-ended questionnaires according to the study purposes and interview results (See Appendix 1), including four sections:

- (a) Basic information of enterprise
- (b) Select the corresponding situation of business activities of CSR.
- (c) CSR's decision-making
Influence factors and Management

The ways of issuing and recovering questionnaires: they are mainly issued to DBA and MBA of Chengdu University of Electronic Science and Technology, MBA of Northwestern Poly-technical University, MBA of Northwest University, MBA of Business School of Tianjin Foreign Languages Institute, who then hand over to their directors to fill in the questionnaires. By this means, 150 questionnaires are issued and 75 recovered. According to the recovered effective questionnaires, entries occurred are recovered and those of high use frequencies are chosen as an important basis for questionnaire items. Finally, 82 questions are formally compiled into the questionnaires for formal questionnaires (See Appendix 2).

4.1.2 Measures to reduce bias in question-answering

Both pre-test questionnaires and formal questionnaires adopt Likert scale: 1-5 (not at all agreement to extremely agreement) to investigate the agreement degree of subjects to each measuring item, of which 1 means "Strongly disagreement", 2 means "Disagreement", 3 means "Undecided", 4 means "Agreement" and 5 means "Strongly agreement".

Due to the participants' subjective judgments there might be bias in the results of questionnaires. According to Fowler (1988), four possible reasons might cause questionnaire subjects to make incorrect answers, they are: first, subjects are not aware of the information of the answers to the questions; second, subjects fail to recall the information of the answers to the questions; third, though they know the

information of these answers, subjects are not willing to answer the questions; fourth, subjects cannot understand the questions. Currently, no perfect way has been found to completely eliminate the possible problems incurred by the above factors but some measures can be adopted to effectively reduce the influences.

To reduce the first type of problem, this investigation is based mainly on senior and middle managers and a few senior employees who are familiar with the overall enterprises. This is clearly stated when issuing questionnaires. To ensure the validity of the investigation, employees of grass roots are reduced as few as possible, unless they are quite familiar with the enterprise. Subjects are requested to fill in the questionnaires as truthfully as possible. For questions that they fail to answer, they should turn to those who are familiar with the situations, in order to ensure the authenticity.

To reduce the second type of question, when the items of this questionnaires involve time, it should be in recent time, thus to avoid subjects' failure to answer questions due to blurred memories.

The third type question is a kind of psychological concern that subjects might have in investigations. To eliminate this kind of influence as much as possible, this questionnaire applies anonymous way and makes the following statement: "this investigation is only for academic purpose and any information is secured from leaking". The purpose of this investigation and the identities of investigators are clearly specified when issuing questionnaires thus to eliminate the concerns of subjects as much as possible.

To avoid the fourth type of question, this questionnaire recovered the suggestions from the business circle, management experts, management professors for many times and amendments are made repeatedly to make the items as clear as possible thus to avoid ambiguity. Also ways of contact are required for further consultation. The educational backgrounds of the subjects are mostly college or above, thus there is no problem of semantic misunderstanding difficulties caused by low educational background. Meanwhile, most subjects have received education on training and there are part of MBA and postgraduates of management, who have a better understanding of the questionnaires. Owing to the fact that there is no unanimous ideas about the understanding of CSR at present, the questionnaires especially give a general

definition of CSR thus to eliminate bias of conceptual understanding which can lead to false answers.

Meanwhile, to make sure if subjects answer questions seriously and truthfully, when recovering questionnaires on the spot, some subjects are randomly selected for brief interviews with questions involving the industry, the scale, employee benefit, working environment and recent performance of the company to judge the authenticity in compliance with the questionnaires. For questionnaires recovered in the form of emails, if the true names of companies are known, internet can be referred to in order to search answers to check the information.

4.2 The distributing and calling back of formal questionnaires

The subjects of this CSR investigation are the enterprises of Beijing and Northwest areas. In view of their sufficient knowledge and their understanding of the ideas and behaviors of CSR and corporate operations, senior and middle managements are preferred to fill in the questionnaires. Because large quantities of samples are required and in order to get more information about enterprises, some senior employees who are familiar with the overall situations of the enterprises are also included thus to ensure the representation and truthfulness of the information of the questionnaires.

The investigation was carried out from September 1, 2010 to January 30, 2011. The investigation enterprises involve extensive business scopes to strengthen generalization of conclusions. Distributing and calling back of questionnaires are carried out in many ways.

Issuing and recovering of questionnaires are carried out in batches in the following ways:

First, they are sent to enterprises through friends and relatives by means of emails and paper questionnaires and recovered after filled in, which accounts for 70% of total questionnaires. The recovery rate and effectiveness rate reach 75% and 91% respectively.

Second, they are issued to MBA through university teachers to collect, which accounts for 14% of total questionnaires. The recovery rate and effectiveness rate reach 69% and 85% respectively.

Third, I participates in the three exhibitions held in Beijing, Xi'an and Chengdu, of which two exhibitions are presented in person and in another time, friends are called for to interview on-spot enterprise employees to get their identities. If the interviewee is senior or middle management of the enterprise, or a senior employee familiar with this enterprise, he or she can be asked to fill in the questionnaire. The recovered questionnaires should also be checked to see if there is any omission of items. This kind of questionnaires account for 16% of total. The recovery rate and effectiveness rate reach 71% and 81% respectively.

This investigation issues 282 questionnaires in total and the recovery rate reaches 70%, of which effective questionnaires are 176, and the effectiveness rate is 89%.

4.3 Analysis of Variables

This part is devoted to explaining the measuring the variables (CSR's HP and XP management), Explained Variable (four dimensions of corporate CA) and Mediating Variable (two dimensions of Stakeholders relationship).

4.3.1 Explanatory Variable

In this study CSR's HEXIE Management is Explanatory Variable. HEXIE Management is a practical activity using the dual principle mechanism of "HP" and "XP" to provide solutions for problems in a complicated environment. The measurement of "HP" Management poses nine item. The questions are about CSR strategies and labor policies. The measurement of "XP" Management poses eleven items including CSR standards and outside supervisions situation.

4.3.2 Explained Variable

As previously stated, there are several shortcomings with the measurement of CA by means of financial index. Shi Junwei (2009) measured CA by means of two indexes

of economic performance (the reward rate of sales revenue and assets) and organizational reputation. Due to the fact that it was a current reflect of enterprise historical competitiveness, economic performance failed to accurately reflect current and future enterprise CA. Also it is hard to measure long-term enterprise advantages accounting simply on organizational reputation. Therefore, Shi Junwei's measurement of CA failed to give a full landscape. Combined with the literature study and in-depth interview results, this study selects four dimensions that can reflect long-term enterprise development to measure CA: enterprise reputation; enterprise soft resource (talents, consumer loyalty and supplier); enterprise innovative and export capability; social resource (financial ability and ability of accessing to new policies)

4.3.3 Mediator Variable

According to the preceding discussion this study takes Stakeholder Relationships as the mediator variables. Referring to a questionnaire from An initiative of the European Commission Directorate General for Enterprise, forty questions are selected for reflecting the following 6 stakeholders relationships: Shareholder, Employee, Environment, Supplier and Community. Given that the limitation of space please refer to Appendix 2.

4.4 Methods of analysis

This study collects data by means of in-depth interviews and questionnaire investigations, and makes such analysis as Descriptive Statistics, Factor analysis, Reliability and Validity Analysis and Structural Equation Modeling for the collected materials.

4.4.1 Descriptive Statistics

Descriptive Statistics is to describe data's basic classification, characteristics and proportion distributions of sample including the information like the interviewers' positions, the basic enterprise information of the subjects, as well as the means, frequencies and percentages of the measured questions.

4.4.2 Reliability and Validity Analysis

Reliability, also called credibility, refers to the stability and uniformity of the results of questionnaires when investigating the same group of subjects by the same means. The degree of Reliability is decisive to the truthfulness and adaptability of the results of investigation. Reliability includes not only the consistency of time but also of contents of interviewer. In general terms, Reliability is showed by Reliability Coefficient. A good measuring tool usually has a Reliability Coefficient of around 0.9. The closer the coefficient is to 1, the high the Reliability is. The following methods are applied in Reliability Analysis. (1) Double-test Method, also known as Test-retest Method. When it turns out difficult to compile two scales, the same scale can be used for the same subject after a time interval. (2) Duplicate Reliability Method. It means that researchers can compile at the same time two scales which are equal in contents, forms and difficulties, subjects are invited to take two tests, one at a time, and the relevant coefficient of the scores of the two tests will be taken as duplicate Reliability Coefficient. If the two tests are finished at almost the same time, this coefficient will be duplicate coefficient. (3) Split-half Reliability Method. Divide the test into two parts and calculate the scores of the two parts separately, then take the relevant coefficient of the two parts as the Split-half Reliability Coefficient. (4) α Reliability Coefficient Method. Currently the most popular Reliability Coefficient is Cronbach's coefficient, which is used to evaluate the uniformity of each item in the evaluating scale and belongs to internal uniform coefficient. This study applies α Reliability Coefficient Method, and calculates the Cronbach's α value of each corresponding item to evaluate reliability.

Validity, also called effectiveness, refers to the degree that a measurement tool or means can measure the measured item and it is divided into three types: Content Validity, Principle Validity and Construct Validity. Content Validity, also known as Surface Validity or Logic validity, means to test if the items of the scale stand exactly for the evaluated contents. There are two ways to test Content Validity: first, experts judge the compliance according to test items and pre-defined contents; second, statistical analysis, that is, judge according to the relevance of the scores of subjects in two independent tests from the same content. Statistical analysis generally gets

evaluating results by relevance analysis method of single item and total items, that's to say, calculate the relevance coefficient of scores of every single item and total items and judge the Validity according to the significance of the relevance. This study, in order to reach Content Validity, refers to relevant theories and empirical literature materials from both at home and abroad, as well as some previous measuring scales, and invites experts in industrial and academic fields to make discussions and amendments repeatedly before completing the formal items of questionnaires. Therefore, the Content Validity meets the requirements.

Principle Validity, also known as Criterion Validity or Predicted validity, refers to the significance to compare data from a variable of a scale with those of another chosen variable (principle variable). According to different time span, it can be divided into Spontaneous Validity and Predicted validity. In this study, there is neither study topic nor questionnaire unanimously with this study, it is hard to choose a suitable principle, and therefore, it is not feasible to apply Principle Validity Analysis.

Construct Validity refers to the corresponding degree of a certain structure and measured value embodied in the measuring. Factor Analysis method is usually applied in Construct Validity Method. Generally, Factor Analysis can be applied to test if questionnaires can measure a certain structure of the hypothesis when designing questionnaires. This study carries out Confirmatory Factor Analysis for the items involved in CSR, relationship of enterprise and its Stakeholders and enterprise CA, thus to determine the Construct Validity of each item.

4.4.3 Factor Analysis

Factor Analysis is a multiple statistical method that transfers many measured variables into a few irrelevant comprehensive indexes. Getting common factors from all the items of the scale, if they are highly relevant to some specified variables, these common factors can stand for the basic structure of the scale. Main index of evaluated Construct Validity can be found in the results of Factor Analysis, such as accumulated contribution rate, joint degree and load factor. Factor Analysis includes: Explanatory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA, also known as Verified or Determined Factor Analysis). The purpose of EFA is to find the number

of factors that influence observed variables as well as the relevance degree of each factor and the observed variables, thus to release the internal structure of a set of comparatively big variables. Its main function is to find the structures of multiple observed variables for reducing dimension. The purpose of CAF is to determine the capability of modeling fitting actual data of predefined factors to test the numbers of factors of observed factors, as well as the uniformity of factor load and pre-established theoretical prediction. Its index variable is selected based on previous theories, while Factor Analysis is used to test the uniformity with prediction. The previous hypothesis of EFA requires that every factor corresponds with a concrete indicative variable subset, moreover, the numbers of factors in preconditioned models are required and sometimes it is also predicted which variable depends on which factor.

In this study, SPSS18.0 and Amos9.0 are applied in Explanatory Factor Analysis and Confirmatory Factor Analysis of Explanatory Variable, Explained Variable and Mediating Variable and evaluating the Construct Validity of models; meanwhile, Explanatory Factor Analysis is also used to simplify and combine items in case of data processing inconvenience and model estimating instability due to the inconvenience incurred by many measuring items.

4.4.4 Structural Equation Modeling

Structural Equation Modeling (SEM) is a method of establishing, estimating and testing cause-effect relation model, which includes both observable tangible variables, but potential variables hard to observe directly. Structural Equation Modeling can substitute such methods as Multiple Regression Analysis, Path Analysis, Factor Analysis and Covariance Analysis, and clearly analyze the function of single index to the integrity and the mutual interaction among single index. Different from the traditional Regression Analysis, Structural Equation Modeling can deal with many factor variables at the same time, and can compare and evaluate different theoretical models. Different from the traditional Explanatory Factor Analysis, in the Structural Equation Modeling, a specific factor structure can be extracted to test if it complies with the data. By virtue of analysis of many groups of Structural Equation, it can be

known if the relationships of the variables in different groups remain the same and if there is any obvious difference in the average values of factors.

This study, based on the previous Explanatory Factor Analysis, applies Structural Equation Modeling to further test theoretical modeling and hypothesis. The following analyses are carried out: first, Confirmatory Factor Analysis is applied to test the measuring models of Stakeholders relationships and CA, and validity is measured; second, Structural Equation Modeling is applied to test models, analyze path and test the theoretical hypothesis of this study.

The overall fitting degree of Structural Equation Modeling is a key factor to decide whether Structural Equation Modeling is applicable. This study analyzes the Structural Equation Modeling by software Amos9.0 and gets relevant fitting index.

4.5 Summary

This Chapter first introduces in details the design process, distributing and recovering of questionnaires, variable measurement, and major study methods.

In the design process of the questionnaire, this study refers to the study achievements of researches, and invites experts from enterprises and academic circles for discussions and amendments to be as scientific and reasonable as possible thus to reduce the possibility of bias.

While issuing and recovering questionnaires, three ways are adopted to get as many samples as possible, and each way is matched with corresponding measures to ensure the truthfulness and authenticity of the data.

For variable measurement and analysis, this study refers to domestic and foreign variable measurement relevant to CSR, HEXIE Management, Stakeholder Theory and Enterprise CA Theory. At the same time, by means of issuing open-ended questionnaires, in-depth interviews with experts from enterprises and academic circles, the measuring items and ways of variables are determined. Moreover the main empirical ways of analysis are also determined such as Descriptive Statistics, Reliability and Validity Analysis, Factor Analysis, and Structural Equation Modeling.

