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**BACHELOR THESIS:**  
*Doing well by doing good -  
CSR in The Peoples Republic of China*

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## Sammanfattning

**Titel:** Doing well by doing good, Corporate Social Responsibility in China

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**Ämne/kurs:** FEKK01, Examensarbete kandidatnivå, Företagsekonomi, 15 ECTS

**Författare:** Robert Dykes

**Handledare:** Gösta Wijk

**Nyckelord:** CSR, codes of conduct, arbetstagarnas rättigheter, SKF, Dongjia.

**Syfte:** Uppsatsens primära syfte är att undersöka hur implementeringen av CSR och COC påverkar grundläggande sociala, ekonomiska och humanitära rättigheter för fabriksarbetare på fallföretagen.

**Metod:** Uppsatsen använder ett kvalitativt tillvägagångssätt, med multipla fallstudier med abduktiv ansats som utgångspunkt. Intervjuerna som genomförts har varit semistrukturerade.

**Min referensram:** Min teoretiska referensram består av Carrolls CSR-pyramid, Porter och Kramers teorier om strategi och samhälle, Wijks holistiska modell för företagsledningen, Hofstedes teorier om asiatiskt ledarskap, Zhaos teoreier om kinesisk kultur och Prices teorier om Human Resource Management.

**Empiri:** Min empiriska grund beskriver hur CSR-engagemanget ser ut på den kinesiska marknaden idag, CSR-engagemanget för fallföretagen, och fabriksarbetarnas åsikter angående CSR och COC.

**Slutsats:** Min slutsats visar att COC och CSR initiativ gynnar fabriksarbetarna i olika utsträckning på fallföretagen. Dessutom, visar sig dialog mellan ledning och anställd vara utav stor vikt om hållbar företagsutveckling är ett mål.

## Abstract

**Title:** Doing well by doing good, Corporate Social Responsibility in China

**Seminar date:** January 22<sup>nd</sup> 2010

**Course:** FEKK01, Bachelor Thesis, Business Administration, 15 ECTS

**Author:** Robert Dykes

**Instructor:** Gösta Wijk

**Keywords:** CSR, codes of conduct, worker rights, SKF, Dongjia.

**Purpose:** The main purpose of the project will be to examine how the implementation of CSR and codes of conduct (COC) affect basic social, economical and humanitarian rights for factory workers at the selected companies in China.

**Research design:** My thesis use a qualitative methodology and applies case studies with an abductive approach. My empirical study consists of interviews with a semi structured character.

**My theoretical framework:** My theoretical foundation consists of Carroll's CSR pyramid, Porter & Kramer's theories on strategy and society, Wijk's holistic model for corporate management, Hofstede's theories on Asian management, Zhao's Chinese culture theories, and Price's theories on Human Resource Management.

**Empirical foundation:** My empirical foundation describe the current status of CSR today in China, the current level of CSR involvement at each case company, and the opinions of factory workers regarding CSR and COC.

**Conclusion:** My conclusion show that COC and CSR initiatives are beneficial, to various extent, for factory workers in the case companies studied. Also, the need for dialogue between management and employee is emphasized is sustainable business is an objective.

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Lund, 18<sup>th</sup> of January 2010

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Robert Dykes

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# 1 Introduction

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*In this chapter preliminary background information is given, which will help define the problem and eventually form a question formulation.*

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## 1.1 Background

The Peoples Republic of China is today one of the worlds economical superpowers. It has the world's fastest growing economy and holds one of the world's largest labour forces. Chinas nickname, 'The World's Factory', comes from the fact that the large labour force is also the worlds cheapest.<sup>1</sup> Powerful economical growth coexisting with harsh poverty.

When Mao Zedong seized power in 1949, he made China a socialist country. All property that had previously been privately owned now belonged to the government. Production and sales were controlled by the government. This led to a great mismanagement of Chinas industry and agriculture. With Mao's death in 1978, the economical reform begun.<sup>2</sup>

Since the beginning of the economical reform and the transition to a market economy in 1978, Chinas GDP growth has averaged almost 10% annually, a growth performance that can be compared to that of Japan and Korea. Living standards have risen the last three decades and poverty has fallen from 50% initially to 8% today.<sup>3</sup> With a population of 1,3 billion, it gives China a population under the poverty line of 107 million.<sup>4</sup>

On the 11<sup>th</sup> of December 2001, China gained accession to the World Trade Organization (WTO).<sup>5</sup> Joining the multilateral trade organization enabled China to have greater access to the world market and in doing so, bringing more competition to the market. However, Chinas market liberalization has been accompanied by enormous socio-economical problems.

The obvious abuse of workers rights is one of the most serious problems. For instance, the communist regime states that it is illegal for workers to organize independent unions and to strike. Forced labour, child labour, excessive overtime, substandard wages and hazardous working condition are all common for factory workers. Most workers have to endure a 6 day work week with 12 hour shift. A 'normal' wage, border to 'good' wage, is 800 SEK per month, depending on province.<sup>6</sup>

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<sup>1</sup> Radio86 (2007), *Arbeta i världens fabrik: Den mörka sidan av Kinas arbetskraft*

<sup>2</sup> Hammerstig & Lindgren (2005) *Kina – Ett land i.e.konomisk förändring* p.3

<sup>3</sup> OECD (2009) *Reviews of Regulatory Reform China - Defining the Boundary between the Market and the State* p.32

<sup>4</sup> CIA – The worlds factbook (2009), *China*

<sup>5</sup> WTO News (2001), *WTO successfully concludes negotiations on China's entry*

<sup>6</sup> Dagens Arbete (2005), *Kinas arbetare har fått nog*

As part of the economical reform, a Chinese labour law was enacted in 1995 with the purpose of giving good protection to the workers of China. Although the law exists, it is still today poorly enforced.<sup>7</sup>

With increasing unemployment and poverty in China, due to the latest recession, workers are willing to sacrifice more of their rights to keep their jobs, making it even more crucial that China enforces fair labour standards and the protection for its workers.<sup>8</sup>

The people's republic of China has a labour force of 807,3 million people, making it the largest labour force of the world. 25% of the labour force works within the production industry, manufacturing, for instance, textiles and apparel, footwear and consumer products. With 8% of the population living under the poverty line, there is a great need for an overall improvement of life in China.<sup>9</sup>

The Chinese labour legislation is of acceptable sort, but as previously stated, is not enforced by the government when violations towards workers occur. Amnesty International is now informing all multinational companies who trade with China of this fact.

*"All corporations with operations in China today are contributing to the violation of human rights. How, and to what extent these violations occur are dependent upon the type of business the corporation is active within and how the operation is addressed, but the fundamental condition is the same for all types of businesses."*

(Amnesty International, [www4.amnesty.se](http://www4.amnesty.se), 2009)

Furthermore, there is legislation prohibiting workers who try to assemble and create their own independent unions. The workers only option for unification is the All China Federation of Trade Unions (ACFTU), which, consequently is controlled by the socialistic government. Those who actually organize independent unions are imprisoned and harassed.<sup>10</sup>

The Chinese Labour Bulletin (CLB) is a non-governmental organization that seeks to defend and promote workers rights in China. Their main focus is for the peaceful and beneficial resolution of labour disputes, strikes and protests. The CLB's Labour Rights Litigation Program helps those who have been subject to labour disputes, with legal advice and support. However, this is often means to a last resort. CLB have since 2005 been promoting the use of collective labour contracts, which works as an alternative to management-imposed corporate codes of conduct (COC). Negotiations between worker representative and upper-management create collective contracts that are legally enforced. This empowers worker rights, and also improves the labour-management relationship.<sup>11</sup>

<sup>7</sup> Human Rights First (2009), *Corporate Accountability and Protecting Worker Rights*

<sup>8</sup> China Daily (2009) *China's unemployment rate climbs*

<sup>9</sup> CIA – The worlds factbook (2009) *China*

<sup>10</sup> Amnesty Kinasamordningen (2009) *Företagande i Kina*

<sup>11</sup> China Labour Bulletin (2008) *Who we are*



Organizations like CLB and the actions they take are of great significance for the workers of China. Although they help to improve the life of some Chinese workers, there is still a lot to be done.

## 1.2 The project and involving organizations

One of my main on-site contact's, Marcel Wang, works as a factory manager for the consulting-firm Shaoxing MAQ Import and Export Ltd. The company, and Marcel himself, work as an consultant between Western companies and Chinese factories. He aided me in setting up interviews and was my main contact when corresponding with the company *Zhejiang DONGJIA Knitting CO., Ltd.* The company has one factory and manufacture garments (for instance: socks, shoes, clothes, etc.) for import and export.

My second on-site contact, Yunfeng Li, works as a Project Manager within the Department of Sustainability at SKF. SKF, being the worlds largest producer and supplier of ball bearings, has multiple factories in China. Yunfeng assisted me in setting up interviews at the company *SKF (Shanghai) Automotive Technologies Co. Ltd.* The reason why I chose both a larger multinational corporation (as SKF) and one – in comparison – smaller company (Dongjia) is because this will bring more truthfulness to the project and give a good view of the actual conditions of factory workers in China. Conducting interviews at factories not commonly examined by the public eye, such as Dongjia, combined with such a large corporation as SKF will bring both broadness and depth to my empirical data.

## 1.3 Definition of the problem

According to Sida, human rights are one of the major objectives for Sweden's relief work. Chinas five year plan (2006-2011) stress the importance of helping the disfavoured groups and creating a more equal society with sustainable growth.

Another of Sida's major objectives is the need for economical development in third world countries. But economical growth itself is not sufficient, it needs to be beneficial to the poor population. Sida is contributing with, for instance, investments in the infrastructure, support of small businesses, and keeping focus on creating a good business climate.<sup>12</sup>

One of the more important factors in creating a good business climate is the need for unification between governments, employers and workers with the common purpose of promoting decent work standards and rights. The International Labour Organizations (ILO) most prominent goal is to create new opportunities for both men and women in obtaining decent and productive work in conditions of freedom, equity, security, and human dignity.<sup>13</sup>

<sup>12</sup> SIDA - Styrelsen för Internationellt Utvecklingsarbete (2009), *Ekonomisk utveckling på de fattigas villkor*

<sup>13</sup> ILO - International Labour Organization (2008), *ILO Decent Work Country Program – A Guidebook p.8*

The concept of 'decent work' holds the aspirations of people who are actively working. Such aspirations includes opportunities, income, rights, recognition and freedom of speech. The need for family stability, personal development, fairness and gender equality is also of great importance.

The overall objectives of the Decent Work agenda concerns all workers; women and men, in factories, offices and fields, as employees or self employed, in both formal and informal economies.<sup>14</sup> In the efforts of reducing poverty, creating decent work for the means of achieving equality, inclusion and sustainable development is of utmost importance.

### 1.4 Purpose

The main purpose of the project will be to examine how the implementation of CSR and codes of conduct (COC) affect basic social, economical and humanitarian rights for factory workers at the selected companies in China. In order to accomplish this I will focus on specific humanitarian and working rights that are legislated in China today. I will also focus on CSR policies and COC implemented by the case companies and how this affects - from a business administration perspective - the relationships towards other interested parties. Finally, this will enable me to examine if (and how) implemented CSR policies and COC have come to benefit factory workers.

I have chosen to focus on a project conducted in China because it is of great interest how such an economical prominent country can conduct such a faulty line of policy regarding worker rights. I seek to analyse how different types of COC and international labour standards are enforced, mainly focusing on production companies. I will use data and standards from organizations like ILO, OECD, Sida and CLB in my effort to create an overall study of workers rights in China.

My goal with the project is not to create a general image of corporations in China and the way they conduct CSR. Considering the narrow selection, the few organizations studied will not give an overall representative image of the current CSR status in China. My goal is instead to focus on a few organizations, and in doing so, achieve a greater in depth view of the implementation of CSR and COC within the corporations, and furthermore, how this actually effect workers rights.

I will conduct interviews in the field in order to see if the opinions of people involved match the standards currently in place. My intention is not examine how worker rights perspective *should be*, but how it is shown in the specific case studied today.

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<sup>14</sup> ILO - International Labour Organization (2009) *Tripartism*

### 1.5 Question formulation

In order to conduct my research I have summarized the main purpose of the project in the exploratory questions below.

- How are the current social, economical and humanitarian rights enforced for factory workers (at the respective case) company in relation to implemented CSR policies and COC?
- How are the relationships between stakeholders affected with the implementation of CSR policies and COC?
- How have factory workers benefited from implemented CSR-policies and COC?

### 1.6 Research questions

The main question is: *How/to what extent does the implementation of CSR and COC affect basic worker rights in China?* This is then divided into two approaches. Both of these approaches will need empirical research in order to be answered.

The first approach to be analysed concerns the theories and if the outcome of the project matches the intended aim, this is *the empirical approach*. I will use my theoretical frame of reference and with this construct an analytical system to compare the intended aims of the project with the actual outcome. To assess whether this presents a feasible and realistic plan for improving the worker's rights in China - the projects theories first needs to be expressed clearly enough for review. I must therefore interview people involved in the project and see the outcome of the project in the field so that I can express a clear and correct project theory that stands for review. I can then, with the results of the interviews and in relation to current theories, examine if it is feasible and realistic.

The second, and *theoretical approach*, concerns what kind of worker perspectives that are conceptualized in the project studied. Different theories on working perspective gives different results, therefore it is important to compare the projects theories with theories on worker perspectives in China. It can together with the empirical question give me an indication whether or not the project's theories gives the effect that it aims for and if the worker perspective is conceptualized in the way it is intended in official worker policy.

Finally these findings are compared, that is the empirical findings with the theoretical framework. It is furthermore interesting to observe if the project has contributed to a positive change, according to the project report, since this can imply that operating through, for instance, unions to empower workers is a successful method to achieve enhanced worker rights.

### 1.7 Limitation

My study can to the farthest extent only express itself regarding the case companies, but with information supplied by these, an opportunity to have a general discussion regarding CSR in China become possible. Since the purpose of my research holds a strong focus on the stakeholder group *employees* (i.e. factory workers), this becomes a natural limitation for my thesis. Furthermore, with the empirical data gathered in China, a geographical limitation becomes evident. The research will only address Swedish and Chinese influenced companies and organizations, with the exception of certain global organisations' (ILO, OECD, Amnesty, etc.) interest within CSR and COC. As previously mentioned, my goal is not to create a general image of CSR in China today, which – in itself – can be seen as a limitation.

## 2 Method / Research Design

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*In this chapter I will explain and justify the method chosen for the project, and also highlight certain methodical constraints that might arise when conducting research abroad.*

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Based on Gösta Wijk's working paper on knowledge production<sup>15</sup> I have chosen to conduct my empirical study from a developmental viewpoint, since my study area is relatively unknown and has, according to me, as of yet not received a proper study of exploratory art.

I will use a qualitative methodology and apply case studies with an abductive approach. The reason for choosing an abductive approach is simply because of the character in which my study is executed. An abductive approach (with abductive being a hybrid between inductive and deductive) allows me to, during the course of this paper, adjust my empirical and theoretical material. Furthermore, an abductive approach is set on finding underlying patterns and cultural values that emphasizes the concept of understanding – rather the concept of explaining.<sup>16</sup>

### 2.1 Primary source

Part of my empirical study consists of interviews with a semi structured character. The interviews conducted in China will be an important primary source for the study. With the semi structured character of interview as base in my qualitative study I will be able to analyse the knowledge that the respondent holds and, furthermore, it enables the respondent to answer more sincerely. There will be a series of standardized questions presented at the interviews. Although these questions are standardized, I will allow some room for unexpected questions that might occur during the interview. Hopefully, this will give the interview a more flexible and conversational approach. Since it is impossible to ahead of time calculate how the interviews unfold or what kind of information is revealed by the respondent, I find semi structured interviews a suitable method since the study is of exploratory character.<sup>17</sup>

In order to not lose important data, I will be recording the interviews. Being able to listen to the interview multiple times is of great importance, simply because it allows me to analyse the interview more thoroughly. The recording of the interview will most likely create a sense of unease to the respondent. Furthermore, this might jeopardize the length, depth and truthfulness of the answers. It is therefore of the utmost importance that I make the respondent feel at ease, preferably within a comfortable office, or even at a location separated from the work place.

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<sup>15</sup> Wijk (2009) *PM om kunskapsproduktion*

<sup>16</sup> Alvesson & Sköldberg (2004) *Tolkning och reflektion: Vetenskapsfilosofi och kvalitativ metod*

<sup>17</sup> Bryman & Bell (2005) *Företagsekonomiska forskningsmetoder* s. 363

It is important to mention that the effects of verbal interviewing can be both necessary and unnecessary. I will try not to pose leading question even if this can be unconsciously done. The question shall be posed as simply as possible to avoid misinterpretations. This could in fact lead to interpretations and delicate situations of superiority - I could appear to be superior which I would like to avoid by all means. Finally, respect for the person who is interviewed is important and that the person is aware of the fact that her/his answers will be recorded and written down. The respondent will not be asked to tell her/his name, since the interviews are of anonymous nature.

Since the interviews are conducted in China, I am aware of the language barriers that might arise. Even though I speak some Chinese, I will arrange for an interpreter who will be present at the interviews. With the answers going through the channel of the interpreter, there are some matters of importance to consider. First of all, the interpreter needs to have an objective mindset and be truthful. I have therefore requested not to use an interpreter sanctioned to me by the company, since he/she might be influenced in ways that are too many to be discussed here. Secondly, I will confirm that the questions and answers are translated correct by re-playing the interview to an objective, Chinese speaking, third-party person. This will ensure that the interviews can be used as valid empirical data. Besides the need of proper translation, I am aware of the risk of faulty or misleading information that might arise during the interviews. Because of this, I have taken a very critical stance towards the data that are gathered during the interviews. It is of importance that the empirical data gathered from the results of these interviews is representative and applicable throughout similar sources in China. The importance of this representation is a crucial factor for my thesis, something I will discuss later on.

Being physically on site is of great importance, and telephone interviews are not an option for me, since the loss of data due to restrictions via telephone is unacceptable. Furthermore, being on site also enables me to see some physical areas of the company (i.e. factory floor), and create my own opinion of the conditions of the work place.

In order to answer the questions asked, there will be two companies, and their factories, studied. I have arranged for on site interviews with both the local company *Zhejiang DONGJIA Knitting CO, Ltd.*, and the Swedish multinational corporation *SKF*. The companies will have a Corporate Social Responsibility conduct code that they follow and abide to. They need to be certified employers and have the approval of the Chinese government to conduct production.

The reason I chose interviews and not questionnaires is the obvious need of adjusting the questions to the different responding persons which have all different roles related to the project. I will have a few standardized questions in order to better compare the answers though these will be of an open character without fixed pre-defined answer alternatives. I have chosen to conduct interviews with 5-10 factory floor workers at respective

factory, with a time frame of 45-60 minutes per person and interview. The number of interviews are estimated in relation to resources, like time and cost, as well as the purpose of the study.

### 2.1.1 Methodological constraints

Since the Chinese language is a language that requires a large amount of context, my translator at the time, John Chang, and I spent a large amount of time before the interviews to discuss the questions and what kind of information I wanted to gather from the respondent. This, to ensure that the questions were asked correctly. Furthermore, Chang being indigenous Chinese and more accustomed to the Chinese culture, his feedback was very helpful in stating that none of the questions, at first glance, were regarded as overly "sensitive". This proved later to be wrong in Dongjias case. The time constraint given by the company (10 minutes) was something that put a lot of pressure on both the respondent and I. It was an unforeseen aspect as I had been granted 45-60 minutes in previous correspondence. The reason for this time constraint was simply explained as a higher level of production than anticipated on the day of my arrival. Although the time constraint was a frustrating factor, I managed to ask all the questions I intended and also received answers to them all. The fact that I took too long on several of the interviews is more the company's disadvantage than my own or the worker interviewed.

When conducting interviews at ATC, I had the same preliminary discussion with my translator, Miss Xiaojin Qiu, similar to the one at Dongjia (to minimize the risk of repetition, please see the above passage for the things we discussed). This to ensure that the same type and level of engagement was consistent with the interviews at Dongjia. No official time constraint was given at these interviews, although 20-30 minutes was all that was needed with each respondents.

### 2.1.2 Layout of interview guide

When conducting a semi-structured interview, it is according to Bryman et al (2005) recommended to pose the following question to one self: *"What do I need to know to be able to answer my question formulation?"*<sup>18</sup>

In order to answer this question, I need an insight into what my respondents perceive as important in relation to my question formulation. The interview questions must therefore cover the area which I am interested in exploring, but with focus on the respondents perspective.

I have therefore followed the advice given by Kvale (1996) when setting up the interview questions<sup>19</sup>, but have given some extra consideration to the specific culture of China and the ethical dilemmas that might arise. The criteria given by Kvale (1996) are as following:

1. Familiarity – The interviewer is to be familiar with the topic at hand, and what the purpose of the interview is and desired outcome.

<sup>18</sup> Bryman & Bell (2005) *Företagsekonomiska forskningsmetoder* s.369

<sup>19</sup> Kvale (1996) *Interviews: an introduction to qualitative research interviewing*

2. Structure – The interviewer should have a structured plan for the interview, for instance explaining the purpose of the interview, running the interview along its intended course, summarize and finally asking the respondent if he/she has any questions of their own.
3. Distinctiveness – The questions asked should be short, simple and understandable, to minimize the risk of misinterpretation.
4. Consideration – Allowing the respondent to finish what their saying, giving them time to think, and accepting periods of silence.
5. Sensitivity – The need for empathy towards the respondent is of great concern. I am to listen carefully on what is said and how it is said in order to validate the truthfulness of the answers.
6. Flexible – A flexible approach is needed, since the course of the interview is subject to change.
7. Controlling – In attaining the information requested, a healthy amount of control is required.
8. Critical – Questioning the truthfulness of the answers are, for obvious reasons, of utmost importance.
9. Remembrance – The interviewer has to remember what *has* been said and relate that to what *is* being said at the current moment.
10. Interpretation – It is the interviewer responsibility to correctly distinguish what the respondent says, without personal interpretation.

After conducting the interview, it is of importance to reflect over follow-up issues relating to the interview itself. The issues that need to be reflected upon are: Overall positive outcome of interview, where the interview was conducted, if the interview gave inspiration for new ideas, and the state of the environment (i.e. old or modern, calm or busy, etc.).<sup>20</sup>

I will, after completing the interview, transcribe the recorded material. This is done due to a number of reasons<sup>21</sup>, with the main reason being the facilitation of the interview for further analysis. This will be discussed further down.

### 2.1.3 Criteria for evaluation of qualitative research

As I mentioned earlier, my project is to great extent incorporated with capturing the understanding of social, cultural and humanitarian occurrences of qualitative sort. I have therefore chosen to use a different set of rules when judging and questioning the reliability and validity of my research, simply because this is of greater concern when regarding, for instance, the truthfulness of acquired empirical material. Cuba & Lincoln (1994) highlights alternative criteria such as *trustworthiness* and *authenticity* in contrast to (the more commonly used concepts of) *validity* and *reliability*.<sup>22</sup>

<sup>20</sup> Bryman & Bell (2005), *Företagsekonomiska forskningsmetoder* s. 371

<sup>21</sup> Bryman & Bell (2005), *Företagsekonomiska forskningsmetoder* s. 374

<sup>22</sup> Guba & Lincoln (1994), *Competing Paradigms in Qualitative Research*



The concept of *trustworthiness*<sup>23</sup> holds four criteria which works as a counterpart to *validity* in qualitative research. The first criteria is *credibility*, which can easily be explained as the different descriptions of social reality. In my case, due to the difference in social culture (Swedish versus Chinese), social reality might be perceived as different depending on whose perspective. In my case, this perspective is that of Chinese factory workers and the state of their community. This needs to be respected and considered when confirming that the social reality is perceived as 'correct' – and in doing so, intuitively, adding credibility to my results. The second criteria, *transferability*, looks to what extent the results of my empirical research can be transferred to another environment. *Dependability*, being the third criteria, is a sort of equivalent to the concept of reliability, and emphasizes the need of an auditing approach. This requires a continuous review of all phases regarding the research process, and will ensure the quality of the presented material. Since it is almost impossible to maintain complete objectivity when conducting societal research, the need for a fourth and final criteria, *confirmability*, becomes evident. This means that results are to be accurate and confirmable in relation to the objectivity of the author, and it is therefore of importance to keep ones own personal values and theoretical approach apart from the process and conclusion of the research.