5 Empirical Study Result Analysis

5.1 Descriptive statistics

Among the subjects of the 176 effective questionnaires in this investigation, most hold high positions and are familiar with CSR ideas and actions of the enterprises. Of them 88 are superior management, 52 are middle management and 36 are senior staff. Among the projects of the enterprises of the subjects, state-owned enterprises account for 42%, private enterprises 26%, joint ventures and foreign ventures 31%. According to the national stipulations of standards of enterprise scale, in the collected questionnaires, large enterprises account for 43%, medium enterprises 22% and small enterprises 34%. The industries involved are extensive, including food industry, electronic information industry, architecture and real estate industry, tourist and hotel industry, biological and pharmaceutical industry, commercial trade and financial industry, transportation industry and machinery-manufacturing industry, and their corresponding proportions are 8%, 10%, 14%, 6%, 11%, 20%, 15% and 16%, with comparatively good representativeness.

When it comes to CSR performance in the items of Stakeholder relationship, items that are scored over 3.5 points are ascribed to employee relationship, client relationship, supplier relationship and Shareholder relationships. Chinese enterprises are found to behave well in aspects related to economy, such as client relationship and Shareholder relationship. However, they behave inadequately in responsibilities in the levels of ethics and philanthropy, for example, they have done insufficiently in offering or taking community responsibilities, supporting environmental protection and participating in charitable activities. The awareness in this aspect is still weak and calls for immediate improvement.

5.2 Validity analysis

Reliability and Validity tests are important links in the process of empirical study, which must meet the requirements of Reliability and Validity to get persuasive conclusions. The Validity test of this study applies Factor Analysis method by

extracting from all the items of the scales some common factors, which are highly related to some specific variables respectively and stand for the basic structure of scales. This chapter evaluates Construct Validity by accumulated contribution rate, Rotated Component Matrix.

According to expert Kaiser (1974), if the value of KMO (Kaiser-Meyer-Olkin) is less than 0.5, Factor Analysis is not applicable. Generally, if the value of KMO is more than or equal to 0.7, and the load index of each item is more than 0.5, Factor Analysis is applicable to extract common Factors.

SPSS18.0 and Amos.9.0 are applied to make Exploratory Factor Analysis, Confirmatory Factor Analysis of Explanatory Variables, Explained Variables and Mediator to evaluate the structure Validity of models. Generally, to solve the problems that too many measuring items make it inconvenient to process data and the model is unstable, Exploratory Factor Analysis (EFA) can be applied to simplify items and combine items to facilitate model test (Wayne, 1997). Factor scores can be calculated to combine items into single index value. Factor scores are gotten by adding after the raw scores multiplied by the estimated factor load.

5.2.1 Factor Analysis of Independent Variables

Apply SPSS18.0 to the M16 items of enterprise HEXIE Management for Independent Factor Analysis, and the results are shown in Table. 5.1. The KMO value is 0.886, more than the critical value of 0.5 suggested by Kaiser. The significance level of Bartlett's ball test is 0.001, which shows that there is common factor in related matrixes, that is to say, the 11 measuring items are not independent, and therefore Factor Analysis is applicable to the data.

Table 5.1 KMO and Bartlett's Test of Independent Variables

| KMO and Bartlett's Test | | |
|--|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | 0.886 | |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 980.089 |
| | df | 55 |
| | Sig. | 0.000 |

Apply principle component analysis and orthogonal rotation method to carry out Factor Analysis according to Factor selecting principles: first, select Factors with eigenvalue more than 1; second, refer to the curve features of broken rock picture to avoid selecting too many Factors; third, the contribution rate of Factor accumulated variance is over 60%. According to the above three principles, two component Factors (Fm1 and Fm2) are selected, with accumulated explanation degree reaching 62.323%. The result shows that the 11 measuring items are well ascribed to two component Factors, with the Factor load value of each item more than 0.5, of which the biggest one is 0.875 and smallest 0.655 (see Table 5.2) without cross-Factor load phenomenon, showing good Factor Analysis results.

Table 5.2 Total Variance Explained of Independent Variables

| Total Variance Explained | | | | | | | | | | |
|--|---|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| Component | | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
| | | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| dimension | 1 | 4.939 | 44.898 | 44.898 | 4.939 | 44.898 | 44.898 | 4.433 | 40.304 | 40.304 |
| | 2 | 1.917 | 17.425 | 62.323 | 1.917 | 17.425 | 62.323 | 2.422 | 22.019 | 62.323 |
| Extraction Method: Principal Component Analysis. | | | | | | | | | | |

According to the content of the items covered by each Factor, FM1 and FM2 are named as enterprise XIE Principle (XP) and HE Principle (HP). Of them, XP mainly includes the supervisions of governments, non-governmental organizations and media and the international standards mainly include the situation in which enterprises apply internationally universal standards; HP concerns the management control of enterprise culture and strategies.

See Table 5.3 total Variance Explained, through literature study and analysis of the meanings of the measuring variables of each factor, we names and explains the two Factors.

Table 5.3 Rotated Component Matrix of Independent Variables

| Rotated Component Matrix | | | |
|---|--|-----------|-------|
| No. | | Component | |
| | | FM1 | FM2 |
| 1 | Does your corporate apply national or local CSR standards? | 0.875 | |
| 2 | Does your enterprise apply internationally prevailing quality control standards? Such as ISO9001, SA8000, ISO40000 Standard? | 0.873 | |
| 3 | Does your enterprise get timely money allocation statement after donation or charitable investment? | 0.847 | |
| 4 | Is there any relevant organization, such as government or non-governmental organization that carries out strict supervisory management of your enterprise CSR? | 0.846 | |
| 5 | Does media give strong CSR supervision | 0.836 | |
| 6 | Does legislative organization give strong CSR supervision? | 0.824 | |
| 7 | Does your corporate culture lay emphasis on social responsibilities? | | 0.707 |
| 8 | Do your senior management and shareholders pay much attention to CSR? | | 0.696 |
| 9 | Does your enterprise pay much attention on labor union? | | 0.671 |
| 10 | Does your enterprise implement regular public welfare activities? | | 0.655 |
| 11 | Do the development strategies of your enterprise include any idea of social responsibilities? | | 0.655 |
| Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. | | | |
| a. Rotation converged in 3 iterations. | | | |

Factor FM1: Xie Principle. The explanatory variant of this Factor is 40.333%, close to Factor 1, and it means that the two Factors are very important parts in CSR's HEXIE Management. The Factor loads of Items 1-6 are comparatively high. Factor FM1 reflects the major significance of supervision and management from outside enterprises to CSR performance.

Factor FM2: He Principle. The explanatory variant of this Factor is 22.019%. Items 7-11 reflect the significance to enterprise HP Management.

5.2.2 Factor Analysis of Dependent Variables

Apply Dependent Factor Analysis to the 20 items of enterprise CA and get a KMO value of 0.921. The significance level of Bartlett's ball test is 0.001, showing that Factor Analysis is applicable.

Table 5.4 KMO and Bartlett's Test of Dependent Variables

| KMO and Bartlett's Test | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | 0.921 | |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2599.705 |
| | df | 190 |
| | Sig. | 0.000 |

Apply principle component analysis and orthogonal rotation method to carry out Factor Analysis according to Exploratory Factor selecting principles. Four component Factors are extracted (FC1-FC4), with Factor load value of each item more than 0.5, of which the biggest is 0.845 and smallest 0.632 (see Table. 5.5) and accumulated explanatory degree is 74.265%. The results show that the 20 measuring items are well ascribed to four component Factors, see Fig. 5.5. There is no cross-factor load phenomenon. The Factor Analysis shows good results.

Table 5.5 Total Variance Explained of Dependent Variables

| Total Variance Explained | | | | | | | | | | |
|--|---|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| Component | | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
| | | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| dimension | 1 | 8.884 | 44.422 | 44.422 | 8.884 | 44.422 | 44.422 | 3.905 | 19.524 | 19.524 |
| | 2 | 3.047 | 15.233 | 59.654 | 3.047 | 15.233 | 59.654 | 3.855 | 19.275 | 38.799 |
| | 3 | 1.882 | 9.412 | 69.066 | 1.882 | 9.412 | 69.066 | 3.845 | 19.227 | 58.026 |
| | 4 | 1.040 | 5.199 | 74.265 | 1.040 | 5.199 | 74.265 | 3.248 | 16.240 | 74.265 |
| Extraction Method: Principal Component Analysis. | | | | | | | | | | |

See Fig. 5.6 for such index values as item ascription and Rotated Component Matrix. Through literature study and analysis of the meanings of measuring variables of each factor, we names and explains the four Factors.

Table 5.6 Rotated Component Matrixa of Dependent Variables

| Rotated Component Matrixa | | | | | |
|---------------------------|--|-----------|-------|-------|-------|
| No. | | Component | | | |
| | | C1 | C2 | C3 | C4 |
| 1 | Your enterprise enjoys high reputation in the society | 0.83 | | | |
| 2 | Media have reported positive news concerning your company for many times | 0.812 | | | |
| 3 | The management of your company enjoys high fame in this industry | 0.804 | | | |
| 4 | The management team of your company has good social connections | 0.787 | | | |
| 5 | Your company has a strong calling in this industry | 0.738 | | | |
| 6 | Your company invests more in technological innovative resources than other enterprises in this industry | | 0.862 | | |
| 7 | Do you focus on environmental-protection innovation of energy saving and emission reduction to improve corporate R&D? | | 0.838 | | |
| 8 | Your company has a high success rate in product and service innovations | | 0.831 | | |
| 9 | Are the environmental-protection innovations used into new products faster than ever? | | 0.814 | | |
| 10 | Do you get competitive advantages by executing green environmental protection plans? | | 0.723 | | |
| 11 | Do you make enterprise financing easier through attention and management of Stakeholders? | | | 0.838 | |
| 12 | Do you increase enterprise communications with government by good CSR and attention and management of Stakeholders? | | | 0.814 | |
| 13 | Do you help enterprise establish good social connection network through attention and management of Stakeholders and good CSR? | | | 0.802 | |
| 14 | Do you get more supports from government or relevant departments for enterprise through attention and management of Stakeholders and good CSR? | | | 0.801 | |
| 15 | Do you get priority for new national or industrial policies for enterprise through attention and management of Stakeholders and good CSR? | | | 0.769 | |
| 16 | Is the initiative of employees improved through attention and management of them? | | | | 0.794 |
| 17 | Is the working performance of employees improved through attention and management of them? | | | | 0.738 |
| 18 | Are the capabilities of employees improved through trainings of them? | | | | 0.708 |

| | | | | | |
|---|---|--|--|--|-------|
| 19 | Is the turnover rate of employees reduced through attention and management of them? | | | | 0.7 |
| 20 | Are more talents attracted through attention and management of them? | | | | 0.637 |
| Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. | | | | | |
| a. Rotation converged in 7 iterations. | | | | | |

Factor C1 is named as “Enterprise Reputation” Factor. The Factor load of Item 1-5 is comparatively high. Factor C1 reflects the opinions of the society, media and peers to enterprises and the major representatives. The variant contribution rate of Factor C1 reaches 19.524%, showing that reputation is an important Factor of enterprise CA.

Factor C2 is named as “Enterprise Innovation” Factor. The Factor load of Item 6-10 is comparatively high. Factor C2 reflects current enterprise innovative capability, their inputs in innovation and the enhanced international competitive advantage. The variant contribution rate of Factor C2 reaches 19.275%, showing that innovative capability plays an important role in enterprise competition

Factor C3 is named as “Financing and Government Support Capability” Factor. The Factor load of Item 16-20 is comparatively high. Factor C3 reflects enterprise financing capability and their ability to gain supports from domestic and international governments and organizations. The variant contribution rate of Factor C3 reaches 19.227% It reflects strong enterprise social network relationship and is an important part of enterprise competitiveness.

Factor C4 is named as “Enterprise Talents” Factor. The Factor load of Item 11-15 is comparatively high. Factor C4 reflects enterprise capability of retaining talents, attracting talents, enhancing customer loyalty and strengthening commercial partnership. The variant contribution rate of Factor C4 reaches 16.240%, showing that C4 plays an important role in enterprise competitiveness.

Test the models of the four Factors by relevance analysis of Structural Equation Modeling, and it is found that C1 and C3 have comparatively high relevance and C2 and C4 have comparatively high relevance, showing that second-order Factor Analysis can be applied to extract common Factor of higher order. As a result, the four dimensions of enterprises CA can be taken as first-order Factor to further extract

second-order Factor in order to get two second-order Factors (FC1 and FC2). See Fig. 5.1 and Table 5.7 for the results.

Fig. 5.1 Measurement model of CA

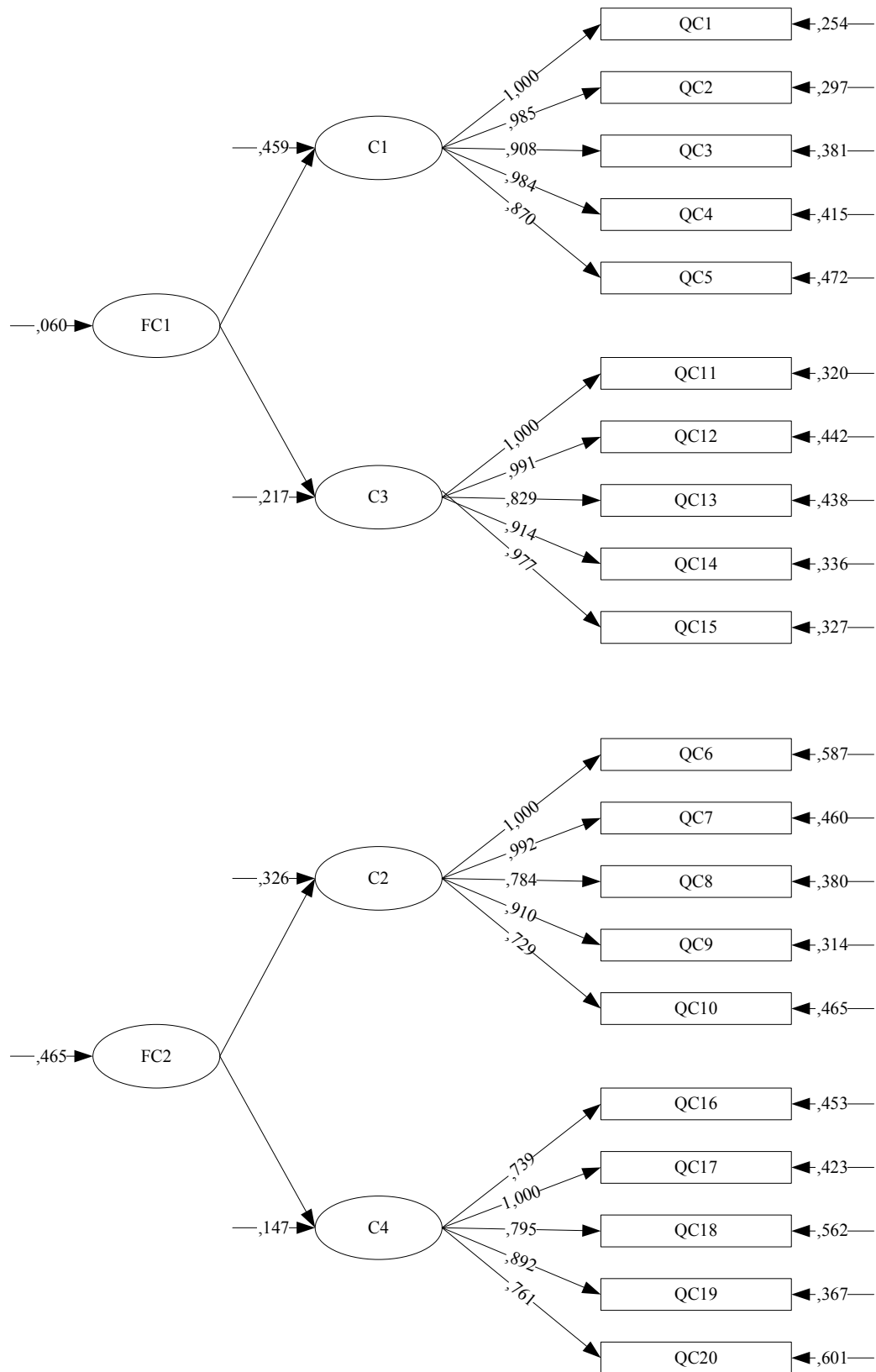


Table 5.7 Model Fit Summary of Dependent Variables

| Model Fit Summary | | | | | | | |
|--------------------------|---------------|-------|-------|-------|------|-------|-------|
| | Chi-square/df | GFI | RMSEA | PNFI | PGFI | NFI | CFI |
| Reference Value | <3 | >0.90 | <0.08 | >0.5 | >0.5 | >0.90 | >0.90 |
| Critical Reference value | | >0.8 | | | | >0.8 | >0.8 |
| | 1.99 | 0.837 | 0.08 | 0.768 | 0.67 | 0.868 | 0.925 |

It can be known from Fig. 5.7, RMSEA = 0.08 and the result is good; GFI=0.837 and PGFI=0.67, above the critical value of 0.5, showing that the model is acceptable; Seeing from comparative fitting index, CFI and NFI are 0.925 and 0.868 respectively, more than or close to 0.9, showing good fitting degree. Chi-Square/df is 1.99, less than 5, showing good fitting degree; PNFI are more than 0.5, showing good fitting effect of the model and the result acceptable.

It can be seen that the overall fitting condition of the model is good. The four measuring items of enterprise reputation, enterprise talents, innovative capability, financing and government support are ascribed to two Factors and they are FC1 enterprise external competitive advantage (enterprise reputation and financing and government support) and FC2 enterprise internal competitive advantage (enterprise talents and innovative capability). The Regression Weights are respectively C1->FC1, 1.000; C2->FC1, 0.809; C3->FC2, 1.000; C4->FC2, 0.500. Each Factor is basically reasonably explained and the overall fitting effect of the model is good.

5.2.3 Factor Analysis of mediator variables

Apply Explanatory Factor Analysis to the 36 items of enterprise and Stakeholder relationship and get a KMO value of 0.930. The significance level of Barlett's ball test is 0.001. The data are applicable to Factor Analysis. See Table 5.8.

Table 5.8 KMO and Bartlett's Test of Mediator Variables

| KMO and Bartlett's Test | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | of | 0.930 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 4884.705 |
| | df | 630 |
| | Sig. | 0.000 |

Apply principle component analysis and orthogonal rotation method to carry out Factor Analysis according to Factor selecting principles. Six component Factors are extracted with accumulated explanatory degree reaching 69.720%. The results show the 36 measuring items are well ascribed to six component Factors, with the Factor load value of each item more than 0.5, of which the biggest is 0.863 and smallest 0.513. See Table 5.9 and 5.10 for results of Factor Analysis.

Table 5.9 Total Variance Explained of Mediator Variables

| Total Variance Explained | | | | | | | | | | |
|--------------------------|---|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| Component | | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
| | | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| dimension | 1 | 15.237 | 42.324 | 42.324 | 15.237 | 42.324 | 42.324 | 5.122 | 14.228 | 14.228 |
| | 2 | 3.558 | 9.883 | 52.206 | 3.558 | 9.883 | 52.206 | 5.028 | 13.966 | 28.194 |
| | 3 | 2.817 | 7.825 | 60.032 | 2.817 | 7.825 | 60.032 | 4.327 | 12.018 | 40.212 |
| | 4 | 1.304 | 3.623 | 63.655 | 1.304 | 3.623 | 63.655 | 3.623 | 10.064 | 50.276 |
| | 5 | 1.113 | 3.091 | 66.745 | 1.113 | 3.091 | 66.745 | 3.544 | 9.844 | 60.120 |
| | 6 | 1.071 | 2.975 | 69.720 | 1.071 | 2.975 | 69.720 | 3.456 | 9.600 | 69.720 |

Extraction Method: Principal Component Analysis.

Table 5.10 Rotated Component Matrix of Mediator Variables

| Rotated Component Matrixa | | | | | | | |
|---------------------------|---|-----------|-------|-------|-------|----|----|
| No. | | Component | | | | | |
| | | S1 | S2 | S3 | S4 | S5 | S6 |
| 1 | Generous financial donations | 0.720 | | | | | |
| 2 | Direct involvement in community projects and affairs | 0.718 | | | | | |
| 3 | Support for community education and job training programs | 0.696 | | | | | |
| 4 | An employee-led approach to philanthropy? | 0.677 | | | | | |
| 5 | Efficient and effective community activity? | 0.610 | | | | | |
| 6 | Does your enterprise have disclosure of environmental and social performance? | | 0.693 | | | | |
| 7 | Does your enterprise adopt any environmental policies, organization and management Materials policy of reduction, reuse and recycling? | | 0.761 | | | | |
| 8 | Does your enterprise upgrade environmental protection requirement due to international corporate? | | 0.72 | | | | |
| 9 | Does your enterprise try to reduce your enterprise's environmental impact in terms of energy conservation? | | 0.728 | | | | |
| 10 | Does your enterprise monitor the responsibility for releases to the environment? | | 0.754 | | | | |
| 11 | Has your enterprise saved money by reducing its environmental impact (e.g. by recycling, reducing energy consumption, preventing pollution)? | | 0.608 | | | | |
| 12 | Can you think of ways in which your enterprise could use the sustainability of its products and services to gain an advantage over competitors (e.g. recyclability of products, energy efficiency)? | | 0.707 | | | | |
| 13 | Does your enterprise offer fair remuneration? | | | 0.605 | | | |
| 14 | Does your enterprise have effective internal communication? | | | 0.707 | | | |
| 15 | Does your enterprise offer learning and development opportunities? | | | 0.694 | | | |
| 16 | Does employees feel fulfilling work? | | | 0.829 | | | |
| 17 | Does your enterprise offer healthy and safe work environment? | | | 0.673 | | | |
| 18 | Does your enterprise offer equal employment opportunities? | | | 0.721 | | | |
| 19 | Does your client have very high satisfaction? | | | | 0.863 | | |
| 20 | Does your enterprise have sufficient communication with client? | | | | 0.862 | | |
| 21 | Does your enterprise supply clear and accurate environmental information on its products, services and activities to customers? | | | | 0.822 | | |

| | | | | | | | |
|---|--|--|--|--|-------|-------|-------|
| 22 | Does your enterprise offer effective service mechanism for customers? | | | | 0.787 | | |
| 23 | Does your enterprise gain brand loyalty? | | | | 0.78 | | |
| 24 | Does your enterprise guarantee products quality? | | | | 0.757 | | |
| 25 | Have your enterprise developed long-term purchasing relationships? | | | | | 0.563 | |
| 26 | Have your enterprise offer Clear expectations? | | | | | 0.646 | |
| 27 | Does your enterprise just use fair and win-win solution to manage business problems with partners? | | | | | 0.731 | |
| 28 | Does your enterprise pay bills on time? | | | | | 0.683 | |
| 29 | Does your enterprise have many cooperation with local suppliers? | | | | | 0.740 | |
| 30 | Does your enterprise help partners to increase CSR performance? | | | | | 0.520 | |
| 31 | Do shareholders satisfy with the rate of long term return? | | | | | | 0.753 |
| 32 | Does your enterprise develop and build good relationships with shareholders | | | | | | 0.779 |
| 33 | Does your enterprise offer annual reports? | | | | | | 0.513 |
| 34 | Does your enterprise have fully communication with shareholders? | | | | | | 0.602 |
| 35 | Does your enterprise have open communication with financial community | | | | | | 0.523 |
| 36 | Do your shareholders want to increase investment? | | | | | | 0.575 |
| Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. | | | | | | | |
| a. Rotation converged in 7 iterations. | | | | | | | |

Name and explain the six Factors according to literature study result and the content of each Factor covered items.

Factor S1 is named as “Community” Factor. The Factor load of Item 1-5 is comparatively high. Factor S1 reflects the satisfaction and support of communities to enterprises and enterprises’ influence on communities.

Factor S2 is named as “Environment” Factor. The Factor load of Item 6-12 is comparatively high. Factor S2 reflects the influence of enterprise productions and operations to natural environment.

Factor S3 is named as “Employee” Factor. The Factor load of Item 13-18 is comparatively high. Factor S3 reflects employees’ satisfaction and communications with enterprises.

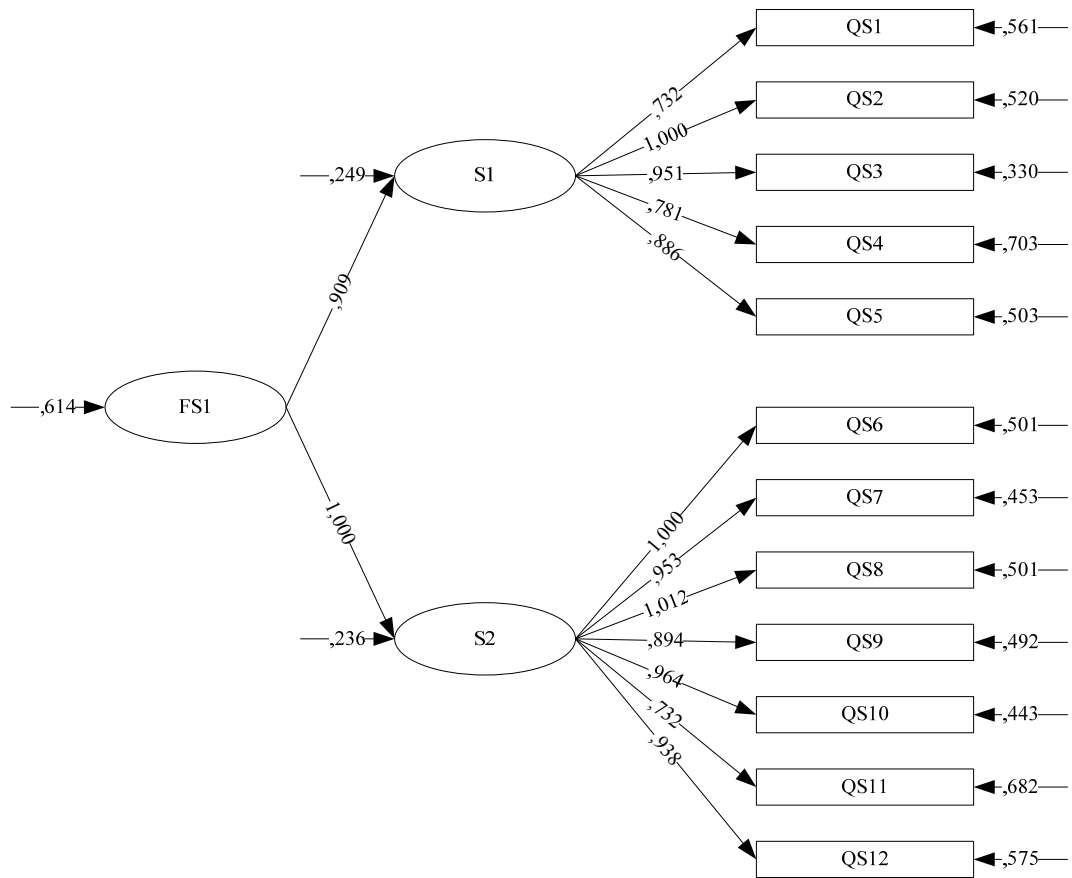
Factor S4 is named as “Customer” Factor. The Factor load of Item 19-24 is comparatively high. Factor S4 reflects customers’ satisfaction, loyalty and attention to enterprises.

Factor S5 is named as “Supplier” Factor. The Factor load of Item 25-30 is comparatively high. Factor S5 reflects enterprises’ cooperation, conflicts and communications with major commercial partners.

Factor S6 is named as “Shareholder” Factor. The Factor load of Item 31-36 is comparatively high. Factor S6 reflects enterprise investors’ support to enterprises and the relationships of senior management of enterprises and major investors.

Apply Confirmatory Factor Analysis to test the models of six Factors and it is found that there are high relevance between Factor S1 and S2 and among S3,S4,S5 and S6, showing that two-order Factor Analysis can be applied to extract common factors of higher order. Therefore, the six dimensions of Stakeholder relationship can be regarded as first-order Factor to further extract two second-order Factors (FS1 and FS2). It proves compliant with previous concepts. Apply Amos9.0 to make Confirmatory Factor Analysis and get Factor FS1, which is named as “Non-Business Related Stakeholder” Factor. Factor FS2 is named as “Business Related Stakeholder” Factor. The measuring model of enterprise and Stakeholder relationship is shown in Fig. 5.2 and Table 5.11.