The concept of *authenticity*<sup>24</sup> holds in itself five criteria, and handles general questions regarding the consequences of intensive research and the politics surrounding this phenomenon. The first question can be presented as “is the *authentic image* of the study groups opinion presented?” When relating to my project I have, through various precautions, gone to great lengths to ensure that the correct image of the opinions are given to me. To mention one precaution, I will be using a translator who is non-affiliated with the companies examined. The second question, which regards *ontological authenticity*, can be presented as “does the research further the participants understanding of their social situation/environment?” It is not my intention to examine how worker rights perspective *should be*, but rather how it is shown in the specific case studied, and therefore I will, hopefully, further the participants understanding of their social situation. The third question, *pedagogical authenticity*, asks “does the research contribute to the participants understanding of how others within the environment experience things?” Since my research upon completion will be presented to the participants, it is my expectation that it will further the participants understanding of how, for instance, co-workers perceive their situation. When addressing the forth criteria, *catalytic authenticity*, it is of importance to ask the question “does the research enable the participants to change?” When conducting research in the manner of extensive field work, ethical considerations must be taken into consideration. Therefore, I find it more suiting to discuss this issue further down. The fifth and final criteria, *tactical authenticity*, poses the question “does the research improve the participants measures of alterations?” Same as with the fourth criteria, some ethical considerations need to be addressed when considering this question, and will be discussed further down.

<sup>23</sup> Guba & Lincoln (1994), *Competing Paradigms in Qualitative Research*

<sup>24</sup> Guba & Lincoln (1994), *Competing Paradigms in Qualitative Research*

When evaluating my qualitative research, it is my intention to use the above prescribed criteria as base for this evaluation, but I also find it is of importance to reflect upon the notion of transparency<sup>25</sup>. It is my intention to keep my research very transparent, all areas of the research considered - but especially in reference to clearly stating my intentions, the selection<sup>26</sup>, and the description of obtaining empirical data.

#### 2.1.4 Selection

As mentioned earlier, the need for representativity<sup>27</sup> is of great importance for my project. I have, with my question formulation and the nature of my research close to mind, negotiated with collaborating companies and gained access to low-level, factory floor workers for interviews. As mentioned above, I will interview 5-10 workers at the specific factories.

The type of *theoretical selection*<sup>28</sup> - which itself is part of the concept *grounded theory*<sup>29</sup> - will through observation, interviews and gathering of written sources finally lead to *theoretical fullness*.<sup>30</sup> In short, *theoretical fullness* means that there is no new data to be retrieved within a certain category. The choice of interviewing objects is made strategically in relation to resources and purpose of the study, and furthermore, the selection needs to be large enough to test the theoretical ideas of the project – in accordance with *grounded theory*.

Since my project is bordering on micro-ethnographical behaviour<sup>31</sup>, the theoretical selection method of sort will be complemented with “chain selection” or (also referred to as) “snowball selection”<sup>32</sup>. Basically, this means that one informant recommend another one and so on. The use of this selection type will become evident throughout the course of this paper.

#### 2.1.5 Field notes

A personal prerequisite when conducting my fieldwork will be to keep field notes. This is done in order to not lose valuable observations, impressions and reflections. Bryman et al (2005) recommend a few basic principles regarding to field notes<sup>33</sup>:

1. One should be quick to write down impressions of an occurrence.
2. One should explicate previous notes made in haste when time is sufficient.
3. If one were so inclined he/she could use a tape recorder to register impressions.

<sup>25</sup> Bryman & Bell (2005), *Företagsekonomiska forskningsmetoder* s. 320

<sup>26</sup> Bryman & Bell (2005), *Företagsekonomiska forskningsmetoder* s. 377

<sup>27</sup> Representativity being an objective, according to Bryman & Bell (2005), that is given more focus when performing quantitative studies, but nonetheless of importance to my project.

<sup>28</sup> Bryman & Bell (2005), *Företagsekonomiska forskningsmetoder* s. 350

<sup>29</sup> Bryman & Bell (2005), *Företagsekonomiska forskningsmetoder* s. 349

<sup>30</sup> Bryman & Bell (2005), *Företagsekonomiska forskningsmetoder* s. 350

<sup>31</sup> Bryman & Bell (2005), *Företagsekonomiska forskningsmetoder* s. 336

<sup>32</sup> Bryman & Bell (2005), *Företagsekonomiska forskningsmetoder* s. 126

<sup>33</sup> Bryman & Bell (2005), *Företagsekonomiska forskningsmetoder* s. 352

#### 4. Field notes are to be graphic and distinct.

There are of course some dilemmas that need to be taken into consideration when dealing with field notes. Spending too much time writing field notes is resource consuming, in dual meaning. It takes focus from the task at hand, and the amount of data collected might become overwhelming. Furthermore, being very public about writing field notes might be viewed as surveillance. Especially in China, where surveillance is such a common concept (which will be reviewed later on), taking field notes might spawn unwanted behaviour.

The principles, dilemmas, positive, and negative aspects of taking field notes is something I have taken into consideration when conducting my field work and found that the benefits of keeping field notes are far greater than the drawbacks.

#### 2.1.6 Ethical aspects of fieldwork

I have chosen to follow the ethical research principles within humanistic-societal science enacted by the Swedish Research Council<sup>34</sup> with additional considerations made by Ken Wilson in his paper *Thinking about the ethics of fieldwork (1992)*<sup>35</sup>. The main idea with research is that available knowledge is deepened and methods improved. Although this is a prerequisite for development, respect for society's members are fundamental. It is therefore of importance to reflect over the demand for individual protection – individual protection being the obvious starting point when conducting research involving ethical considerations. Within the concept of individual protection the individual is not allowed to endure physical or psychological pain, humiliation or infringement. Furthermore, the individuals protection can be summarized in four requirements regarding research. These are the requirements for information, consent, confidentiality and utilization.

When discussing the requirement for information it is important that I inform concerning parties of the research's main purpose. I have, throughout my correspondence with institutions, corporations, tutors, non-governmental organizations, etc., been true the requirement for information and emphasized certain aspects of it. For instance, informing the participant that their involvement is voluntary and non-beneficial is made at the beginning of every encounter, this to clarify that there is no hidden agenda or motive with the research.

The participant will always have the right to decide his/her own level of involvement. This includes the participants engagement in terms of willingness, time spent involved, and under what circumstances. Furthermore, should the participant chose to withdraw their involvement, this is to be done without negative repercussions. The above stated requirements of consent is enforced throughout my project and clearly explained at interviews with participants. If a participant choose to end his/her participation during, for instance, an interview, I will only use the material gathered during the period when the participant actually was under consent.

<sup>34</sup> Vetenskapsrådet (2009) *Humaniora och samhällsvetenskap*

<sup>35</sup> Devereux & Hodinott (1992) *Fieldwork in Developing Countries* s.179

The requirement of confidentiality is of great concern to my project. All participants interviewed will be asked to share information with the highest respect to confidentiality. Personal information and copies of transcribed interviews will be stored in such a manner that unauthorized personnel can not take part of them.

Furthermore, the personal information given by a certain individual will be treated and debriefed within the thesis so that the specific individual remains anonymous.

The last requirement, utilization, states that the collected information regarding a certain individual is only to be used in reference to research purposes. Using collected, sometimes sensitive, information for commercial and non-scientific purposes is highly prohibited. This does not state that the same information cannot be used to further other scientific endeavours, as long as the addressed research follows the criteria mentioned above. Since my research can be desired by commercial companies, I have consider the risks of exploitation of my gathered information by such, commercially inclined parties. As a precaution, and previously mentioned, I will store, handle and debrief collected information with the highest regard to all above mentioned requirements.

With the above mentioned requirements in mind, I have also chosen to follow the recommendation that the Swedish Research Council push for when conducting, to some extent, ethical sensitive field work. Some of these recommendations endorse the need to let participants view parts of sensitive material and interpretations before publication. This recommendation does not mean that the participants should hold the power to alter researched material. It should rather spur the debate if the expected additional knowledge can be weighed towards the negative consequence for the participants involved. This is something I have taken into consideration and have, when communicating with companies involved, stated what my research intends to show where, and to what purpose it will be published, and also offered a copy of the finished thesis. I have furthermore had discussions with involved companies regarding particularly sensitive material, such as the questions posed to factory workers. This is done, simply because the company is accustomed to the culture of the Chinese workforce and has a better advantage in gaining access to the factory workers honest opinion.

### **2.1.7 Field methodology**

When undertaking a project that requires field work in a country such as China, there are a numerous things that need to be considered. I intend to, very shorty, highlight some of these considerations that I have made in accordance with Stephen Devereux and John Hoddinotts book *Fieldwork in Developing Countries (1992)*.

Working entirely without help in the field is not feasible for someone who is not accustomed to the language and the culture.<sup>36</sup> Since this is my situation, I have devoted a lot of time in acquiring competent translators that will enable me fairly direct contact with the respondents. I do realize that the information is given second-hand but still find this method to be the most suitable for my research. Since I have a rudimentary knowledge of Chinese, this will help me to pick up obvious mistranslations and if words are being put in the respondents

<sup>36</sup> Devereux & Hoddinott (1992) *Fieldwork in Developing Countries* s.26

mouth. One big risk with using translators supplied by the examining company, is that the interpreter might hide facts due to a number of reasons – ranging from embarrassment and loyalty towards co-workers, or because they believe that the researcher is uninterested with details supplied. I have, as previously stated, therefore chosen to work with a non-affiliated translator. Another positive aspect of using a translator of indigenous origin is that he/she can screen for political, culturally or socially sensitive questions that the respondent might resent, and in doing so, being able to alter the questions so that requested information is still obtained.

I have, as previously stated, been granted interviews with low level factory workers. Although this is admirable to some extent, there is still room for discussion regarding the actual respondents given to me. Since I don't have the authority to select specific respondents - other than them being low level workers - I have by the respective company been given respondents of their choice. This is something I have taken into consideration when conducting my interviews, and will therefore pose specific questions that will enable me to classify the respondent. For instance, if the specific respondent is wearing nice garments (i.e. suit) and gives of an aura of high-level income, the empirical data acquired by the specific respondent holds no weight in my study. It is therefore of importance to classify the respondent accordingly in order to improve the representativeness of my conducted interview.

I have previously, briefly, handled the topic of confidentiality with the ethical perspective of fieldwork. I now intend to discuss aspects of confidentiality in relation to the methodology of field work. Intuitively, sensitive data is the most difficult to collect, and often, the most interesting to the researcher.<sup>37</sup> When discussing sensitive issues, there are a few criteria that needs to be considered that might help the researcher to obtain wanted information. First of all, there is the question of what is deemed “sensitive” in relation to the culture. Some information that we Westerners consider public and easy to discuss might in China produce an evasive or hostile response. For instance, if I am perceived as a member of the state, questions regarding income, assets and working hours might be perceived as information to be used for tax purposes. Since this is not the case, gathering mentioned information is best done by first establishing a relationship of trust, and then reassuring the respondent that the fear is groundless. One way to establish mutual trust, is to ensure the respondent that the information given will be treated as confidential and anonymous. This, and addressing sensitivity topics “gently”<sup>38</sup>, will be taken into consideration when conducting my interviews. One final consideration when discussing the respondents willingness to discussing sensitive topics, is the presence and characteristics of the translator. As previously stated, people talk more freely about a sensitive topic when questioned by someone that is not affiliated with the company examined.

<sup>37</sup> Devereux & Hoddinott (1992) *Fieldwork in Developing Countries* s.33

<sup>38</sup> Devereux & Hoddinott (1992) *Fieldwork in Developing Countries* s.34

### 2.1.8 Debriefing the material

As mentioned earlier, I intend to record the interviews so as not to lose valuable data and thereafter transcribe the recordings. Bryman & Bell (2005) give their view on the positive and negative reasons of recording and transcribing interviews, and I have taken this into consideration throughout this paper.