Fig. 5.2 Measurement model of Stakeholder relationship



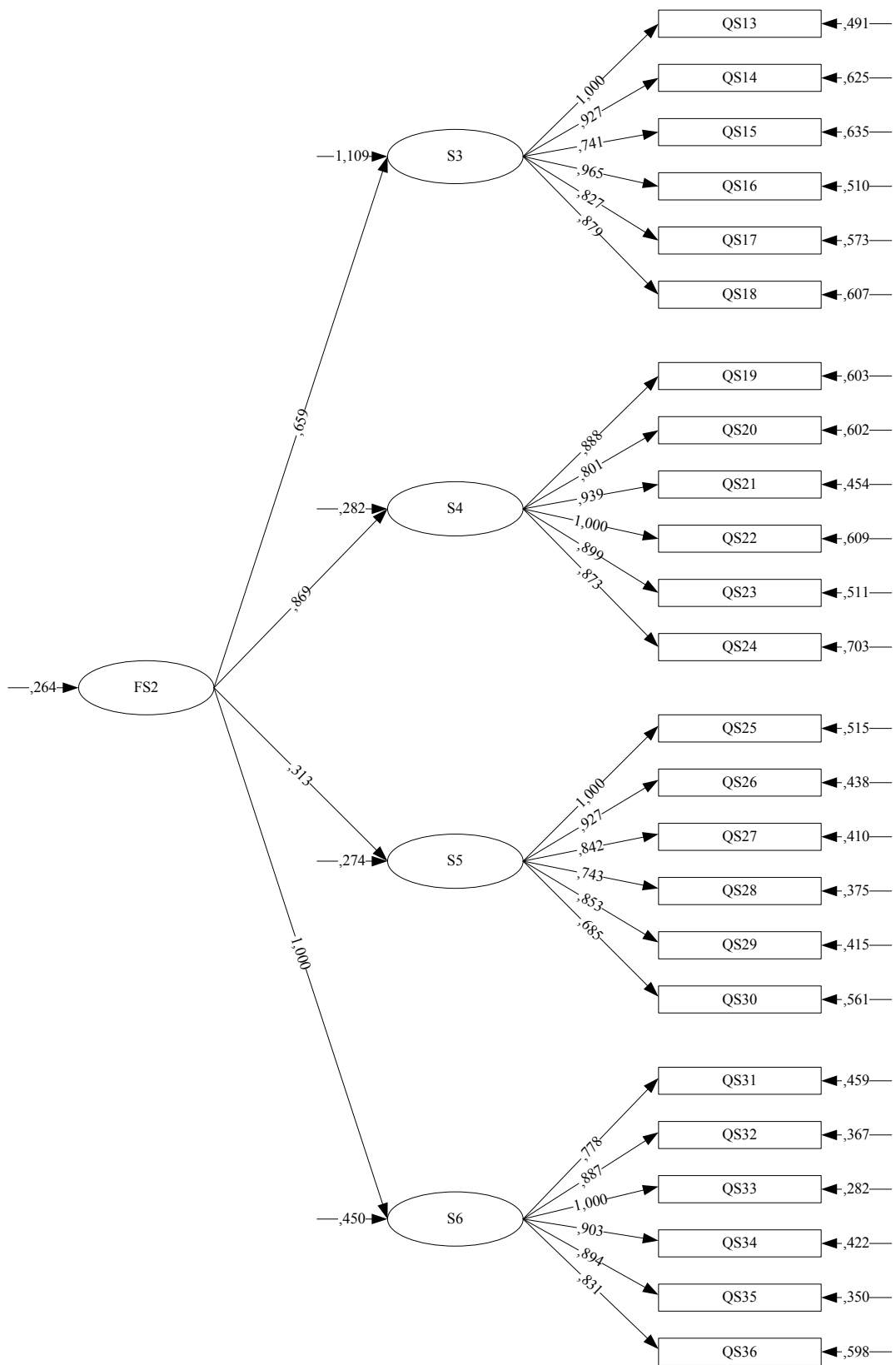


Table 5.11 Model Fit Summary of Mediator Variables

| Model Fit Summary | | | | | | | |
|--------------------------|---------------|-------|-------|-------|-------|-------|-------|
| | Chi-square/df | GFI | RMSEA | PNFI | PGFI | NFI | CFI |
| Reference Value | <3 | >0.90 | <0.08 | >0.5 | >0.5 | >0.90 | >0.90 |
| Critical Reference value | | >0.8 | | | | >0.8 | >0.8 |
| | 1.9 | 0.745 | 0.072 | 0.731 | 0.661 | 0.789 | 0.886 |

From Fig. 5.10 the Regression Weights from S1, S2 to FS1 are 0.909 and 1.000, meanwhile the Regression Weights from S3, S4, S5 and S6 to FS2 are 0.659, 0.869, 0.313 and 1.000. It also can be seen from Fig. 5.11 that absolute fitting index, RMSEA is 0.072, less than the critical value of 0.08, compliant with requirements. GFI=0.745 close to the critical value of 0.80, PGFI=0.661 less than 0.5, showing the model is acceptable. Seeing from comparative fitting index, CFI and NFI are 0.886 and 0.789 respectively, close to the critical values of 0.8, and the fitting degree is good. Chi-square/df is 1.900, less than 3 and the fitting degree is good. PNFI is more than 0.5 showing good fitting degree of the model and the effect acceptable. It can be seen that the overall fitting condition of the model is good. Regression weight

5.3 Reliability analysis

This part analyzes the compliance with Reliability and validity from the aspects of model constructing and data collecting, and combining with Factor Analysis, tests if the internal variant testing items reach the Reliability and validity requirements. The Reliability of the test is showed by Validity Regression weights. Generally, the higher the Reliability Regression weight the better. This study calculates the Cronbach's Alpha values of the corresponding items of each variable to evaluate Reliability. According to the experience-deciding method, the Cronbach's Alpha value of the measured variables should be more than 0.7, and the relevant Regression weights of retained measuring items to Item-to-total should be more than 0.3S. Only in this way can the measurement of variables comply with the requirements of Reliability.

It can be seen from Fig. 5.10 that in the above variants, the Cronbach's Alpha values of first-order variables are more than 0.7 of the second-order variants. XP shows a

minimum value of 0.702, more than the minimum requirement of 0.7. The relevant Regression weights of item-to-total are more than 0.35, compliant with requirements. The overall scale Reliability of CSR, enterprise and Stakeholder relationship and enterprise CA are 0.947, 0.936 and 0.934 respectively, stating that the questionnaires of this study are of comparatively high Reliability on the whole.

Table. 5.12 Reliability Statistics of Mediator Variables

| Reliability Statistics | | | |
|---------------------------|-----------------------------------|---|------------------|
| | Second order Factor | First order Factor | Cronbach's Alpha |
| CSR's HEXIE Management | XP | | 0.93 |
| | HP | | 0.721 |
| Stakeholders Relationship | Non-business related stakeholders | | 0.941 |
| | | Community | 0.886 |
| | | Environment | 0.93 |
| | Business related stakeholders | | 0.94 |
| | | Employee | 0.872 |
| | | Customer | 0.852 |
| | | Supplier | 0.845 |
| Shareholder | 0.913 | | |
| Competitive Advantages | External Advantages | | 0.889 |
| | | Reputation | 0.92 |
| | | Financing capability and Government support | 0.898 |
| | Internal Advantages | Enterprise Innovation | 0.923 |
| | | Enterprise Talents | 0.872 |

5.4 Summary

This Chapter applies descriptive statistics to make comprehensive analysis of the investigation data, applies Factor Analysis to make Factor combination for

Explanatory Variables, Explained Variables and mediator Variables and to make Reliability and Validity tests.

6 Structural Equation Modeling analysis

6.1 Structural Equation Modeling method

Structural Equation Modeling is a multivariate statistical technology combining Factor analysis and path analysis, capable of making effective quantitative study on multi-variable interactive relationships. In the study fields of social science, economy, market and management, the relationships of multiple reasons and results are often involved, and there can also be variables that cannot be observed directly (that is Latent variable). They are all the problems that traditional statistical methods fail to solve properly. Since 1980s, the rapid development of Structural Equation Modeling has made up the deficiency of traditional statistical methods and become a major tool of multivariate data analysis.

The procedures of Structural Equation Modeling mainly include three steps. Step One, model setting. Construct a theoretical model, make clear the measuring method of each construction and their relationships, and establish a complete measuring model and structure model. Step Two, model identification. Evaluate the constructed theoretical model, evaluate the rationality of the theoretical model through fitting index, and decide if the model is applicable to seek solution of the estimated parameters. Step Three model estimation and hypothesis testing. Apply the collected data to estimate parameters of the model and test the proposed theoretical hypothesis. This study, according to the above three steps, makes Structural Equation Modeling analysis. First, construct a theoretical model based on literature study, make clear the relationships of each construction of the models, and measure each construction of the theoretical models. Second, in formal investigation and study, evaluate the Credibility and Validity of the measured models and evaluate the rationality of the models through fitting index. Last, test the theoretical hypothesis proposed in this study and discuss the results.

Due to the fact that the results of the above descriptive statistical analysis and multivariate statistical analysis fail to further disclose the complicated relationships

among variables, this Chapter further tests the complicated cause-effect relationships through Structural Modeling.

6.2 Model testing

Generally, Structural Equation Modeling can be classified into three categories (Hou Jietai, 2004): Strictly Confirmatory Analysis, Alternative Model and Model Generating. Strictly Confirmatory Analysis means to fit a group of sample data with an established model, in the purpose of testing if the model fits sample data and deciding if the model is acceptable. Alternative Model Analysis means to establish several different possible models in advance and select models according to the conditions of fitting sample data of the models. Model Generating Analysis means to come up with one or more basic models, check if the models fit the data, adjust or fix the poor fitting parts of the models based on theoretical or sample data analysis, and check and fix model-fitting degrees through the same data or other sample data, with the purpose of generating the best model by consistently adjusting and fixing.

This study falls into the category of Model Generating Analysis, that is to say, construct Structural Equation Modeling according to previously proposed theoretical model and fix the initially proposed model through theoretical and data analysis results, thus to generate a model compliant with theory and empirical testing.

6.3 Normal testing

This part makes normal testing of variables. When applying maximal likelihood method (ML) to evaluate Structural Equation Modeling, the observed variables are required to comply with multivariate normal distribution. Therefore, normal testing is requested for each variable. This study applies Skewness Regression weight and Kurtosis Regression weight to make normal testing. Generally, if they comply with the condition of Skewness less than 2.0 and Kurtosis less than 5.0, sample data are considered compliant with normal distribution.

This study makes Skewness and Kurtosis analyses of each item and variable by SPSS18.0. See Table. 6.1 for results. The result shows that the maximum Skewness absolute value of each measuring item and variable is 0.947, which is less than the

reference value of 2.0; the maximum Kurtosis absolute value is 1.199, less than the reference value of 5.0. They all comply with the requirements of normal distribution and are applicable to Structural Equation Modeling.

Table 6.1 Descriptive Statistics

| Descriptive Statistics | | | | | |
|------------------------|-----------|-----------|------------|-----------|------------|
| | N | Skewness | | Kurtosis | |
| | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| VAR00001 | 176 | 0.027 | 0.183 | -0.736 | 0.364 |
| VAR00002 | 176 | -0.310 | 0.183 | -1.001 | 0.364 |
| VAR00003 | 176 | -0.249 | 0.183 | -0.699 | 0.364 |
| VAR00004 | 176 | -0.118 | 0.183 | -1.062 | 0.364 |
| VAR00005 | 176 | -0.188 | 0.183 | -1.035 | 0.364 |
| VAR00006 | 176 | -0.188 | 0.183 | -0.823 | 0.364 |
| VAR00007 | 176 | 0.213 | 0.183 | -0.598 | 0.364 |
| VAR00008 | 176 | 0.396 | 0.183 | -0.285 | 0.364 |
| VAR00009 | 176 | 0.205 | 0.183 | -0.634 | 0.364 |
| VAR00010 | 176 | 0.242 | 0.183 | -0.640 | 0.364 |
| VAR00011 | 176 | 0.295 | 0.183 | -0.648 | 0.364 |
| VAR00012 | 176 | 0.295 | 0.183 | -0.618 | 0.364 |
| VAR00013 | 176 | 0.220 | 0.183 | -1.083 | 0.364 |
| VAR00014 | 176 | 0.046 | 0.183 | -0.853 | 0.364 |
| VAR00015 | 176 | 0.602 | 0.183 | -0.700 | 0.364 |
| VAR00016 | 176 | 0.518 | 0.183 | -0.567 | 0.364 |
| VAR00017 | 176 | 0.201 | 0.183 | -0.974 | 0.364 |
| VAR00018 | 176 | 0.040 | 0.183 | -0.994 | 0.364 |
| VAR00019 | 176 | 0.221 | 0.183 | -1.126 | 0.364 |
| VAR00020 | 176 | 0.087 | 0.183 | -0.780 | 0.364 |
| VAR00021 | 176 | 0.148 | 0.183 | -0.860 | 0.364 |
| VAR00022 | 176 | 0.168 | 0.183 | -0.748 | 0.364 |
| VAR00023 | 176 | -0.026 | 0.183 | -1.043 | 0.364 |
| VAR00024 | 176 | -0.150 | 0.183 | -0.629 | 0.364 |
| VAR00025 | 176 | -0.267 | 0.183 | -0.728 | 0.364 |
| VAR00026 | 176 | -0.947 | 0.183 | 0.432 | 0.364 |