When conducting interviews under a relative short period of time, as in my case, the mind might miss or reach faulty conclusions due to, for instance, the time constraint. It is therefore an obvious advantage to be able to consult the recording or transcribed material and interpret the interview multiple times without time constraint. Recording the interview also enables the interviewer to fully focus on what is said and, for instance, follow up on side-topics of importance, without being distracted by writing notes. Furthermore, since I intend to transcribe the material, I will be able to confirm the truthfulness and validity of the interview by a third-party Chinese speaking person. The transcribed material can also be used in exploring new theoretical ideas and analytical strategies. The negative, mostly practical, aspect of recording and transcribing interviews is the obvious increased workload and time consumption. The need for appropriate equipment, such as a tape recorder, microphone, etc., is also something that needs to be considered. As discussed previously, the respondent might also feel restricted by having his/her opinion recorded.

## 2.2 Secondary sources

My secondary sources consist of literature in the form of books, scientific journals and web-related information. Since secondary sources is material written by other authors and based on answering different questions than the ones relating to this project<sup>39</sup>, I have used my secondary sources with a critical view and an objective mindset, according to the criteria previously discussed under passage 2.1.2. Furthermore, since some of the web-related material is attained from independent sources, there will be a need for a thorough evaluation if I am to use the material.

CSR policies and COC supplied to me by the companies investigated are compared with governmental and non-governmental organizations' (NGO) recommendations and standards that are in place today. This is done to ensure that standards enforced by the company are up to par with the standards recommended by the government and external NGO's.

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<sup>39</sup> Lundahl & Skärvad (1999) *Utredningsmetodik för samhällsvetare och ekonomer* s.52

### 3 Theoretical frame of reference

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*In this chapter I will present the theoretical framework that my thesis is built upon. The chosen theories are later used when analysing the gathered empirical data.*

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My theoretical foundation consists of Carroll's (1991) CSR pyramid, Porter & Kramer's (2006) theories on strategy and society, Wijk's (2009) holistic model for corporate management, Hofstede's (2007) theories on Asian management, Zhao's (1994) Chinese culture theories, and Price's (2007) theories on Human Resource Management.

The theory of Corporate Social Responsibility (CSR) is a form of corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards, and international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere in the emerging global economy.

Furthermore, business would pro actively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honouring of a triple bottom line: People, Planet, Profit.<sup>40</sup>

Since CSR is a broad concept, it is important to focus on the specific part of CSR theory that is of importance to the project. Ethical responsibilities, for instance, embrace those activities and practices that are expected or prohibited by societal members even though they are not bound by law. Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what customers, employees, shareholders and the community regards as fair, just, or in keeping with the respect or protection of stakeholders' moral rights.<sup>41</sup>

The idea behind CSR is that companies themselves would be willing to engage in the prospect of a better society. Showing respect for human rights, treating employees, customers and suppliers with dignity and fairness, and also to be a good member of the society and care about the improvement of nature. CSR improves results by taking responsibility.

In order to understand the complexity of the Chinese corporate culture, I will apply Hofstede's (2007) theories regarding organizational culture. Hofstede (2007) describes in his article "Asian management in the 21<sup>st</sup> century" Chinese culture as "*the collective programming of the mind which distinguishes the members of one group or category of people from another.*" Since The Peoples Republic of China has a very collectivistic culture,

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<sup>40</sup> Cerne (2009) *CSR: En fluga eller konsten att tjäna mer pengar* p.32

<sup>41</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility* p.5

partly because of the communist regime, they therefore have a strong feel for group belonging. The concept of loyalty (towards e.g. company, family, etc.) is a very strong element in China. The theories supplied by Hofstede (2007) will be help in understanding the organizational culture of the case companies.<sup>42</sup>

### 3.1 Understanding Chinese corporate culture

Hofstede (2007) defines management as “*coordinating the efforts of people towards common goals*” or more literally and to the point, “*getting things done through other people*”,<sup>43</sup> with the definition of 'people' involving subordinates (i.e. factory workers), clients, customers, suppliers, authorities and the public in general. With accepting that management is about people, and people being a part of a culture, does that not imply that understanding the culture is required to manage the people, if the preferred choice is to do this successfully? Indeed it does. It is therefore conclusive that management techniques and philosophy are appropriate depending on what type of culture that is addressed and treated.<sup>44</sup>

Regarding the concept of *values* as the core element of any culture, Hofstede (2007) claim that cultural values differ among societies, but stay very much the same within one specific society. The definition of right from wrong, good from bad, immoral from moral, irrational from rational, etc., are among the values that make up the collective programming of peoples mind in a society. Since management deals with people of a certain culture and its values - whom stay the same within the specific society - it is understandable that management also stays the same within the specific society. A sort of 'national continuity' can be acknowledged.

There is some critique aimed towards Hofstede's (2007) reasoning. One could claim that new technology, especially electronic communication, changes the managerial process and in doing so, influences the culture by not actually being part of it. Hofstede (2007) claims that “*values are resilient against technology*”<sup>45</sup>. This train of thought sees technology as a tool that influences cultures on a superficial level, not on the basic level of values. Since technology and tools created from this technology change from day to day, they do not necessarily affect the underlying values, simply because these values are not supplied by the technology – but by the person using the technology. This statement can, according to Hofstede (2007), be seen throughout history. Management in the 21<sup>st</sup> century does not differ that much from the way management was conducted in the 20<sup>th</sup> century. Management problems have existed as long as human societies have existed. Multinational businesses, although not called exactly that, were run by Assyrians, Greeks and Romans in the Mediterranean area between 1900-100 BC, and describe problems that resemble those of today's modern global companies.<sup>46</sup>

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<sup>42</sup> Hofstede (2007) *Asian management in the 21st century* p.2

<sup>43</sup> Ibid

<sup>44</sup> Hofstede (1984) *Cultural dimensions in management and planning* p.81

<sup>45</sup> Hofstede (2007) *Asian management in the 21st century* p.3

<sup>46</sup> Ibid



When discussing geographical differences in management Hofstede (2007) uses specifically one case that is of interest in my thesis. The book *The Dream of the Red Chamber*<sup>47</sup> is a Chinese semi-autobiographic novel published around 1760 and describes the rise and fall of two families in Beijing. The story includes how a specific, jointly shared garden is taken control of and managed by a female member of one of the families. It highlights examples of early managerial concepts regarding capitalist privatization, and shows the positive outcome of this specific privatization. There are similarities from this case to that of Deng Xiaoping's privatization of the Chinese countryside in the 1980s, a privatization that started the present Chinese economical boom.<sup>48</sup>

There is no one specific recipe for managing economical growth.<sup>49</sup> What is a successful example of Chinese privatization does not mean it would work in other parts of the world. Different societies have different histories and maintain different values. The self-evident notion that countries don't have the same resources also creates a different set of practical problems when managing economical growth. Maybe - if there was one universal type of human beings, in a universal type of society - maybe then could there be a universal solution to managerial problems. Alas, this is a rhetorical argument. We can throughout history see that successful people always believe their solution is universal, and often try to impose their solution on to others, with varying results.

In 1995, Hofstede (2007) conducted a classroom experiment in Hong Kong relating to the goal of business leaders from different societies. The experiment was repeated in 15 countries with the intention to show how part-time MBA students attributed to their own country's leaders. There was a list of 15 possible goals that the MBA students were asked to arrange in order of importance. The differences that showed were dramatic. For instance, one of India's bottom goals, respecting ethical norms, were part of China's top five goals. Short term profits, being one of China's bottom goals, were one of USA's top five goals, and responsibility towards society, one of China's top five goals, were one of Denmark's bottom five goals. The difference of what is important between countries is evident, and it is therefore understandable that globalization projects - run by top management in countries other than their own - is subject to conflict.

Since we have declared, for the purpose of this thesis, that management is not universal, what is then specific for Asian management, and furthermore, for Chinese management? "Asian" being a broad word in the sense that Asia, itself, is not a homogeneous society. It is most definitely a heterogeneous one, just like the "West". Even within Asia, management is very different depending on which country we are focusing on. It is, for instance, very hard to generalize a specific managerial style in China, since it a country of multiple provinces and holds great geographical distances.

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<sup>47</sup> Original title (in pinyin): *Hónglóu mèng*. The novel was published anonymously, but historians ascertain its author to be Cao Xueqin. Translation to English 1980.

<sup>48</sup> Hofstede (2007) *Asian management in the 21st century* p.6

<sup>49</sup> Ibid

Hofstede (2007) attempts to classify national cultures using five dimensions, with the first of these dimensions being *Individualism* versus *Collectivism*.<sup>50</sup> This dimension shows, according to Hofstede (2007), the most evident difference between Asian and Western countries. With *Individualism* standing for a high level of self-interest, *Collectivism* recognizes strong groups, within the society, that protects and cares for the individual in exchange for loyalty. The definition of “strong groups” can include family, organizations, and even society. For instance, in Japan, the strong group consist of both the family and the employer, with the employer going to great lengths to care for employees that have retired.<sup>51</sup> From Hofstede’s (1980) research, he found that Western countries scored a higher overall average on individualism, with USA and Australia being the most individualistic and Israel and Spain being relatively the least. Asian countries, including China, Indonesia, Korea and Pakistan, scored an overall high on collectivism with India, Japan, Iran and the Arab countries scoring relatively less. In China's specific case, the high score of collectivism can to some degree be explained by the communistic rule and underlying culture of Confucian thought. Hofstede (1980) could through his research show that there was, and still is today, a strong relationship between economical growth and cultural individualism. This relationship is evident since countries whom grow wealthier, also grow more individualistic.<sup>52</sup> This would mean that old people, for instance, are now less taken care of by their family than before. Although this is true when addressing Western countries, Asian countries do not become *as* individualistic with economical growth. So, conclusively, increased economical growth will reduce, but now eliminate, the cultural gap between the West and Asia in this perspective.

Hofstede’s (2007) second dimension handles the matter of *Power Distance*.<sup>53</sup> Basically, power distance, looks upon to what extent there is inequality within a society – for instance, to what extent do less powerful members accept and expect that power is distributed unequally. The norms of power distance are passed on in paternal parent-child relationships, and emphasizes the respect for authority. Hofstede (2007) found through his research that Asian countries scored an overall high on power distance, with Western countries scoring medium to low. The relationship between power distance and economical growth/wealth was shown to be inversed. This can be explained with power holders having to justify themselves more when the presence of higher economical wealth is evident. Hofstede (2007) claims that this represents democratization, but that there is no one single way to democratize. For instance, Latin countries (Italy, Spain, France and Belgium) have become democratizes while still maintaining a high level of power distance within their culture. It is Hofstede’s (2007) conclusion that Asian countries with high economical wealth and growth will become more democratized. There is of course different criteria - for instance the level of corruption – that needs to be discussed within each respective country if democratization is to gain further ground.

<sup>50</sup> Hofstede (2007) *Asian management in the 21st century* p.6

<sup>51</sup> Palmer (2009) University of Canterbury, New Zealand

<sup>52</sup> Hofstede (2007) *Asian management in the 21st century* p.7

<sup>53</sup> Ibid

The two dimensions, *Uncertainly Avoidance* and *Masculinity versus Femininity* showed, through Hofstede's (2007) research, that Asian countries (including China) differ just as much as Western countries do. This showed no substantial value to further Hofstede's research, nor to my own. Therefore, I find it of no theoretical use to discuss these specific dimensions further.

The fifth dimension, *Long Term versus Short Term Orientation*<sup>54</sup>, emphasized certain values such as persistence, thrift, "losing face", respect for tradition, among others. It was, through Hofstede's (1988) research, shown that Asian countries scored high on long term, while countries in the rest of the world scored medium to short-term. The countries studied, including the two top long-term scorers China and Hong Kong, showed strong correlation between dimensional orientation and the country's economical success between the years 1970-2000. This 'discovery' of this fifth dimension illustrates the importance of eliminating ethnocentric bias.

With business going global now more than ever, the need for diversity and cultural awareness when managing over borders is becoming increasingly evident. Former culture clashes between the East and the West are reduced with, for instance, cultural awareness training but still the existing diversity suggests that organizations are and will remain less global than management would want them to be. Major Chinese corporations are expanding through acquisitions in Western countries, a relatively risky strategy according to Hofstede (2007), with all cultural aspects considered. It is of importance, from a Western point of view and for the purpose of this thesis, to use Hofstede's gathered theories in order to have an open perspective on the cultural context of managerial decisions and the way that Chinese management and organizations conduct business.