| | | | | | |
|----------|-----|--------|-------|--------|-------|
| VAR00027 | 176 | -0.117 | 0.183 | -0.710 | 0.364 |
| VAR00028 | 176 | -0.338 | 0.183 | -0.483 | 0.364 |
| VAR00029 | 176 | -0.217 | 0.183 | -0.646 | 0.364 |
| VAR00030 | 176 | -0.145 | 0.183 | -0.700 | 0.364 |
| VAR00031 | 176 | -0.276 | 0.183 | -0.546 | 0.364 |
| VAR00032 | 176 | -0.118 | 0.183 | -0.575 | 0.364 |
| VAR00033 | 176 | -0.151 | 0.183 | -0.946 | 0.364 |
| VAR00034 | 176 | -0.290 | 0.183 | -0.356 | 0.364 |
| VAR00035 | 176 | -0.191 | 0.183 | -1.008 | 0.364 |
| VAR00036 | 176 | -0.237 | 0.183 | -1.199 | 0.364 |
| VAR00037 | 176 | -0.202 | 0.183 | -1.062 | 0.364 |
| VAR00038 | 176 | -0.245 | 0.183 | -0.789 | 0.364 |
| VAR00039 | 176 | -0.308 | 0.183 | -0.557 | 0.364 |
| VAR00040 | 176 | -0.138 | 0.183 | -0.879 | 0.364 |
| VAR00041 | 176 | -0.362 | 0.183 | -0.492 | 0.364 |
| VAR00042 | 176 | -0.591 | 0.183 | 0.053 | 0.364 |
| VAR00043 | 176 | -0.646 | 0.183 | 0.223 | 0.364 |
| VAR00044 | 176 | -0.357 | 0.183 | -0.518 | 0.364 |
| VAR00045 | 176 | -0.576 | 0.183 | -0.161 | 0.364 |
| VAR00046 | 176 | -0.618 | 0.183 | 0.091 | 0.364 |
| VAR00047 | 176 | -0.364 | 0.183 | -0.446 | 0.364 |
| VAR00048 | 176 | -0.073 | 0.183 | -0.679 | 0.364 |
| VAR00049 | 176 | -0.233 | 0.183 | -0.586 | 0.364 |
| VAR00050 | 176 | -0.146 | 0.183 | -0.611 | 0.364 |
| VAR00051 | 176 | 0.002 | 0.183 | -0.861 | 0.364 |
| VAR00052 | 176 | -0.171 | 0.183 | -0.541 | 0.364 |
| VAR00053 | 176 | -0.022 | 0.183 | -0.848 | 0.364 |
| VAR00054 | 176 | -0.008 | 0.183 | -1.046 | 0.364 |
| VAR00055 | 176 | 0.006 | 0.183 | -0.660 | 0.364 |
| VAR00056 | 176 | -0.079 | 0.183 | -0.783 | 0.364 |
| VAR00057 | 176 | 0.077 | 0.183 | -0.867 | 0.364 |
| VAR00058 | 176 | -0.246 | 0.183 | -0.896 | 0.364 |
| VAR00059 | 176 | -0.184 | 0.183 | -0.879 | 0.364 |
| VAR00060 | 176 | -0.197 | 0.183 | -0.603 | 0.364 |

| | | | | | |
|--------------------|-----|--------|-------|--------|-------|
| VAR00061 | 176 | -0.339 | 0.183 | -0.669 | 0.364 |
| VAR00062 | 176 | -0.222 | 0.183 | -0.401 | 0.364 |
| VAR00063 | 176 | -0.240 | 0.183 | -0.542 | 0.364 |
| VAR00064 | 176 | -0.379 | 0.183 | -0.546 | 0.364 |
| VAR00065 | 176 | -0.143 | 0.183 | -0.385 | 0.364 |
| VAR00066 | 176 | -0.278 | 0.183 | -0.285 | 0.364 |
| VAR00067 | 176 | -0.333 | 0.183 | -0.268 | 0.364 |
| Valid N (listwise) | 176 | | | | |

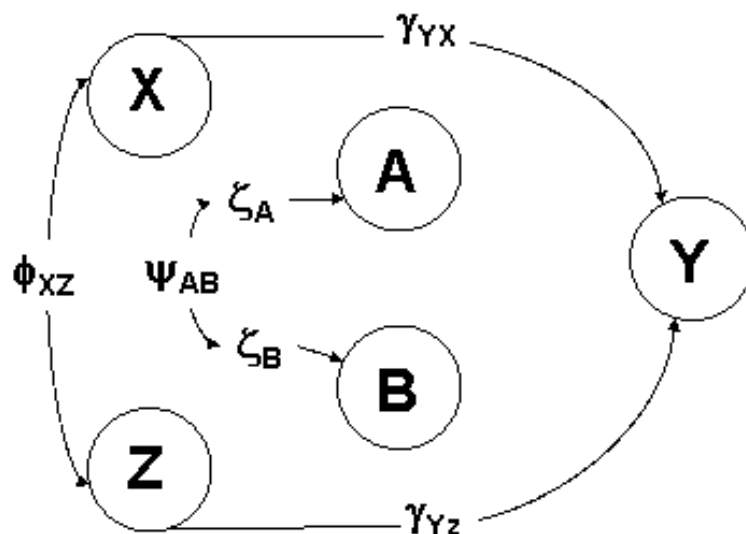
6.4 Initial fitting and evaluating of models

6.4.1 Initial fitting and evaluating of mediator model

This thesis applies the testing method proposed by Wen Zhonglin (2004) in order to further test Stakeholder mediation. Such method can reduce the error rates of the first and second classes tested by mediator, and can test partial and whole mediator. Detailed procedures are as follows:

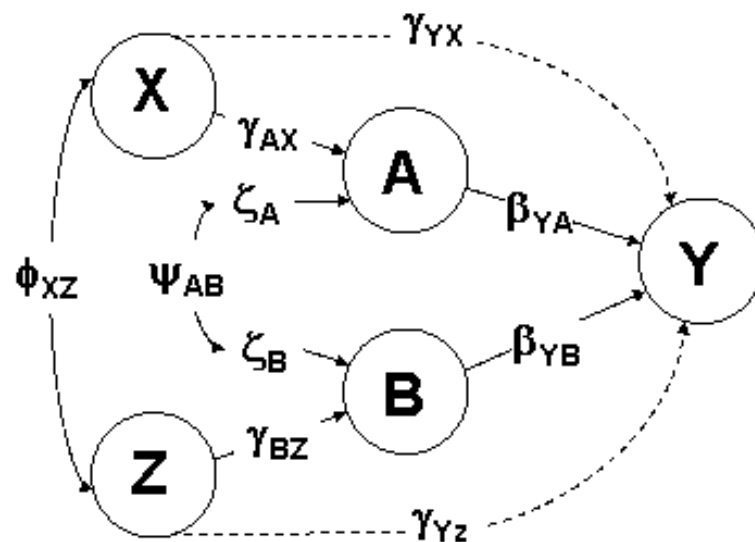
1) Without mediators' effects (A or B), explanatory variables X or Z has significant direct influence on explained variables Y (β_{YX} or $\beta_{YZ} \neq 0$). (See Fig 6.1)

Fig. 6.1 Direct Effects Model



2) After adding mediators A or B (Fig. 6.2), X or Z has significant indirect effects on Y (γ_{AX} or $\gamma_{BZ} \neq 0$ and β_{YA} or $\beta_{YB} \neq 0$)

Fig. 6.2 Mediated Effects Model



3) The indirect effects of X or Z on Y is greater than the direct effects. ($\gamma_{AX} \times \beta_{YA} > \gamma_{YX}$, or $\gamma_{BZ} \times \beta_{YB} > \gamma_{YZ}$)

4) When the effect from mediators works, the direct effect of X or Z on Y weakens or vanishes accordingly.

If the conditions 1-3 are achieved, the model is considered as weak version. Whereas if all conditions 1-4 are met, the corresponding model is a strong version.

According to the above conditions, we can easily test the mediator effect. In this thesis four steps were adopted.

Step one: testing direct model, construct Structural Equation with XP, HP and CA. See Table 6.2 and 6.3 for critical index of the Structural Equation. It can be seen from Fig. 6.1 that the path Regression weights of FM1, FM2 to FC1, FC2 are 0.333, 0.4, 0.176 and 0.216 respectively, and the corresponding C.R. values are 5.064, 5.844, 3.274 and 2.096, all of which are more than the critical value of 1.96, showing significance path Regression weights. All P values are less than 0.05. It can be initially explained that condition 1 is valid and that XP exerts a bigger influence over CA and HP exerts a smaller influence over CA.

Table 6.2 Regression Weights

| Regression Weights | | | | | | | |
|--|-----|------|-----------------------|-----|----------|-------|-------|
| Explained Variables | | | Explanatory Variables | | Estimate | C.R. | P |
| Enterprise's external competitive advantages | FC1 | <--- | XP | FM1 | 0.333 | 5.064 | *** |
| Enterprise's internal competitive advantages | FC2 | <--- | XP | FM1 | 0.4 | 5.844 | *** |
| Enterprise's external competitive advantages | FC1 | <--- | HP | FM2 | 0.176 | 3.274 | 0.001 |
| Enterprise's internal competitive advantages | FC2 | <--- | HP | FM2 | 0.216 | 2.096 | 0.036 |

Table 6.3 Model Fit Summary

| Model Fit Summary | | | | | | | |
|--------------------------|---------------|-------|-------|-------|------|-------|-------|
| | Chi-square/df | GFI | RMSEA | PNFI | PGFI | NFI | CFI |
| Reference Value | <3 | >0.90 | <0.08 | >0.5 | >0.5 | >0.90 | >0.90 |
| Critical Reference value | | >0.8 | | | | >0.8 | >0.8 |
| | 1.645 | 0.803 | 0.061 | 0.757 | 0.69 | 0.826 | 0.923 |

Step two: adding FS1 and FS2 to form a full model, as we can see from Fig. 6.3, table 6.4 and 6.5, the path Regression weights estimates of HEXIE management to stakeholder relationships are all over 0.000 and equal respectively 0.363, 0.409, 0.552 and 0.471, while all C.R. values are over 1.96. At the same time the path Regression weights estimates of stakeholder relationship to Competitive advantages are 0.183, 0.392, 0.792 and 0.565. All C.R. values are over 1.96. The corresponding eight P values are less than 0.05. This proofed condition 2 is valid.

Fig. 6.3 Model A

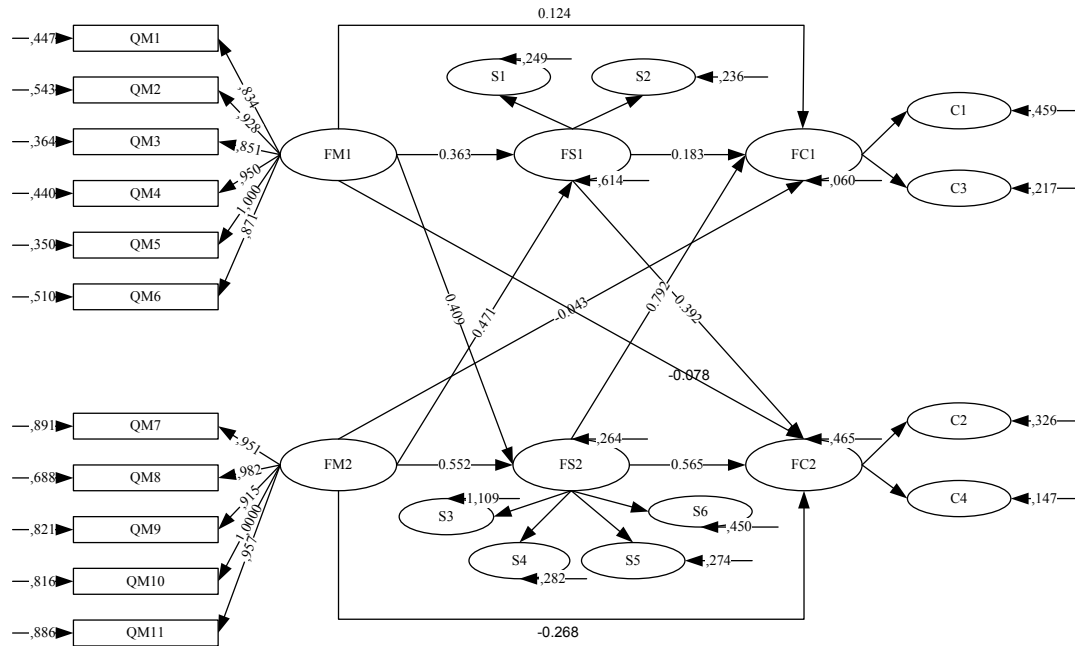


Table 6.4 Regression Weights of model A

| Explained Variables | | | Explanatory Variables | | Estimate | C.R. | P |
|--|-----|------|-----------------------------------|-----|----------|--------|-------|
| Non-business related stakeholders | FS1 | <--- | XP | FM1 | 0.363 | 5.362 | *** |
| Business related stakeholders | FS2 | <--- | XP | FM1 | 0.409 | 6.57 | *** |
| Business related stakeholders | FS2 | <--- | HP | FM2 | 0.552 | 3.824 | *** |
| Non-business related stakeholders | FS1 | <--- | HP | FM2 | 0.471 | 3.181 | 0.001 |
| Enterprise's external competitive advantages | FC1 | <--- | XP | FM1 | 0.124 | 1.55 | 0.121 |
| Enterprise's internal competitive advantages | FC2 | <--- | XP | FM1 | -0.078 | -0.726 | 0.468 |
| Enterprise's external competitive advantages | FC1 | <--- | HP | FM2 | -0.043 | -0.307 | 0.759 |
| Enterprise's internal competitive advantages | FC2 | <--- | HP | FM2 | -0.268 | -1.325 | 0.185 |
| Enterprise's external competitive advantages | FC1 | <--- | Non-business related stakeholders | FS1 | 0.183 | 2.688 | 0.007 |
| Enterprise's internal competitive advantages | FC2 | <--- | Non-business related stakeholders | FS1 | 0.392 | 3.804 | *** |
| Enterprise's external competitive advantages | FC1 | <--- | Business related stakeholders | FS2 | 0.792 | 4.994 | *** |

| | | | | | | | |
|--|-----|------|-------------------------------|-----|-------|-------|-------|
| Enterprise's internal competitive advantages | FC2 | <--- | Business related stakeholders | FS2 | 0.565 | 2.857 | 0.004 |
|--|-----|------|-------------------------------|-----|-------|-------|-------|

Table 6.5 Model Fit Summary of model A

| Model Fit Summary | | | | | | | |
|--------------------------|---------------|-------|-------|-------|-------|-------|-------|
| | Chi-square/df | GFI | RMSEA | PNFI | PGFI | NFI | CFI |
| Reference Value | <3 | >0.90 | <0.08 | >0.5 | >0.5 | >0.90 | >0.90 |
| Critical Reference value | | >0.8 | | | | >0.8 | >0.8 |
| | 1.572 | 0.654 | 0.057 | 0.675 | 0.607 | 0.705 | 0.866 |

Step three: Comparing Table 6.2 and Table 6.4 we can see that the path Regression weights estimates values in full model obviously exceed the values in direct effect model. This is the proof of condition 3.