### 3.2 The Chinese system of cultural values

China has a different political and economical system than those of other countries, and furthermore, the social and cultural background also differs from countries in the west. According to Shuming Zhao (1994), when embracing the different aspects of the Chinese cultural system, the most important values one needs to be aware of are those associated with *Confucianism*. Zhao (1994) states that Confucian principles are the basis for the value system most common among the Chinese.<sup>55</sup> For instance, Confucianism itself emphasizing the importance of human relationships, order, and group obligation – among other things – and has both influenced and been associated with Chinese labour relations and human resource management for a long time. These influences are all connected with the notion of *harmony*, a feature that is highly praised and sought after within the Confucian thought of Chinese culture.<sup>56</sup>

There are four principles of Confucian thought that holds historical importance when analysing labour relationships in China today. The first one emphasizes the family. It is a fundamental entity in society, and holds

<sup>54</sup> Hofstede & Bond (1988) *The Confucian connection: From cultural roots to economical growth* p.16

<sup>55</sup> Zhao (1994) *Human resource management in China* s. 7

<sup>56</sup> Zhao (1994) *Human resource management in China* s. 5

the head of the family (the parents) highest. Loyalty towards one's parents is of utmost importance, more important than loyalty towards children, wife or even ruler. The second Confucian principle highlights basic hierarchical forms stated in society. For instance, the father is superior to the son, the ruler to the subject, husband to wife, older brother to younger brother, etc. Zhao (1994) claims that Chinese people, through these Confucian principles, employ another relationship – one group's superiority over another group. This is shown when expressing, for instance, a work force loyalty towards a specific organization or corporation. The third Confucian principle argues that *if a certain "ruler" treat his "subjects" in a decent and humane fashion*<sup>57</sup> - for instance providing them with water, food, shelter, etc. - the "subjects" will then behave loyal and obedient. The principle also claim that the above stated scenario will only occur if the endeavours of the "ruler" is profitable. He must therefore keep his "subjects" satisfied, or risk being overthrown and replaced. The similarities to modern corporate governance and the satisfying of stakeholders is, of course, evident. The fourth and final principle states that power should only be wielded by those trained to do so in a proper way. This Confucian principle refers to education, and according to Zhao (1994), this Confucian thought has had great influence on the overall Chinese education system in use today.<sup>58</sup>

When reflecting on the notion of *harmony* (and disrupting *harmony*) in modern Chinese culture, a well known concept is that of "losing face". It can be described as when a superior reprimands a subordinate, leading to the subordinate "losing face". The paradox is that the superior, in reprimanding the subordinate, also loses face, and the situation must therefore be dealt with in an diplomatic way. The reprimand must be submitted, not as critique, but rather as subtle suggestion of improvement.<sup>59</sup>

From a historical point of view, Chinese corporate policies have definitely been influenced by Confucian thought. The corporation is more than just an employer in western terms. It provides and promotes long term employment for the worker, in terms of career opportunities, housing, medical care, benefits, etc. This, in collaboration with the *harmony* and order that Confucian thought promotes, keeps the worker content with his/hers place in the organization. Intuitively, this type of corporate culture does not promote innovation or creativity from the workers. For instance, new working procedures (invented by workers) are more likely to disrupt *harmony* and order – than to actually be beneficial for the organization. This further enhances the passive attitude culture of the workers. Passive, in being non-innovative but nonetheless following orders from the manager.<sup>60</sup> Zhao (1994) highlights that the Chinese economical reform, which took place in 1978, emphasized that Chinese workers need to participate more and take more initiative in questions relating to their work.

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<sup>57</sup> The use of rather historical words such as "ruler" and "subject" is simply to maintain the authenticity of Confucian thought as it was first stated during the 5<sup>th</sup> century BC.

<sup>58</sup> Zhao (1994) *Human resource management in China* s. 5-6

<sup>59</sup> Zhao (1994) *Human resource management in China* s. 6

<sup>60</sup> Ibid

### 3.3 Carroll's CSR-pyramid

The concept of corporate responsibility has been discussed for almost 50 years now. At first, it was argued that a corporations' sole purpose was to give the shareholders a maximum amount of return on their investment, as has been the case throughout history, without taking responsibility towards society. However, it has become increasingly clear that this type of management is unsustainable, due to a number of reasons.<sup>61</sup> I intend with Carroll's theories clarify and highlight some of these reasons relating to my project.

Since it has been officially recognized that the environment, employees and consumers are significant stakeholders, committing to the demands of these stakeholders is mandatory if the purpose of conducting business is to do so successfully. Keith Davis (1960) mentions that social responsibility, in reference to business, is "*...decisions and actions taken for reasons at least partially beyond the firm's direct economic and technical interest.*" The need to reconcile a corporations economical orientation with its social – creating a sort of social contract – is therefore quite clear. The purpose of Carroll's (1991) CSR pyramid is to highlight some of the diverse responsibilities that corporations ought to give attention to if the goal is to become a "good" member of society.

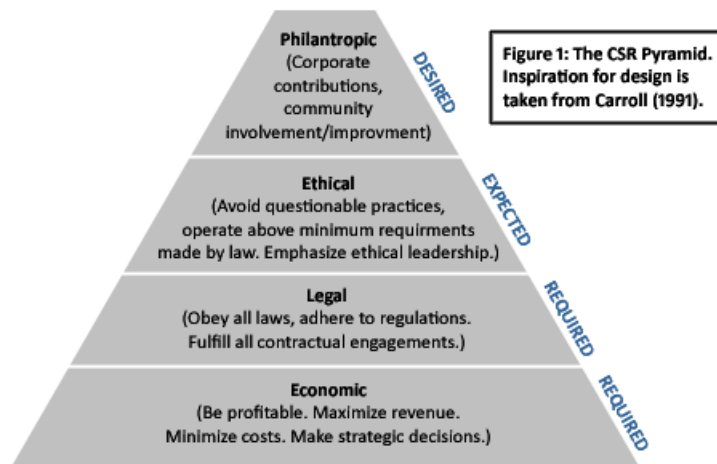
Carroll (1991) suggest that CSR constitute four types of social responsibilities: Economical, legal, ethical and philanthropic.<sup>62</sup> The first, *economical responsibilities*, highlights the historically basic notion of a corporations role in providing goods and services to consumers, and in doing so, making an acceptable profit. This "acceptable" profit has since then been transformed into the more current notion of creating "maximum" profit and are today part of many corporations overall goals. The second responsibility, *legal*, cares to the notion of business being conducted according to laws and regulations. Since laws and regulations are established by our lawmakers through the basic notion of fairness, this responsibility can be viewed as a sort of "codified ethics"<sup>63</sup>. The first two levels of the pyramid, can appropriately be seen as fundamental obligations of the free enterprise system. The next level of the pyramid, being ethical responsibilities, are in close relation to the previous level, but not to the same extent codified by law. Nonetheless, these responsibilities are part of everyday managerial decisions and are of great importance for corporations. Ethical considerations care for what stakeholders (consumers, employees, the community, the environment and others) regard as correct and fair. As mentioned earlier, since our laws are founded on our own basic notions of fairness, Carroll (1991) claim that this responsibility, in a sense, precedes the legal responsibilities. With society embracing new values and norms, and corporations being part of society, they are expected to meet these new values and norms although they are not to the same extent required by law. This creates an ill-defined notion of ethical responsibility and is therefore difficult for corporations to deal with. Although ethical responsibility is the next layer of the CSR pyramid, the dynamic relationship with the legal responsibility category must be recognized.

<sup>61</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management for Organizational Stakeholders* p.1

<sup>62</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management for Organizational Stakeholders* p.4

<sup>63</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management for Organizational Stakeholders* p.5

Recognized in the sense that it is constantly suggesting the legal responsibilities to expand and at the same time heightening the expectations of management to conduct business at a level above that required by law. The fourth responsibility, *philanthropy*, focuses on those actions that corporations conduct in response to society's expectations of the corporation being defined as "good". Such actions include the promotion for human welfare and goodwill. Contributions to the community in this manner are different to the ethical responsibility in the sense that the former is not expected from an ethical or moral point of view. Even though philanthropy is a voluntary choice, there are always some expectations from society that corporations provide it – embracing the notion of good "corporate citizenship"<sup>64</sup>. Carroll (1991) claim that this last layer of the pyramid is somewhat less important than the other three categories. The notion of philanthropic contributions are often regarded as a desired endeavour for corporations, but is actually less important than maintaining an economical, legal and ethical responsibility – making this last layer of the CSR pyramid an "icing on the cake"<sup>65</sup>, metaphorically speaking in terms of overall importance.



It is important to embrace the fact that, although being distinctly separate, the layers of the pyramid are not mutually exclusive and are not meant to be given more focus than the other. This being said, it is also important to realize that the obligations stated are in constant tension with each other. Carroll (1991) emphasizes the tension between economical-legal, economical-ethical and economical-philanthropic.<sup>66</sup> These tensions are, according to Carroll (1991), organizational realities that need to be taken into consideration when making managerial decisions. The pyramid can therefore be summarized as, basically speaking, the corporations aim to create profit, obey the law, be ethical, and to be a good citizen.<sup>67</sup>

When integrating the four components of CSR with organizational stakeholders, it is helpful to have a clear definition exactly who the stakeholders are. They can be defined as having a stake, a claim, an interest, or a combination of the three, in the endeavour's of the corporation. For instance, the stake can be in the form of a

<sup>64</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management for Organizational Stakeholders* p.7

<sup>65</sup> Ibid

<sup>66</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management for Organizational Stakeholders* p.8

<sup>67</sup> Ibid

legal (laws, contracts, etc.) or moral (fair treatment, consideration for opinions, etc.) claim. It is therefore understandable that a big challenge when managing CSR is to decide which stakeholders interest should be obliged, and how to assess the importance of the stakeholders interest. Carroll (1991) highlights two criteria for this: The *legitimacy* of the stakeholder and the *power* of the stakeholder.<sup>68</sup> The first criteria, legitimacy, takes into consideration to what extent a specific group has the right to their claim. The second criteria highlights how power of the stakeholder demands the attention of the corporation. For instance - large, organized mutual fund groups wield more power over management than their opposition, simply because of the sheer size (and therefore importance) of their investments.

With the above stated perspective in mind, *stakeholder management*<sup>69</sup> becomes a process where managers accommodate their own objectives as well as the interest of various stakeholder groups. A desired goal – and an obvious challenge – is for management to care of the corporations main stakeholders while satisfying other, less prioritized, stakeholders as well. Carroll's (1991) *stakeholder/responsibility matrix*<sup>70</sup> helps management to analyse their commitment towards certain stakeholders in relation to economical, legal, ethical and philanthropic responsibility. Furthermore, the matrix helps management to prioritize decisions, both long- and short-term, in relation to multiple stakeholders interests.

Stakeholder/Responsibility Matrix					
	<i>Owners</i>	<i>Employees</i>	<i>Consumers</i>	<i>Community</i>	<i>Others</i>
<i>Economical</i>	1	2	3	4	5
<i>Legal</i>	3	1	2	4	5
<i>Ethical</i>	4	2	1	3	5
<i>Philanthropic</i>	3	2	4	1	5

(Table 1. Numbers regarding prioritization, 1-5, are only used as illustration. Inspiration for design is taken from Hofstede (1991))

Although the matrix is time consuming and burdensome for management, it can be used to integrate norms and values with the traditional “maximum return” policy of the corporation. This would indeed be of use for the company since the business environment of today is highly diverse and stakeholders demand different things. Therefore, the stakeholder/responsibility matrix works as an effective foundation when larger issues are addressed - such as deciding a strategy, formulating a vision and decisions of managerial nature.

Since my thesis is largely based upon the ethical aspects of CSR, I find it important to discuss the ethical component of the CSR pyramid thoroughly in the context of stakeholders. Carroll (1987) uses three specific ethical approaches: *Immoral*, *amoral* and *moral management*.<sup>71</sup> To use this preferred ethical approach, we

<sup>68</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management for Organizational Stakeholders* p.9

<sup>69</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management for Organizational Stakeholders* p.10

<sup>70</sup> Ibid

<sup>71</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management for Organizational Stakeholders* p.15

must accept that ethics and morality are basically synonymous within the organizational context. The first approach, *immoral management*, conducts business without taking consideration to what is deemed ethically right. The main focus is profit and success, without regard to ethical, moral or legal principles. The second approach, *amoral management*, is defined by the lack of ethical perspective. Being neither immoral nor moral, this managerial style simply has no perception of how certain decisions can affect others. Even though conducting business with good intentions - and in accordance with the law - the decisions made might harm those whom they conduct business with. This managerial style is often unintentional, but there are still those managers today that simply do not see the role of ethics in business. The third and final ethical approach, *moral management*, intends to maintain a high level of righteous behaviour. The managerial style highlights the importance of making ethically sound decisions, in accordance with profitable business. Moral management tends to operate well above the law, and follows principles such as fairness, justice, rights, utilitarianism, to name but a few.<sup>72</sup>

With the above stated theory, we can now create a profile of how a specific stakeholder group orientates towards each respective ethical approach. This is done by contrasting the moral management aspect with the two others. Carroll (1991) specifies five major stakeholder groups within this discussion: Owners, employees, customers, community and the society.<sup>73</sup> Since it is my intention to create an understanding of what moral management means for a specific stakeholder group – and my intention is to treat the specific stakeholder group “employees” – I have chosen to exclude the other groups.

Type of management	Orientation toward employee stakeholders
Immoral management	The stakeholder is viewed as a factor of production and used solely for the purpose of corporate or managerial gain – and are exploited and/or manipulated in the interest of profit. The stakeholder's needs and rights are shown no concern. This coercive and controlling managerial style holds a short-term perspective.
Amoral management	The stakeholder is still viewed as a factor of production but is compensated and treated according to law. Managerial focus is to motivate higher production, but disregarding the stakeholder's needs and employees are treated with minimal respect. This managerial style, and organizational structure, holds a short- to medium-term perspective.
Moral management	The stakeholder is not viewed as a production factor but a human resource. It is to be treated with dignity and respect. This managerial style respects the stakeholder's rights, privacy, safety, freedom of speech and emphasizes mutual commitment, confidence and trust. Fair wage, collective bargaining and a long-term perspective are all characteristics of this managerial approach.

(Table 2. Inspiration for design is taken from Hofstede (1991))

<sup>72</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management for Organizational Stakeholders* p.16

<sup>73</sup> Carroll (1991) *The Pyramid of Corporate Social Responsibility: Toward the Moral Management for Organizational Stakeholders* p.15



With moral management being the preferred model of choice it makes it easier for us to analyse which type of managerial approach is conducted within the case company studied. Furthermore, the type of management used must be viewed through the context of organization-stakeholder relationship. I have, as previously stated and with the notion of saving space and time, chosen not to investigate the entire spectra of stakeholders but focus on the one – employees – that I find of importance for my thesis.

### 3.4 Why CSR? Strategy or society?

With a combination of Porter et al (2006) and Wijk's (2009) theories on CSR and the link it holds between competitive advantage I intend to shed some light on how CSR infused business can benefit not only stakeholders, but the company itself through gaining further advantage among competitors. Since CSR today is a rather fragmented and large topic for corporations, it is understandably disconnected and hard to implement into an organizations overall vision, mission, goal and strategy. If corporations instead were to analyse the benefits of a CSR infused business cycle, much like the same framework that guide their core business choices, they might discover that the new business cycle spawns opportunity, innovation and competitive advantage.

Corporations involvement with public discontent regarding certain decisions are often viewed in the media. There are many examples of this, for instance, specific fast-food chains involvement with obesity, clothing companies' involvement with child labour, etc. With public pressure becoming more common and effective, through, for instance, activist organizations, it is often the most visible and successful corporation that is targeted when drawing attention to an issue. The sole purpose of this is simply because it is harder to target several small corporations, rather than one large, multinational corporation. With government regulation emphasizing CSR reports of various forms, it is becoming increasingly clearer that external stakeholders are holding corporations accountable for social issues, and also posses the legal right to put pressure on those corporations that conduct business without taking consideration to these social issues.<sup>74</sup> Sadly, the response to society when dealing with these issues have often not been strategic nor operational, but short-term responses involving public relations, media campaigns, glossy CSR reports, and charitable functions. The ways stated above to address these issues rarely offer a strategic framework for CSR activities. Instead, they illustrate uncoordinated endeavours to highlight a corporations social responsibility takings. Long-term corporate commitments to reach explicit sustainability goals are therefore few and far apart.<sup>75</sup> Furthermore, confusion arises when multiple self-appointed institutions rate and rank corporations (for their CSR performance) according to their own system. The lack of consistency is evident. Therefore, corporations often turn to consultants, organizations, and academic experts for advice, and even though guidance is given, it is often unclear how to practically integrate social considerations to stakeholders with the corporations overall vision, mission, goal and strategy.<sup>76</sup> One practical theory to consult in achieving this is Wijk's (2009) *holistic model for*

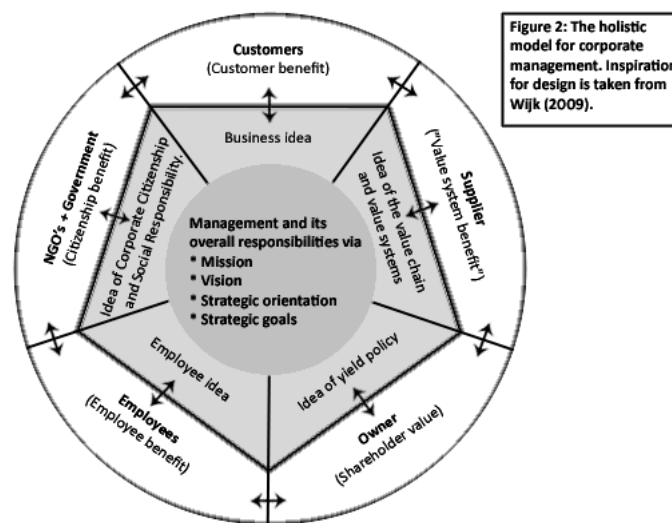
<sup>74</sup> Porter & Kramer (2006) *Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility* p.1

<sup>75</sup> Porter & Kramer (2006) *Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility* p.2

<sup>76</sup> Porter & Kramer (2006) *Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility* p.2

corporate management.<sup>77</sup>

The CSR infused business cycle, as stated by Wijk (2009), addresses the idea of value based relationships with the stakeholders that are both wanted and required for the corporation to achieve its goals. Wijk's (2009) model<sup>78</sup> suggests creating a dominant relationship with specific stakeholders and through this conduct attain successful, sustainable business. The dominant relationship is achieved by being proactive and reactive with certain stakeholders, and thus being able to influence the relationship better than other actors. Wijk (2009) emphasizes the need for the corporations overall mission, vision, goal and strategy to be consistent with process targeted business logic and, furthermore, the need for continued rotation of the corporations perspective (short-term versus long-term, "inside" versus "outside", etc.). This will help to create and sustain a successful business environment.



Porter et al (2006) emphasizes four broad justifications when discussing CSR. These being: *moral obligation*, *sustainability*, *license to operate*, and *reputation*. Moral obligation addresses the issue that corporations are to be "good" citizens and to act "correctly" towards society. Sustainability can be described as meeting the needs of today without future generations being compromised. The license to operate encompasses several rights, permissions, standards and laws a corporation needs to abide and follow. The fourth and final, reputation, discusses a corporations endeavours within CSR and how this will strengthen certain aspects (image, brand, morale, etc.) of the company. The four justifications mentioned above all have limitations though. The moral obligation, at first might be found as easy and understandable to apply, has different dimensions that need to be addressed. The simple task of making a corporate social decision depending on value, interest and cost might end up with unexpected repercussions. For instance, since Google entered China there has been an increasing conflict between US consumers despise for censorship and China's government legal constraint. Social benefits must therefore be weighed against the possible moral repercussions. Sustainability, holding an

<sup>77</sup> Wijk (2009) *PM om kunskapsproduktion*

<sup>78</sup> Wijk (2009) *PM om kunskapsproduktion*

obvious relationship to the concept of long-term CSR, the principle seems to work best with issues that concur to the corporations' economical or regulatory interest. For instance, McDonald's reduced its waste by 30% after changing food wrapping material. A business decision made not out of environmental constraints, but nonetheless beneficial to it. The point being made here is that there is no specific framework showing the trade-offs incorporated with sustainable management. Furthermore, managers that do not have an understanding of CSR and sustainability might postpone certain costs that later puts the corporation at harms way, in reference of social obligation being neglected. The third approach, license to operate, is easier for corporations to handle since it offers a specific way to identify social issues, make concrete decisions regarding these issues and, thus, satisfying respective stakeholders. Although this sounds fairly simple, when seeking to satisfy stakeholders, corporations must surrender some of the power they hold over their CSR intentions. This can lead to a never ending appease with the public that shows no social nor strategic gain. The forth and final argument, reputation, holds somewhat the same characteristics as license to operate, with focus on satisfying stakeholders. Within consumer related businesses this often implies costly marketing campaigns, and in the more industrial related businesses a corporation may instead strive towards attaining higher social acceptance as a form of insurance. This will ease public criticism in the event of a crisis.<sup>79</sup>

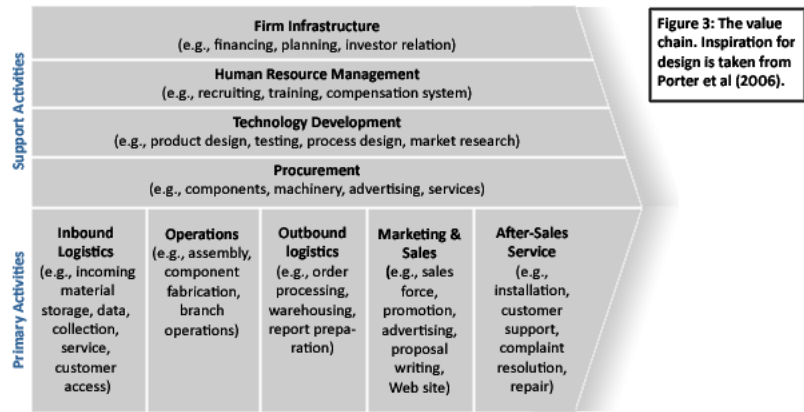
Porter et al (2006) states that the above four schools of thought all share the same weakness. This weakness is the corporations focus on maintaining a strong relationship with the society, rather than on their own mutuality/interdependence. Each school of thought creates a general principle that is unconnected with the corporations' main strategy and goals, and therefore offers no help for companies who need to identify, prioritize and address social issues. Consequently, this often results in CSR and philanthropic efforts of no use to neither the corporation nor the society. This is indeed opportunities gone lost.<sup>80</sup>

How can a corporation set a CSR agenda (that produces both maximum profit and social benefit) and in doing so – become more competitive? Porter et al (2006) and Wijk (2009) suggest, as a first step, to use the *value chain* to highlight activities that holds social impact. This will enable corporations to address issues (of positive and negative character), prioritize them and furthermore deal with them accordingly. The value chain (below) highlights the activities that a corporation engages in and can be used as a tool to identifying issues of social impact.<sup>81</sup>

<sup>79</sup> Porter & Kramer (2006) *Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility* p.4

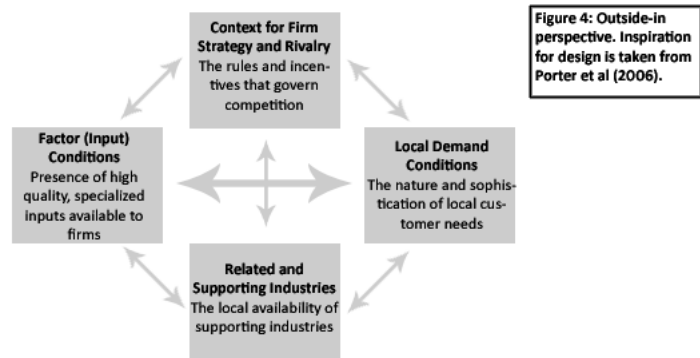
<sup>80</sup> Porter & Kramer (2006) *Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility* p.4

<sup>81</sup> Porter & Kramer (2006) *Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility* p.5



Since basically every single action within the value chain affects society, this creates either negative or positive consequences. These consequences can be ranging in impact, but one thing is certain, they depend on the location. For instance, manufacturing goods in China has very different social consequences than producing the same goods in USA. Another certainty is the notion of time. Science progress and social standards evolve. For instance: Asbestos, at first considered safe and widely used, is today evidently seriously harmful to human beings. Therefore, corporations need to address the social effects of tomorrow, if they are to sustain – and stay competitive – in the long-term.