Step four: we also can find the path Regression weights of the direct influence of HEXIE Management on Competitive Advantages in full model (see table 6.4), 0.124, -0.078, -0.043 and -0.268 are not significant. It also can be seen from Table 6.4, C.R. values are respectively 1.55, -0.726, -0.307 and -1.325, all of which are less than 1.96%. The testing fails and regression Regression weights are not significant. The condition 4 is valid.

Thus Explanatory Variables XP and HP over Explained Variable CA are completely achieved through mediators, that is to say, the influence of HEXIE management's influence over Competitive advantages is completely realized through mediators Business related stakeholders and mediator Non-business related stakeholders.

6.4.2 Correction model Fitting and evaluating

From Fig. 6.3 and Table 6.4, even though the fitting index of initial full model complies with requirements, this model still needs further improving because the path Regression weights of FM1 and FM2 to FC1 and FC2 are not significant or negative and C.R. values are less than the critical value of 1.96% as well, showing the result of the initial full model is not ideal. The following plan is adopted to make improvement: eliminate the path of of FM1 and FM2 to FC1 and FC2.

The figure 6.4 and Table 6.6 and 6.7 illustrate the modified model (model B) result. Chi-square/df=1.57, compliant with requirements. RMSEA= 0.057<0.08, which is acceptable; PNFI=0.675, PGFI=0.607 are larger than the critical value of 0.5; the values of NFI and CFI are 0.705 and 0.866, both of which are close the critical reference value of 0.800. All the path Regression weights are between 0 and 1, and all C.R. values passes testing. Only GFI=0.654 is lower than critical reference value 0.800 but because all others model fit values and path regression weights meet reference values, and P values are less than 0.05, we consider model B fitting well.

Fig. 6.4 Model B

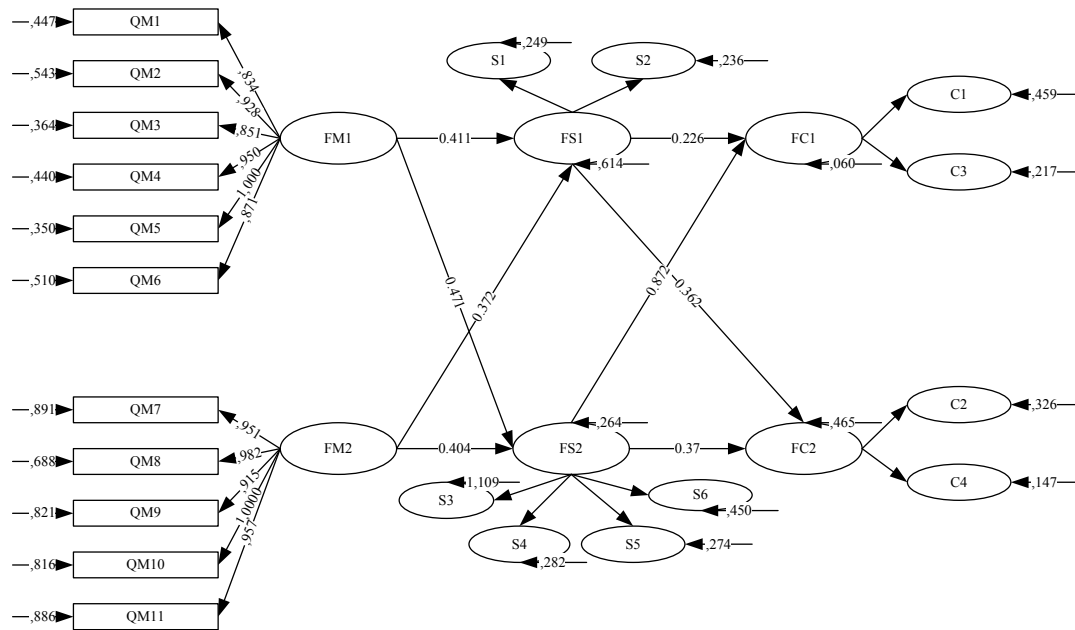


Table 6.6 Regression Weights of model B

| Regression Weights | | | | | | | |
|-----------------------------------|-----|------|-----------------------|-----|----------|-------|-----|
| Explained Variables | | | Exploratory Variables | | Estimate | C.R. | P |
| Non-business related stakeholders | FS1 | <--- | XP | FM1 | 0.411 | 6.298 | *** |
| Business related stakeholders | FS2 | <--- | XP | FM1 | 0.471 | 8.049 | *** |
| Business related stakeholders | FS2 | <--- | HP | FM2 | 0.404 | 3.466 | *** |

| Regression Weights | | | | | | | |
|--|-----|------|-----------------------------------|-----|-------|-------|-------|
| Non-business related stakeholders | FS1 | <--- | HP | FM2 | 0.372 | 2.962 | 0.003 |
| Enterprise's external competitive advantages | FC1 | <--- | Non-business related stakeholders | FS1 | 0.226 | 3.465 | *** |
| Enterprise's internal competitive advantages | FC2 | <--- | Non-business related stakeholders | FS1 | 0.362 | 3.825 | *** |
| Enterprise's external competitive advantages | FC1 | <--- | Business related stakeholders | FS2 | 0.872 | 7.678 | *** |
| Enterprise's internal competitive advantages | FC2 | <--- | Business related stakeholders | FS2 | 0.37 | 3.217 | 0.001 |

Table 6.7 Model Fit Summary of model B

| Model Fit Summary | | | | | | | |
|--------------------------|---------------|-------|-------|-------|-------|-------|-------|
| | Chi-square/df | GFI | RMSEA | PNFI | PGFI | NFI | CFI |
| Reference Value | <3 | >0.90 | <0.08 | >0.5 | >0.5 | >0.90 | >0.90 |
| Critical Reference value | | >0.8 | | | | >0.8 | >0.8 |
| | 1.57 | 0.654 | 0.057 | 0.675 | 0.607 | 0.705 | 0.866 |

Analyzing the relationships of the three groups of variables of CSR' HEXIE management, Stakeholder relationship and CA in final model B, the path Regression weight of XP to business related Stakeholder is 0.411, and C.R. value is 6.298 (FM1-FS1). That is to say, XP has a significant and strong influence over business related Stakeholder. The path Regression weight of XP to non-business related Stakeholder is 0.471, and C.R. value is 8.049 (FM1-FS2), showing that XP has a significant influence over non-business related Stakeholder. Meanwhile the path Regression weights of HP to business and non-business related stakeholders are 0.404 and 0.372, and C.R. values are 3.466 and 2.962 (FM2-FS1, FM2-FS2). There are also significant path Regression weights of business and non-business related Stakeholder relationships on enterprises's internal and external competitive advantages, which are 0.226, 0.362, 0.872 and 0.37 (FS1-FC1, FS1-FC2, FS2-FC1 and FS2-FC2). The corresponding C.R. values are 3.465, 3.825, 7.678, 3.217 reflecting that stakeholders relationships have significant effects on enterprises' competitive advantages.

To further observe the influence degree of each Explanatory Variable to Explained Variable, including the indirect effects of HEXIE management over CA, the general

path Regression weight of each Explanatory Variable to Explained Variable is calculated. See Table 6.8.

Table 6.8 Path regression weights of explanatory variables to explained variables and the results of hypotheses

| Path | Regression Weights | Hypotheses | Accepted |
|--|--------------------|---|----------|
| XIE Principle management -> Stakeholder relationships->External competitive advantages | 0.503 | Hypothesis 1a: CSR XP Management has positive influence on enterprise external competitive advantage through mediator stakeholder relationship. | √ |
| HE Principle management -> Stakeholder relationships->External competitive advantages | 0.416 | Hypothesis 1b: CSR HP Management has positive influence on enterprise external competitive advantage through mediator stakeholder relationship. | √ |
| XIE Principle management -> Stakeholder relationships->Internal competitive advantages | 0.322 | Hypothesis 1c: CSR XP Management has positive influence on enterprise internal competitive advantage through mediator stakeholder relationship. | √ |
| HE Principle management -> Stakeholder relationships->Internal competitive advantages | 0.284 | Hypothesis 1d: CSR HP Management has positive influence on enterprise internal competitive advantage through mediator stakeholder relationship. | √ |
| XIE Principle management -> Non-business related stakeholder relationship | 0.411 | Hypothesis 2a: CSR XP Management has positive influence on the non-business related stakeholder relationship. | √ |
| HE Principle management -> Non-business related stakeholder relationship | 0.372 | Hypothesis 2b: CSR HP Management has positive influence on the non-business related stakeholder relationship. | √ |
| XIE Principle management -> Business related stakeholder relationship | 0.471 | Hypothesis 2c: CSR XP Management has positive influence on the business related stakeholder relationship. | √ |
| HE Principle management -> Business related stakeholder relationship | 0.404 | Hypothesis 2d: CSR HP Management has positive influence on the business related stakeholder relationship. | √ |
| Non-business related stakeholder relationship -> External competitive advantages | 0.226 | Hypothesis 3a: the non-business related stakeholder relationship has positive influence on enterprise external competitive advantage. | √ |

| Path | Regression Weights | Hypotheses | Accepted |
|--|--------------------|---|----------|
| Non-business related stakeholder relationship -> Internal competitive advantages | 0.362 | Hypothesis 3b: the non-business related stakeholder relationship has positive influence on enterprise internal competitive advantage. | √ |
| Business related stakeholder relationship -> External competitive advantages | 0.872 | Hypothesis 3c: the business related stakeholder relationship has positive influence on enterprise external competitive advantage. | √ |
| Business related stakeholder relationship -> Internal competitive advantages | 0.370 | Hypothesis 3d: the business related stakeholder relationship has positive influence on enterprise internal competitive advantage. | √ |

XP exerts strong interaction over enterprise external competitive advantage completely through the mediator variable Stakeholder relationship, of which the Regression weight of XP to non-business and business related Stakeholder relationships are 0.411 and 0.471, the Regression weight of non-business and business related Stakeholder relationships on Enterprise External CA are 0.226 and 0.872, and consequently, the total Regression weight of XP to Enterprise External CA is 0.503 ($=0.411 \times 0.226 + 0.471 \times 0.872$). Stakeholder relationship plays a mediator role in the process of XP promoting Enterprise External CA. Therefore, Hypothesis 1a is verified.

Similarly, HP affects Enterprise Internal CA through non-business and business related stakeholder relationships completely. Of them, the Regression weight of HP to non-business and business related Stakeholder relationship are 0.404 and 0.372. The Regression weight of non-business and business related Stakeholder relationship to Enterprise Internal CA are 0.226 and 0.872, thus the general Regression weight of HP to Enterprise Internal CA is 0.416 ($=0.404 \times 0.226 + 0.372 \times 0.872$). Non-business related Stakeholder and business related Stakeholder play a mediation role in the process of HP promoting Enterprise Internal CA. Therefore, Hypothesis 1b verified.

In the same way, in the table 6.8, Hypotheses 1c, 1d, 2a, 2b, 2c, 2d, 3a, 3b, 3c and 3d are all proved. Among all regression weights, business related stakeholder relationship shows the strongest influence over External CA and the value is 0.872. Second comes XIE Principle management on External CA and the value is 0.503.

These results reflect that enterprise external reputation and social resource can be increased by the high consideration on CSR and appropriate means of management. Here shows Xie principle plays an important role for rising enterprise competitive advantage.

Meanwhile we find that Xie principle also has bigger influence on non-business related stakeholder relationship comparing with He principle. From the current situation in China majority enterprises do not have the awareness of protecting environment or helping community around. Therefore it generate a result that the supervision from government, media, NGO or legislation institution acts as decisive effect.

Whereas He principle brings more influence on business related stakeholder relationship than non-business related stakeholder relationship. We analyze the reason and consider that is because of the Chinese culture. Normally in China people prefer a harmonious working atmosphere, while HP just can build it by internal soft management but not only by the strict regulations and rules. This way is easy to be accepted so that to increase effectiveness and promote stakeholder relationships especially like employee, customer, supplier and shareholder.

It is also important to observe the effects from non-business and business related stakeholder relationships on CA. Obviously the business related stakeholder relationship enhances enterprise external and internal CA greatly. This reflects the good relationships with employee, customer, supplier and shareholder can increase CA and also explains why enterprise pays more attention on business related stakeholders.

It can be seen that implementing HEXIE management, such as strong concern from managers, making CSR strategy, applying CSR standards, strict supervision, can improve relationships between enterprise and environment, community, employee, customer, supplier and shareholder, and then increase CA. It helps attract talents, retain talents, stimulate the initiative and creativeness of talents and enhance employee loyalty. It is also helpful to improve enterprise social image and has a major influence on enhancing enterprise innovative capability and financing capability and gaining more government support. Subsequently enterprise will demonstrate good

CSR behaviors and achieve a win-win situation of both economic benefit and environment protection.

6.5 Summary

This Chapter reflects the complicated relationships of Explanatory Variable, mediator variable and Explained Variable by constructing Structural Equation Modeling of the influence between CSR's HEXIE Management and CA. By constructing initial model and testing index such as path Regression weights and model fitting degrees, this Chapter further optimizes the initial model, gets the best model in which all the testing values pass testing and the model fit is good, and finally reaches the conclusions.

7 Conclusions and Prospects

Current Chinese enterprise CSR situations have been analyzed through the above literature study and investigation result, the content structure of CSR has been further studied, and a comprehensive analysis and in-depth empirical study have been carried out concerning how HEXIE management theory influences CSR and how CSR influences CA. This Chapter gives a detailed summary of the previous conclusions, based on which it states the contributions and limitations of this study and the prospects for future study.

7.1 Conclusions

7.1.1 CSR in China

It has been found through investigation that, on the whole, Chinese enterprises behave ideally in the aspects of CSR under the laws and regulations, but they behave insufficiently in their responsibilities in the level of ethics and philanthropy, for example in the aspects of taking community responsibilities and supporting environmental protection. This is due to the fact that on the one hand, enterprises are weak in CSR awareness and they only focus on economic responsibilities, while they are weak in their awareness of responsibilities that call for enterprises to take voluntarily and that are irrelevant to economy. On the other hand, it adds to short-term enterprise financial costs to take more responsibilities, moreover, currently enterprises fail to connect CSR with their development strategies, thus they take non-compulsory responsibilities, which in the long run can not necessarily bring them benefits. As a result, enterprises perform poorly in taking non-compulsory responsibilities.