With the above stated perspective of looking from within the corporation out towards the society (inside - out), Porter et al (2006) continues to discuss the perspective of how social issues and conditions at the specific location affects the corporations competitiveness (outside – in).<sup>82</sup>



The competitive context above holds four broad areas. All of these, or each by themselves, are fundamental CSR opportunities. For instance, a corporation can, in its desire to recruit appropriate personnel, influence factors such as the local education system, discrimination, public health, etc. Although all the influences benefit the society, one consideration that the corporation must face is what issue to address. Porter et al (2006) claim that each respective company should address causes that benefits both the society and the corporation itself – again creating shared value.

<sup>82</sup> Porter & Kramer (2006) *Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility* p.6

For a corporation to be successful, it is dependant on a healthy society. And for a society to be healthy, it needs successful business. A productive workforce needs education, health care, safe working conditions, etc. Effective resource allocation and utilization, such as harvesting wood, land, water, energy, etc., will increase production. A stable, non-corrupt government, enforcing sound laws inspires business to operate productively, consumers to consume, etc. With these notions, it is easy to see that corporations that pursue businesses at the expense of society, does so on a short term – unsustainable – basis. From one perspective, there is a separation between business and society. This intersection, and the friction created when combining the two, (metaphorically speaking) has been the focus of leaders from respective sides for quite some time. There is an obvious dependence though as stated above. No society can sustain without businesses, and if society (in the form of government, NGO's, etc.) restrain business in its efforts to improve society, it will lead to an overall decline of wealth which in turn will decrease contributions and support to issues of social improvement. This *shared value* highlights the interdependence between business and society and can be described in the following quote: "A temporary gain to one will undermine the long-term prosperity of both."<sup>83</sup>

With the dilemma established above, Porter et al (2006) highlights a framework that distinguishes the causes and issues, and to what extent it should be addressed, that are important for the corporations. The framework consists of three categories: *General social issues, value chain social impact, and social dimensions of competitive context*. The three categories are described below.

Generic Social Issues	Value Chain Social Impact	Social Dimensions of Competitive Context
May be important to society but do not affect a corporations operations nor its competitiveness.	Issues that are affected by the corporations actions in the course of business.	External social issues that affect the corporations competitiveness. Location based perspective.

(Table 3. Inspiration for design is taken from Porter et al (2006))

Social issues will need to be sorted into these three categories, and then prioritized accordingly. Intuitively, this process, and deciding the importance of the selected issues, varies depending on corporation, industry, place, etc. For instance, UPS categorize carbon emissions as a Value Chain Social Impact, whilst a bank would categorize it as a Generic Social Issues, and on the third hand, Toyota would categorize it as both a Value Chain Social Impact issue *and* a Social Dimension of Competitive Context issue. When a social issue is of importance to many companies within an industry, it can sometimes be addressed and handled through cooperation. For instance, Porter et al (2006) mentions *The Extractive Industries Transparency Initiative*. The Initiative enables major corporations within oil, gas and mining to publicly condemn and work against corruption. This is done

<sup>83</sup> Porter & Kramer (2006) *Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility* p.7

through collaborative contracts that state public disclosure and public access to view all payments made to the government in respective country.<sup>84</sup>

The corporate involvement in society can be looked upon with a purely strategic approach. Porter et al (2006) mentions *responsive CSR* and *strategic CSR* as part of this strategic approach - a strategic approach that will benefit social issues as well as corporate business. Responsive CSR is simply described as being a good citizen of society and dealing with negative effects (current and future) of business actions. The aspect of Strategic CSR take a more hands on approach, moving beyond the simple notion of being a good corporate citizen, and addressing both inside-out and outside-in perspectives simultaneously. This is, according to Porter et al (2006), where “*the opportunities of shared value truly lies*”.<sup>85</sup> By unlocking shared value through investments in social issues, it strengthens the corporations’ competitiveness. This mutual relationship states that “success” of the corporation consequently implies “success” for the society, and vice versa. Furthermore, with the creation of *value* being at the core of any strategy, and the strategic CSR adding a social dimension to the strategy’s value proposition, this will lead to the integration of (addressing) social issues as part of the overall strategy.

Corporations always have to address social issues, ranging in number, size and matter. Addressing all of these would indeed be unwise, due to a number of reasons as stated above, but addressing a few that would benefit both society and also create a competitive advantage for the corporation is the focus of Porters et al (2006) discussion. Alas, corporations that successfully integrate social issues and initiatives with their overall vision, mission, goal and strategy will indeed gain long-term competitive advantages and distance themselves from their competitors.

### 3.5 Factory Workers as a Human Resource?

Since one of the topics of this thesis is to shed light on how factory workers are treated, it is important to handle fundamental human resource management (HRM) theories in order to analyse how the case companies themselves handle issues of HR importance. *Beer et al (1984)* defines HRM as: “*HRM involves all management decisions and actions that affect the relationship between the organization and employees – its human resource.*”<sup>86</sup> With this notion in mind *Beer et al (1984)* outlined one of the most influential models on HRM still used today, the *Harvard map (or model) of HRM*. The analytical model highlights factors of positive and negative character and outcome in reference to HRM policies. The Harvard model also recognizes employees as a resource – a human resource – that can not be managed in the same way as other resources. Furthermore, these employees are significant stakeholders for the corporation and need to be satisfied just like all the other stakeholders, in their respective way.<sup>87</sup>

<sup>84</sup> Porter & Kramer (2006) *Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility* p.8

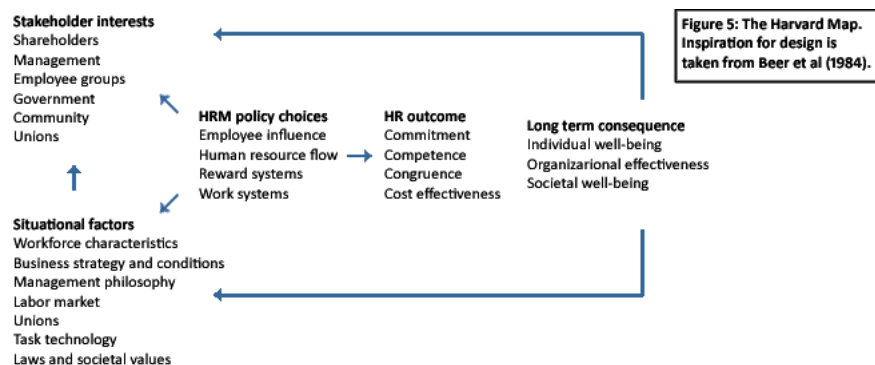
<sup>85</sup> Porter & Kramer (2006) *Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility* p.10

<sup>86</sup> Price (2007) *Human Resource Management in a Business Context* p.30

<sup>87</sup> Price (2007) *Human Resource Management in a Business Context* p.35

The model highlights two specific considerations that influence human resource policies: *Situational factors* and *Stakeholder interests*.<sup>88</sup> The situational factors include basically everything within the corporation and the closest outside business environment. For instance, such factors include laws, values, market conditions, unions, workforce characteristics, etc. These factors may both influence and constrain the outline of HRM policies. The second consideration, stakeholders interests, stress in what way the interests of employees, unions, shareholders, community, government, etc., influence HRM policies. Beer et al (1984) claims that if the corporation does not consider these interests (in an unsustainable fashion), the organization will perhaps make short-term profit, but will not survive in the long-term.<sup>89</sup>

With these considerations given above, the Harvard map continues to four, more strategic, areas that need to be addressed when explicating HRM policies. The first, *human resource flow*, considers the movement and knowledge of people through their different stages within the organization: First, in recruiting the appropriate personnel. Secondly, correctly assigning appropriate work for the employee, appraising him/her for good work performance, and promoting the employee thereafter. Thirdly, terminating the employee for reasons such as non-requirement, poor work effort, retirement, etc. The above stated concept of *flow* needs to be managed so that the right “mix” of competent employees is consistent throughout the corporation. The second area, *reward systems*, highlights monetary and motivational means to attract, motivate and maintain employees. The third area, *employee influence*, emphasizes in which way the employees are granted power, authority and the right to be a part of decision making. The forth and final area, *work systems*, works to define and design jobs so that the employees (with the help of technology and information) are as productive and efficient as possible.<sup>90</sup>



After addressing the strategic areas above, the result after implementation shows itself in something called *the four C's: Commitment, Congruence, Competence, and Cost-effectiveness*. Employees are to commit to the organizations culture and embrace its overall goals – Commitment. The organizations goals are to be in tune with overall human resource objective – Congruence. The organization need to develop a mix of skills, attitude

<sup>88</sup> Price (2007) *Human Resource Management in a Business Context* p.35

<sup>89</sup> Price (2007) *Human Resource Management in a Business Context* p.36

<sup>90</sup> Ibid

and behaviour – Competence. And finally, the organization needs to be competitive through performance – Cost-effective. When the four C's are addressed correctly, according to Beer et al (1984), the long-term positive effect is shown through individual well-being, organizational effectiveness and social well-being. The *individual well-being's* viewpoint emphasizes how employees are affected psychologically, physically and economically by implemented HRM policies. These factors need to be addressed separately by the organization, since different managers have different values and they might therefore base their decisions on values (connected to the organization) rather than the importance of the specific factor. When evaluating *organizational effectiveness*, this needs to be done in relation to current HRM policies - since HRM policies can increase efficiency, adaptability, service performance, etc., both on the short and long term. The impact on society, *societal well-being*, through HRM policies is, according to Beer et al (1984) quite clear. This is simply because managerial decisions leading to mass layoffs or strike increase society's costs in numerous ways.<sup>91</sup>

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<sup>91</sup> Price (2007) *Human Resource Management in a Business Context* p.37



## 4 Empirical foundation

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*My empirical foundation describe the current status of CSR today in China, the current position of CSR involvement at each case company, and the interviews conducted with factory workers. The empirical data will later be analysed through my theoretical reference frame.*

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### 4.1 CSR and Worker Rights from the perspective of:

To show the current status of CSR endeavours and on the local and global market today, I have chosen to highlight certain specific organisations that are of interest, and the work they perform.

#### 4.1.1 United Nations

The United Nations' (UN) work to combine the worldwide efforts of enforcing human, labour, environmental and anti-corruption issues - in one organization – this was achieved on the 26<sup>th</sup> of July 2000, with the establishment of UN's Global Compact (GC). The UN initiative works to enforce ten universally accepted principles all relating to the above stated areas and, for the purpose of this thesis, makes a solid contribution to the notion of good Corporate Citizenship. Four of the ten above stated principles relate to the notion of labour standards:<sup>92</sup>

- *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining*
- *the elimination of all forms of forced and compulsory labour*
- *the effective abolition of child labour*
- *the elimination of discrimination in respect of employment and occupation*

The principle-based framework has two major objectives. The first is to incorporate the principles into business activities on a global basis. The second highlights that global business decisions should strive to be made in line with broader UN goals.

Not being a regulatory governmental instrument, the GC works as a forum for discussions and communication between labour organizations, governments, and companies – each representing its own stakeholders. Through this method the GC initiative strives to establish a global framework found on mutual understanding, something that – on this scale – has not been tried before.<sup>93</sup> Although the initiative furthers and promotes the concept of CSR, there is some critique that needs to be considered. The fact that there are no actual auditory department within the GC, there is no way to hold the corporations accountable. Furthermore, some claim that the inclusion in CG is an easy way to simply show compliance with the principles – for PR purposes – but without the need to actually following them.<sup>94</sup>

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<sup>92</sup> UN Global Compact (2008) *Corporate Citizenship in the world economy* p.6

<sup>93</sup> UN Global Compact (2008) *Corporate Citizenship in the world economy* p.4

<sup>94</sup> CorpWatch (2000) *Tangled up in the blue*

#### 4.1.2 Chinese government

On March 14<sup>th</sup> 2004, the Chinese government amended its constitution to include that “*the State respects and protects human rights*”.<sup>95</sup> This written amendment states, at least in principle, that human rights are to be an obligatory consideration for the government and all those who conduct business in China. With the amendment being part of the constitution, all Chinese officials throughout the hierarchy, need to obey it and make decisions accordingly.