Although more and more firms pay attention to the quality management, environment and social responsibility. Enterprises generally tend to focus on the aspect related to economy. The more attention they receive from governmental organizations and all circles of society, the more they are required to perform the responsibilities in disclosing financial and operational information timely. The employee relationship, customer relationship, supplier relationship and Shareholder relationship get the most

consideration. When it comes to performing basic employee responsibilities, enterprises generally tend to focus on basic employee welfare and they have good personnel regulations and systems. Moreover, out of the intent of establishing good image and attracting talents, they perform well in such basic responsibilities as signing labor contracts and buying relevant insurances. In the aspect of customer, enterprise usually create sufficient communication with client and guarantee products quality for consumers. For suppliers, they establish long-term purchasing relationships. In terms of shareholder, to develop and build good relationships with shareholders ranks highest in the eyes of managers. When it comes to community and environment responsibilities, if enterprise receive more supervision from governments and social circles, the more they emphasize to establish good relationships with governments and communities, including supporting local causes of science, education, arts and sports and offering job opportunities.

7.1.2 Content structure of CSR's HEXIE Management

Through literature study, together with pretest and formal questionnaires as well as the application of Exploratory Factor Analysis, two dimensions come into being, and they are He Principle and Xie Principle. Of the two, He Principle mainly embodies corporate culture, corporate strategies and viewpoints of corporate leaders, while Xie Principle mainly includes supervisions from all circles of society to CSR and the implementation of relevant kinds of standards.

This study develops the measuring scale of HEXIE Management, which proves good credibility and validity through verification. It also applies Exploratory Factor Analysis for test, which proves that this model has good significance level and fitting condition.

7.1.3 Content structure of enterprises and Stakeholder relationship

Similar to the analytic method of the content structure of CSR, it is found through the study that enterprise and Stakeholder relationship includes the two dimensions of business related Stakeholder and non-business related Stakeholder, of which non-business related Stakeholder includes the two variables of community and

environment, while business related Stakeholder include the four variables of employee, client, supplier and Stakeholder.

This study develops the measurement scale of Stakeholder, which proves to have good credibility and validity through verification. Meanwhile, it constructs the measuring model of Stakeholder based on the theoretical framework of Stakeholder, applies Confirmatory Factor Analysis for test, which proves that this model has good significance level and fitting condition.

7.1.4 Content structure of competitive advantage

This study is based on theoretical analysis and designs the measurement scale of CA through Exploratory Factor Analysis and confirmatory factor analysis. CA is divided into two dimensions: External CA and Internal CA.

7.1.5 Empirical results

To verify the hypothesis of this study that CSR has influence over CA, Structural Modeling Analysis is mainly applied. The conclusions are as follows:

(1) The conclusions of the relationship of CSR's HEXIE Management and CA are as follows: both HP and XP exert a direct and positive role in promoting CA in terms of HR, innovation, governmental supports and financing ability. XP shows greater effects than HP in each aspects. Both HP and XP have a strong influence on CA after adding mediator variables of Stakeholder relationship (See Table 6.2, Regression Weight: XP->CA, 0.733(0.333+0.4); HP->CA, 0.392(0.176+0.216))

(2) The conclusions of CSR's HEXIE Management and Stakeholder relationship are as follows: the Structural Equation Modeling analyzes and confirms that both HP and XP are helpful to improve Stakeholder relationship, and XP exerts a stronger influence to both non-business and business related stakeholder relationships than HP (Regression Weight: XP->Business and Non-business related Stakeholder Relationship, 0.471 and 0.411; HP->Business and Non-business related Stakeholder Relationship, 0.404 and 0.372). That's to say, CSR's HEXIE Management exerts a direct role in improving and maintaining Stakeholder relationship. Although the effects from XP are always bigger than HP, HP still performs an important role on

improving Non-business stakeholder relationships (Community and Environment relationships).

(3) The conclusions of mediator of Stakeholder relationship are as follows: the Structural Modeling Analysis has verified that business related stakeholder relationship exert a direct and positive role in promoting comprehensive CA (See Table 6.8, Regression Weight: Business Stakeholder Relationship-> External and Internal CA, 0.872 and 0.370; Regression Weight: Non-business Stakeholder Relationship-> External and Internal CA, 0.226 and 0.362). Meanwhile, business related Stakeholders act as mediator in the process of CSR's HEXIE Management promoting enterprise social image and social resources; non-business related Stakeholder relationship acts as weak mediator in the process of CSR's HEXIE Management promoting enterprise CA (See Table 6.8, Regression Weight: XP->stakeholder relationship->CA, 0.825 (0.503+0.322); HP->stakeholder relationship->CA, 0.7 (0.416+0.284)). Here, the mediator role of non-business and business related stakeholder relationships to CA are verified.

So, CSR's HEXIE Management plays an important role in promoting CA. Under current situation, avoiding or refusing to perform responsibilities may probably cause tense relationships with Stakeholders instead of promoting CA, thus show a negative influence on enterprises. It may even deteriorate relationships, expose enterprises to public denunciations subject to the punishment of governmental organizations and commercial partners and the resistance of consumers thus cause huge crisis. Therefore, enterprises should take necessary CSR, emphasize especially their CSR to major Stakeholders, and improve the relationships of the two parties thus to promote CA.

7.2 Suggestions

The following suggestions are listed to Chinese CSR in compliance with the conclusions of this study:

Improve relevant laws and regulations to promote enterprises to perform compulsory responsibilities.

According to CSR level theory, enterprises should be compelled to perform some responsibilities, which include concluding labor contracts with employees according

to laws and buying social insurances for them, complying with environmental protection regulations in energy saving and emission reduction and offering safe and qualified services and products. Meanwhile, relevant CSR laws, regulations and supervisory mechanisms should be gradually improved to ensure enterprises to perform basic responsibilities. Concrete laws and rules can also be specified for special Stakeholder groups to ensure their rights and interests. For example, in the aspect of employee responsibilities, migrant rural workers in the basic level of enterprises are in absolutely disadvantage in their dialogue with enterprises, and their rights and interests are hard to secure. Therefore, special laws and rules can be stipulated as a supplementary to The Labor Law and The Law of Labor Contract in order to specify such contents as the rights and obligations of the specific group of migrant rural workers, the legal responsibilities of infringement and the processing organs, ways, methods and procedures, so as to solve the outstanding problems of the protection of the right and interests of Chinese migrant rural workers. For instance, Certain Opinions about Solutions of Agriculture Labourer Question of the State Council issued in 2006 clearly stipulated to “establish security system of wage payment of migrant rural workers, reasonably determine and improve the wages of migrant rural workers, strictly execute labor contract system and legally secure the vocational safety and health equity of migrant rural workers. Premier Wen Jiabao also proposed in the Government Working Report in 2008 “to ensure timely and full payment of wages of migrant rural workers”. In the two sessions in 2006, 2007 and 2008, the issue of migrant rural workers, especially their social security had become major issues. However, relevant regulations and rules should be further specified and perfect supervisory mechanisms be established to ensure the effective protection of rights and interests of migrant rural workers and avoid “blood factories” in the Chinese territory.

(2) Offer favorable policies to guide and encourage enterprises to perform non-compulsory responsibilities.

Non-compulsory CSR such as responsibilities in the level of ethics and philanthropy. The performance of such responsibilities will increase enterprise costs and expenses in short time or increase management difficulties, consequently many enterprises are not active in participation. Therefore, governments are called for to advocate and offer

relevant favorable policies for guidance and encouragement. For example, they can stipulate favorable policies on land use and taxation to guide enterprises to support local economic development, offer job opportunities and supports such causes of education, arts, sports.

(3) Strengthen media publicity and supervision

According to the investigations, Chinese local governments, enterprises and consumers are weak in CSR awareness. Such mainstream media as newspapers, radios, televisions and internet are required for publicity to root CSR idea deep in people's minds. Enterprises voluntarily perform responsibilities, governments actively strengthen supervision and the public positively participate in supervision. Only in such ways can CSR be effectively performed.

The media should also take their responsibilities to supervise enterprise to perform social responsibilities, expose enterprises that fail to perform social responsibilities, timely report positive CSR affairs, and guide the public and enterprises to establish correct CSR values. For example, in recent years, there are many big social responsibility deficiencies of enterprises in recruitment and food safety, concerning which the media have extensively reported. Thus they press heavy pressures on relevant enterprises and force them to take corrective measures. The intervening of the media also presses pressures on relevant law-enforcing departments, forcing them to solve the problems quickly.

(4) Establish and improve CSR information disclosing systems

Establishing perfect information disclosing system is an effective secure to promote CSR execution. Enterprises that actively take responsibilities gain good fame and thus take more responsibilities to form virtuous circle; while irresponsible enterprises suffer denunciations of the public and resistance of users, which force them to take proper responsibilities.

Currently, enterprises in western countries universally report CSR information. For example, in 1975, American Accounting Association suggested that enterprise disclose the following information: information that reflected CSR performance, HR information, enterprise social expense information, the influence information of enterprises activities on the society. On Reform of the Company Law of France (1975) suggested that enterprise publicize CSR annual report. In 1977, it issued laws and

decrees requesting enterprises to execute CSR accounting, and requesting that enterprises with over 300 employees should provide the following detailed information in the form of social balance sheets: employment situation, pay and treatment and the related reproduction costs of labor power, health and safety conditions, employee training, industrial relationship, employee housing and transportations. British Accounting Standards Board issued “Company Report” in 1975, which requested that the financial reports should disclose CSR and proposed that enterprises should compile such CSR reports as the statement of value added and employee reports. In comparison, China has not come up with the standards, rules or regulations concerning social responsibility information disclosure. There are only some regulations on CSR in such laws as the Enterprise Law, the Tax Law, the Welfare Donations Law and the Contract Law, but there is no detailed regulation on CSR information disclosure. Therefore, few enterprises actively disclose CSR. Meanwhile, compared to western countries, Chinese CSR information disclosure are limited in both quantity and extent; moreover, the information disclosed by most companies only lists some concrete data or cases (Zhou Zucheng, 2007). The succession of disclosure is poor and there is no uniform statement. All these make it difficult to identify and compare the information disclosed by enterprises. Thus it is hard to supervise enterprises.

Therefore, China should establish and improve information disclosing system of social responsibility as soon as possible and stipulate that enterprises should disclose CSR in the form of independent reports or annual report appendix. CSR reports can emphasize different contents according to different industries. For instance, disclosure in labor-intensive industries emphasizes employee responsibility performance; disclosure in high energy consumption and high emission enterprises emphasizes energy-saving, emission-reducing and environmental protection responsibilities; and disclosure emphasizes the consumer responsibilities of product quality and service safety in food and pharmaceutical industries that are related to consumer health.

(5) Guide and encourage responsibility performance through technical innovation, management innovation and system innovation.

Under current situation, enterprises are requested to transfer growth patterns, taking the environmental responsibilities of environmental protection, energy-saving and

developing substitute energies as imperative CSR. Thus it requested that enterprises should carry out innovation in the starting point of production of R&D and design, save energy, develop substitute energy and perform environmental responsibilities in innovation. Enterprises gain new competitiveness by innovation thus better perform responsibilities.

For example, Sweden lays special emphasis on environmental protection and saving and substitution of energy resources to promote establishment of a recycling economy. The Swedish Government emphasizes that the sustainable development of the whole society should be the objective of all circles and aspects of Sweden, and all the enterprises of Sweden should change their ways of behaviors for this. Currently, the quantity of renewable resource per capita in Sweden tops the world, and 26% of the energy consumed are from renewable energy, which quadruples the average level of EU states. Alcohol fuel and the matching auto R&D technology are leading in the world and the alcohol fuel developed by the two auto manufacturers of VOLVO and SAAB has been launched in the market. (Material resources: the website of the National Development & Reform Commission)

(6) Enterprises stipulate suitable social responsibility strategies and emphasize improving Stakeholder relationship.

According to the above analysis, CSR promotes CA by influencing its Stakeholder relationship. It can be seen that CSR is not necessarily resulting in CA. Only when CSR can improve Stakeholder relationship, can it promote CA. For example, in some charitable donation activities, some enterprises make donations but get contrary effects. In Wenchuan Earthquake in 2008, Vanke Group was denounced by the public for improper donation, and it failed to take effective measures to improve public relations thus was deeply trapped in “donation” affairs, subject to denunciation of all circles of the society and its reputation was severely damaged.

Currently, many enterprises tend to improve social and environmental relationships by taking CSR, but they fail to achieve the predicted effects. The main reasons are as follows: first, many enterprises oppose CSR with their own interests, holding that the more CSR they take the more costs they pay and the less income enterprises get. They fail to realize that CSR is closely related to enterprise interests and the two can be mutually promoted. Second, generally, CSR is not taken into enterprise strategic field,

instead it remains in a passive and conformity level. If enterprises take CSR into strategic level, adopts the most suitable CSR strategies, choose the best ways of realization, they can benefit the enterprises in both the short and the long run. Therefore, enterprises should grant CSR with forward-looking and predictability, voluntarily take responsibilities to Stakeholders and emphasize establishing and maintaining Stakeholder relationship in usual time, rather than seek solutions when crisis arising.

7.3 Contributions

As stated above, currently CSR study fields are far from mature. In domestic and foreign studies, there are many standardized studies and few empirical ones, many qualitative studies and few quantitative ones. There are very few empirical studies on CSR's influence on long-term enterprise development and even fewer empirical ones on CSR and CA relationship. This study, by systematically summarizing relevant CSR literature, based on data of enterprise questionnaires, carries out systematic quantitative studies on CSR's HEXIE management, stakeholder relationship and CA, and provides theoretical and practical references for Chinese CSR studies.

- (1) Through theoretical analysis, this study discusses the influence of HEXIE Management on CSR and further improves the conceptual model of enterprise CA.
- (2) Through empirical study, this study develops CSR measuring scale and enterprise and Stakeholder relationship measuring scale of good credibility and validity and establishes CSR measuring model and enterprise and Stakeholder relationship measuring model with good fitting levels, thus further improves Chinese CSR study system.
- (3) This study constructs and tests the model of CSR's HEXIE management influence on CA, which shows that CSR's HEXIE management plays a positive role in promoting CA and states the significance of CSR to enterprise survival and development.
- (4) This study proposes and tests the effect of mediator, stakeholder relationship, in the process of promoting CA by CSR's HEXIE Management. Enterprises can create

and increase CA if they can improve Stakeholder relationship while performing social responsibilities well.

7.4 Inadequacy and prospects

7.4.1 Inadequacy

(1) The data samples applied in this study are limited to enterprises in northwestern areas, and therefore the conclusions can be territorially characterized and are hard to represent enterprises in other areas. In the investigation samples, large enterprises account for a large proportion and medium are few. However, small and medium enterprises have a deep influence over their stakeholders and even the entire social economy; therefore, it's worthwhile to study their CSR. Due to the limited samples, this study does not carry out deep study of the CSR idea and behavioral features of small and medium enterprises. Future studies can focus on in-depth investigation and study especially on small and medium enterprises. Therefore, it may restrict the promotion and popularity of the conclusions. Future studies can be carried out nationwide to develop a CSR measuring scale applicable to Chinese enterprises.

(2) The data applied in this study are cross-sectional data of specific time. However, currently, Chinese enterprises are placed in a transition period of economic growth modes with more and more enterprises focusing on such issues as environmental protection and resource utility and actively performing their environmental responsibilities through technical innovation. Therefore, CSR boasts fast practical development. As a result, it is far from adequate to study on specific time point, instead dynamic follow-up investigation and study should be carried out. It is especially worthwhile to perform in-depth study of the social responsibility practice of some typical enterprises.

(3) Out of the requirement of model simplification, not all Stakeholders, such as special interested groups, NGO and the public, are taken into consideration. Anyhow, the performance of CSR to such Stakeholders can be decisive in a certain condition. Consequently, elimination of such Stakeholders in the model can lead to losses of some important variables thus influence the correctness of the conclusions.

7.4.2 Prospects

CSR is a wide study field involving many aspects. Currently, domestic and foreign studies on CSR are far from mature, leaving many subjects of theoretical significance and practical values to be studied. This study makes a trial study only in this field and discusses partial questions. Future studies can be carried out in the following aspects.

(1) Based on this study, through typical enterprise cases, carry out long-term follow-up study of CSR, apply qualitative study method and find out the deep laws.

(2) To make each enterprise's CSR comparative, it is quite necessary and can be an important future study direction to develop CSR evaluating index system according to different industries.

(3) By analyzing quantities of CSR strategy cases, find out strategies of practical guiding significance to provide practical reference for enterprises to perform social responsibility strategies.

In a word, in the tendency of global economic development, CSR, standardized study or empirical study, remains a hot spot. The study methods will be more and more detailed and emphasis on empirical verification and application will be the tendency.

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Appendix

Appendix 1

Corporate Social Responsibility Questionnaire(Pilot Version)

This Questionnaire aims to identify the main stakeholders and the relationship between enterprises and stakeholders in terms of HEXIE management of Corporate Social Responsibility considered and acted by companies.

Section 1: Basic Information

Enterprise name:

Enterprise's scale (employee): a 1-100; b 101-300; c 301-500; d 501-1000; e 1001-3000; f >3000

Enterprise's nature: a State-owned; b Private; c Foreign Investment; f Join Venture

Interviewee's position:

Section2: CSR Actions Vis-A-Vis Key Stakeholders

To what point the items listed following are important or not important to justify the key business practices. Classify from 1 to 5 each item according to its degree of importance or unimportance.

1-Not Importance 2-little Importance 3-Moderately Important 4-Important 5-Highly Important

| Stakeholder | Key business practices | Score |
|-------------|--|-------|
| Community | Generous financial donations | |
| | Direct involvement in community projects and affairs | |
| | Support for education and job training programs | |
| | An employee-led approach to philanthropy | |

| | | |
|-------------|--|--|
| | Community volunteer programs | |
| | Efficient and effective community activity | |
| Environment | Does your enterprise have disclosure of environmental and social performance | |
| | Does your enterprise adopt any environmental policies, organization and management Materials policy of reduction, reuse and recycling | |
| | Does your enterprise upgrade environmental protection requirement due to international corporate? | |
| | Does your enterprise try to reduce your enterprise's environmental impact in terms of energy conservation? | |
| | Does your enterprise monitor the responsibility for releases to the environment | |
| | Can your enterprise save money by reducing its environmental impact (e.g. by recycling, reducing energy consumption, preventing pollution)? | |
| | Do you consider the potential environmental impacts when developing new products and services (e.g. assessing energy usage, recyclability or pollution generation)? | |
| | Does your enterprise supply clear and accurate environmental information on its products, services and activities to customers, suppliers, local community,? | |
| | Can you think of ways in which your enterprise could use the sustainability of its products and services to gain an advantage over competitors (e.g. recyclability of products, energy efficiency,)? | |
| Employees | Does your enterprise offer fair remuneration | |
| | Does your enterprise have effective communication | |
| | Does your enterprise offer learning and development opportunities | |
| | Does employees feel fulfilling work | |
| | Does your enterprise offer healthy and safe work environment | |
| | Does your enterprise offer equal employment opportunities | |
| | Does your enterprise make sure job security | |
| | Does your employee have community spirit | |
| Customers | Industry-leading quality program | |
| | Customer dialogue | |
| | Truthful promotion | |
| | Full product disclosure | |
| | Minimal packaging | |

| | | |
|--------------|--|--|
| | Rapid and respectful responses to customer's comments/concerns | |
| | Safe products | |
| | Environmentally and socially responsible product composition | |
| Suppliers | Develop and maintain long-term purchasing relationships | |
| | Clear expectations | |
| | Pay fair prices and bills according to terms agreed upon | |
| | Fair and competent handling of conflicts and disputes | |
| | Reliable anticipated purchasing requirements | |
| | Encouragement to provide innovative suggestions | |
| | Assist suppliers to improve their environmental/social performance | |
| | Utilize local suppliers | |
| | Sourcing from minority-owned suppliers | |
| | Inclusion of environmental/social criteria in the suppliers' selection | |
| Shareholders | Good rate of long term return to shareholders | |
| | Disseminate comprehensive and clear information | |
| | Encourage staff ownership of shares | |
| | Develop and build relationships with shareholders | |
| | Clear dividend policy and payment of appropriate dividends | |
| | Corporate governance issues are well managed | |
| | Access to company's directors and senior managers | |
| | Annual reports provide a picture of company's performance | |
| | Clear long-term business strategy | |
| | Open communication with financial community | |

Section 3: CSR's decision-making

| | | | | | |
|---|--------------|------------------------|--------------------------------|--------------------|--------|
| Who decides the social and development programmes that your company pursues? | | | | | |
| Senior Management | Employees | Cross-Functional Teams | By means of a Needs Assessment | Others, who: _____ | |
| How much has been spent on these programmes over the last 5 years? (Yearly average) | | | | | |
| Describe: | | | | | |
| Have regional sub-offices and technical teams participated in the planning process? | | | Yes | No | |
| Have you identified your stakeholders? | | | | | |
| Employees | Shareholders | Suppliers | Customers | Local Communities | Other: |
| Were the identified stakeholders consulted to assess the development priorities and/or targets that the organization supported (test of alignment)? | | | | | |
| Yes, How? | | | No | | |
| Were these activities aligned with national and or international standards and policies? | | | | | |
| Yes, which? | | | No | | |

Section 4: Influence factors and Management

| | |
|---|------------------------|
| In determining the success/impact of these activities were any formal impact assessments conducted? | |
| Yes, (External, Internal)? | No |
| How was this success reflected? | |
| Describe: | |
| In your process of determining the impact of your company's programmes/activities, was feedback from the identified stakeholders taken into consideration? | |
| Yes | No |
| Are you reports based on any established standards? | |
| Locally, which? | Internationally, which |
| Are there systems in place to facilitate the participation of stakeholders in the decision-making process of the company? (corporate advisory panels, written community panels, collective bargaining, and employee representation) | |
| Yes | No |
| What are the main difficulties in CSR practice? | |
| Describe: | |

Greatly thanks for your support!

Appendix 2

Corporate Social Responsibility Questionnaire(Final Version)

This Questionnaire aims to identify the main stakeholders and the relationship between enterprises and stakeholders in terms of HEXIE management of Corporate Social Responsibility considered and acted by companies.

Enterprise name:

Enterprise's scale (employee): a 1-100; b 101-300; c 301-500; d 501-1000; e 1001-3000; f >3000

Enterprise's nature: a State-owned; b Private; c Foreign Investment; f Join Venture

Interviewee's position:

To what point the items listed following are agreement or not agreement to justify the key business practices. Classify from 1 to 5 each item according to its degree of importance or unimportance.

1 means "not agreement", 2 means "little agreement", 3 means "general", 4 means "Moderately agreement" and 5 means "extremely agreement".

| Section 1: HEXIE Management | | |
|-----------------------------|--|-------|
| No. | Questions Description | Score |
| 1 | Does your corporate apply national or local CSR control standards? | |
| 2 | Does your enterprise apply internationally prevailing quality control standards? Such as ISO9001, SA8000, ISO40000 Standard? | |
| 3 | Does your enterprise get timely money allocation statement after donation or charitable investment? | |
| 4 | Is there any relevant organization, such as government or non-governmental organization that carries out strict supervisory management of your enterprise CSR? | |
| 5 | Does media give strong CSR supervision | |
| 6 | Does legislative organization give strong CSR supervision? | |
| 7 | Does your corporate culture lay emphasis on social responsibilities? | |

| | | |
|----|---|--|
| 8 | Do your senior management and shareholders pay much attention to CSR? | |
| 9 | Does your enterprise pay much attention on labor union? | |
| 10 | Does your enterprise implement regular public welfare activities? | |
| 11 | Do the development strategies of your enterprise include any idea of social responsibilities? | |

| Section 2: Stakeholder Relationship | | | |
|-------------------------------------|-----|---|-------|
| Stakeholders | No. | Questions Description | Score |
| Community | 1 | Generous financial donations | |
| | 2 | Direct involvement in community projects and affairs | |
| | 3 | Support for community education and job training programs | |
| | 4 | An employee-led approach to philanthropy? | |
| | 5 | Efficient and effective community activity? | |
| Environment | 6 | Does your enterprise have disclosure of environmental and social performance? | |
| | 7 | Does your enterprise adopt any environmental policies, organization and management Materials policy of reduction, reuse and recycling? | |
| | 8 | Does your enterprise upgrade environmental protection requirement due to international corporate? | |
| | 9 | Does your enterprise try to reduce your enterprise's environmental impact in terms of energy conservation? | |
| | 10 | Does your enterprise monitor the responsibility for releases to the environment? | |
| | 11 | Havs your enterprise saved money by reducing its environmental impact (e.g. by recycling, reducing energy consumption, preventing pollution)? | |
| | 12 | Can you think of ways in which your enterprise could use the sustainability of its products and services to gain an advantage over competitors (e.g. recyclability of products, energy efficiency)? | |
| Employee | 13 | Does your enterprise offer fair remuneration? | |
| | 14 | Does your enterprise have effective internal communication? | |
| | 15 | Does your enterprise offer learning and development opportunities? | |
| | 16 | Does employees feel fulfilling work? | |
| | 17 | Does your enterprise offer healthy and safe work environment? | |
| | 18 | Does your enterprise offer equal employment opportunities? | |
| Customers | 19 | Does your client have very high satisfaction? | |

| | | | |
|-------------|----|---|--|
| | 20 | Does your enterprise have sufficient communication with client? | |
| | 21 | Does your enterprise supply clear and accurate environmental information on its products, services and activities to customers? | |
| | 22 | Does your enterprise offer effective service mechanism for customers? | |
| | 23 | Does your enterprise gain brand loyalty? | |
| | 24 | Does your enterprise guarantee products quality? | |
| Supplier | 25 | Have your enterprise developed long-term purchasing relationships? | |
| | 26 | Have your enterprise offer Clear expectations? | |
| | 27 | Does your enterprise just use fair and win-win solution to manage business problems with partners? | |
| | 28 | Does your enterprise pay bills on time? | |
| | 29 | Does your enterprise have many cooperation with local suppliers? | |
| | 30 | Does your enterprise help partners to increase CSR performance? | |
| Shareholder | 31 | Do shareholders satisfy with the rate of long term return? | |
| | 32 | Does your enterprise develop and build good relationships with shareholders | |
| | 33 | Does your enterprise offer annual reports? | |
| | 34 | Does your enterprise have fully communication with shareholders? | |
| | 35 | Does your enterprise have open communication with financial community | |
| | 36 | Do your shareholders want to increase investment? | |

| Section 3: Competitive Advantages | | |
|-----------------------------------|---|-------|
| No. | Questions Description | Score |
| 1 | Your enterprise enjoys high reputation in the society | |
| 2 | Media have reported positive news concerning your company for many times | |
| 3 | The management of your company enjoys high fame in this industry | |
| 4 | The management team of your company has good social connections | |
| 5 | Your company has a strong calling in this industry | |
| 6 | Your company invests more in technological innovative resources than other enterprises in this industry | |

| | | |
|----|--|--|
| 7 | Do you focus on environmental-protection innovation of energy saving and emission reduction to improve corporate R&D? | |
| 8 | Your company has a high success rate in product and service innovations | |
| 9 | Are the environmental-protection innovations used into new products faster than ever? | |
| 10 | Do you get competitive advantages by executing green environmental protection plans? | |
| 11 | Do you make enterprise financing easier through attention and management of Stakeholders? | |
| 12 | Do you increase enterprise communications with government by good CSR and attention and management of Stakeholders? | |
| 13 | Do you help enterprise establish good social connection network through attention and management of Stakeholders and good CSR? | |
| 14 | Do you get more supports from government or relevant departments for enterprise through attention and management of Stakeholders and good CSR? | |
| 15 | Do you get priority for new national or industrial policies for enterprise through attention and management of Stakeholders and good CSR? | |
| 16 | Is the initiative of employees improved through attention and management of them? | |
| 17 | Is the working performance of employees improved through attention and management of them? | |
| 18 | Are the capabilities of employees improved through trainings of them? | |
| 19 | Is the turnover rate of employees reduced through attention and management of them? | |
| 20 | Are more talents attracted through attention and management of them? | |

Greatly thanks for your support!