The Chinese government also included the *private property* amendment, which states that “*legally obtained property of the citizens shall not be violated*”.<sup>96</sup> This newly instated amendment is China's way of creating a more democratic policy regarding the individuals private property, and strengthened its legal rights to the same extent as state-owned property. This legal ‘stability’ is positively acknowledged by foreign investors and local Chinese entrepreneurs who intend to conduct business in China. Furthermore, businesses that create more jobs and send more money through the economical system will also, in the long-term, benefit the poor Chinese workers.<sup>97</sup> To put the word ‘poor’ in perspective, a Chinese factory worker had an average wage of 0,57 USD per hour in 2002.<sup>98</sup>

How this alteration to the constitution affect the actual CSR work (with my personal focus on worker rights) in China today is still unclear. One could say that there is no short-term benefit to factory workers since Chinese people are still being arrested when challenging governmental decisions, and censorship of media in China is still in place. The paradox of China already having laws that allow the freedom of speech and assembly<sup>99</sup>, but are not being allowed to challenge authorities, is somewhat disturbing and limits the people’s voice to be heard on issues ranging in importance. Finally, there is today no organization to enforce the constitution. The Open Constitution Initiative (OCI) was an organization of academics and lawyers that enforced the rule of law and constitutional amendments. The organization was stripped of its legal rights and shut down by the government on the 14<sup>th</sup> of July, 2009.<sup>100</sup>

On January 1<sup>st</sup> 2008, a new law was passed in China. The *labour Contract Law*<sup>101</sup> basically states the rights and obligations of both parties when bound by a labour contract. It consequently gives the workers of China more rights and firmer legal ground to stand on when addressing issues that violate their rights. Although this legislation enables worker to bargain collectively through official unions, there has been no such development

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<sup>95</sup> Chinese Government Official Web Portal (2004) *Constitution*

<sup>96</sup> Ibid

<sup>97</sup> Washington Post (2004) *China Amends Constitution to Guarantee Human Rights*

<sup>98</sup> Harney (2008) *The China Price* s. 8

<sup>99</sup> Chinese Government Official Web Portal (2004) *Constitution*

<sup>100</sup> The Economist (2009) *China, the law and NGOs*

<sup>101</sup> Beijing Review (2007) *Labor Contract Law of the People’s Republic of China*

in China as of yet.<sup>102</sup> The only legally permitted trade union in China is the All China Federation of Trade Unions (ACFTU), which itself is a governmental body organized by party leaders, not by actual workers.<sup>103</sup>

#### 4.1.3 ILO

The International Labour Organization (ILO) works to develop Decent Work-oriented approaches to economic and social policy in partnership with the principal institutions and actors of the multilateral system and the global economy. The foundation of Decent Work derives from *ILO Declaration on Fundamental Principles and Rights at Work*.<sup>104</sup> As previously mentioned, the Decent Work Agenda offers a basis for a more just and stable framework for global development and holds the aspirations of people who are actively working.<sup>105</sup> With the concept of Decent Work, ILO aims to promote workers rights, encourage decent employment opportunities, enhance social protection, and strengthen dialogues in work-related issues with the help of implementing four major strategic objectives in the country addressed, in my case - China:

1. Fundamental principles and rights at work and international labour standards
2. Employment and income opportunities
3. Social protection and social security
4. Social dialogue and tripartism (government, employer, worker)

In May 2001, the Chinese government and ILO signed a Memorandum of Understanding (MOU) that addressed a mutual strive for the implementation of the four, above stated, objectives. This MOU gave way to further collaboration and in 2007, a Decent Work Country Program (DWCP) was incorporated into China's already stated Five-Year plan, ranging 2006-2010. This implementation, side-by-side with the Five-Year plan gives good hope that the specific priority areas stressed by the DWCP will be achieved. The priority areas stated by the DWCP can be summarized as the promotion of employment, labour laws, social protection, and worker rights.<sup>106</sup> The four issues are intuitively of high importance, but the fourth itself (promotion for worker rights) is the most valuable to my thesis.

ILO states that the biggest challenge when addressing the promotion of worker rights, is to ensure that the fundamental, national labour rights and laws are up to date with international labour standards and enforced. This is often not the case, such as in China, and will consequently lead to law reform and policy revision. Beside this overall challenge, ILO states that considerable attention is to be given to the notion of non-issued working contracts, uncompensated and long hours of work, low or non-existent wages, and health and safety issues within the workplace. With providing advice on legal reform, policy guidance, knowledge of law, and support, the ILO intend to strengthen worker rights in China in accordance with the country's Five-Year plan.<sup>107</sup>

<sup>102</sup> China Labour Bulletin (2008) *Wall Street Journal: Worker Rights in China*

<sup>103</sup> China Labour Bulletin (2006) *Official trade union gets the cold shoulder from private firms*

<sup>104</sup> ILO (1998) *The Declaration*

<sup>105</sup> ILO (1996) *Decent work for all*

<sup>106</sup> ILO (2006) *Decent Work Country Program – The People's Republic of China* p.1

<sup>107</sup> ILO (2006) *Decent Work Country Program – The People's Republic of China* p.2

#### 4.1.4 OECD

The OECD's principles of Corporate Governance (CG) provide guidance regarding regulatory and legislative initiatives in both OECD and non-OECD countries. The intention is to assist governments in their efforts to improve frameworks consisting of regulatory, institutional and legal issues. OECD claims that CG is a key element when improving economical growth and efficiency as well as enhancing stakeholder relations.<sup>108</sup> The fourth principle, which I find of importance to my thesis is: *The role of stakeholders in Corporate Governance*. This principle highlights the issue of stakeholder rights established by either law or agreements. It emphasizes the cooperation between companies and stakeholders when creating jobs, wealth and sustainable business actions.

Furthermore, OECD strongly emphasizes the need to encourage responsible business conduct (RBC) in China, with particular focus on environmental protection and labour standards.<sup>109</sup> With improved RBC certain domestic challenges, such as pollution and workers health and safety, can be improved and also extending to support China's export. Support in the way of assuring international customers that standards are followed and product quality is guaranteed. The Chinese government strongly proposes that corporations adhere to RBC, and have even implemented some RBC aspects into the latest *Company Law*, aspect such as *social* and *business morality*.<sup>110</sup> Some industries, such as the textile industry, are even regulated with COC established by the government. These steps of implementing an RBC framework into the legal system forces corporations to put higher focus on the protection of workers and the environment. According to OECD, the development in corporate legislation promotes stakeholders interest, and also improve corporate conduct in a number of areas.<sup>111</sup> China has signed several international agreements in reference to RBC. For instance, an agreement was established with Sweden and a mutual Memorandum of Understanding (MOU) was written with focus on CSR in 2007.<sup>112</sup>

Although the Chinese government in collaboration with the OECD have gone to great lengths to implement and promote RBC, Chinese corporations are still struggling with embracing this new notion of business conduct. One reason for this, according to OECD, is the diverse nature of the framework – putting focus and expectation on a variety of business decisions – making it hard for corporations to follow. This, with the lack of internal communication within the Chinese government and the lack of overall national standards in regards to corporate responsible conduct, makes RBC implementation and acceptance a slow process.<sup>113</sup> Notwithstanding these obstacles, the Chinese government is (at the time of this thesis), preparing a set of national standards in connection with creating a government regulatory department which has the sole purpose of coordinating RBC.

<sup>108</sup> OECD (2004) *Principles of Corporate Governance* p.11

<sup>109</sup> OECD (2008) *Encouraging Responsible Business Conduct in Chinas* p.1

<sup>110</sup> OECD (2008) *Encouraging Responsible Business Conduct in Chinas* p.2

<sup>111</sup> Ibid

<sup>112</sup> Sveriges Ambassad Peking (2009) *Handel mellan Kina och Sverige*

<sup>113</sup> OECD (2008) *Encouraging Responsible Business Conduct in Chinas* p.3

Previous regulation and legislation put in place by the Chinese government during recent years is to be recognized and celebrated, but lacks efficient implementation on a local level. This is one of the collaborations (OECD and China) largest challenges as of today.<sup>114</sup>

#### 4.1.5 Amnesty

Amnesty International, being a non-governmental organization (NGO), promote business and human rights regardless of context or country. Their work consist of highlighting the need for global standards and empowering legal framework on a nation and international level in order to hold corporations accountable for their business and human rights responsibilities. Using different channels to those of OECD and ILO, Amnesty promotes corporations to respect human rights through their own influence. For instance, corporations are asked to commit to human rights in their overall business principles and through codes of conduct. This includes creating and integrating explicit policies and managerial systems – and more importantly – auditing these to make sure that the human rights aspect is sought after and acted upon. Furthermore, Amnesty asks corporations to implement this aspect as a part of their overall business operations - including their collaboration with the broad spectra of stakeholders. The following quote summarize Amnesty's work quite well: *"We strive to bring their voice [the stakeholder] to the debate in the hope that meaningful long-term solutions are firmly rooted in the real-life experience of those who fall victim to human rights abuses by corporate actors."*<sup>115</sup>

#### 4.1.6 Chinese Labour Bulletin

The Chinese Labour Organization (CLB) is a non-governmental organization (NGO) that works as a proactive outreach organization with the intention of defending and promoting workers rights in China. CSR initiatives such as corporate COC have been promoted by many multinational companies as means to protect workers' rights at their Chinese supplier factories. These COC have helped improve working conditions at some factories, however, corporate COC have been implemented in factories on a top-down approach and without the involvement of the workforce. CLB argues that the best way to properly implement the COC is through collective contracts that have been negotiated with management by democratically elected workers' representative. Therefore, CLB is actively encouraging multi-national companies to focus their CSR efforts in China on collective contracts and the negotiation with democratically elected representatives of the workforce.<sup>116</sup>

#### 4.1.7 Zhejiang DONGJIA knitting CO, Ltd.

The company *Zhejiang DONGJIA Knitting CO, Ltd.* (from now on referred to as Dongjia) and its factory is located in the industrial park of Dong Jia West in the city of Zhuji, which is close to the larger city of Shaoxing. Shaoxing itself is approximately 2 hours south of Shanghai by train. The region surrounding Shaoxing and the city itself is

<sup>114</sup> OECD (2008) *Encouraging Responsible Business Conduct in Chinas* p.4

<sup>115</sup> Amnesty International (2009) *Business and Human Rights*

<sup>116</sup> China Labour Bulletin (2008) *Who we are*

famous for the large textile industry but also, on a more curious and somewhat irrelevant note, for the Shaoxing rice wine.<sup>117</sup>

The Dongjia factory has 180 factory employees, is certified within ISO14001 (an environmental and quality management system)<sup>118</sup> and embraces the notion of strict quality control, and strive to deliver the most qualified products to market.<sup>119</sup> The company has been in production for almost 10 years, and is specialized in producing and exporting socks, such as sport socks, aviation socks, toe socks, pantihose, etc. After a discussion with Wang via email it was concluded that the company holds a vision similar to: *“To develop an attractive workplace, in order to rally the cause of people, in order to train people, in order to forge the performance of people.”* The company’s vision, missions and goals can be summarized through the following statements also given by Wang:

- People orientation, beyond the self
- Design and produce motive
- Intentions of service; if we say it – we will do it
- Efficiency, accuracy
- The customer’s attention is our pursuit

Dongjia have received approval from many of their larger customers (such as Umbro, Columbia Sportswear Company, etc.) that they follow and abide their specific written codes of conduct through several letters of recognition.<sup>120</sup> They personally have something called, not codes of conduct, but a *working manual* that states how the employees are to be treated – much like codes of conduct – and furthermore, what kind of work performance is expected by the employees. The working manual is something that every employee is entitled to read, and is presented in mandarin, although no translation in English is available for foreign customers. The resource consuming task of translating the working manual to English is, for the purpose of this thesis, not an option.

#### 4.1.8 SKF (Shanghai) Automotive Technologies Co. Ltd.

In 1907, a Swedish engineer called Sven Wingquist came up with the worlds first self-aligning ball bearing. His invention would be the start of what is today the world leading producer and supplier of products relating to roller bearings, seals, services, mechatronics and lubrication systems. The SKF Group is today represented in more than 130 countries, has more than a 100 manufacturing sites, holds about 15 000 distribution locations, and employs around 44800 workers. The organization is divided into three divisions: Industrial, Automotive and Service – each division serving specific customer segments on the global market. The multinational corporation

<sup>117</sup> Wang, Marcel (2009-11-09)

<sup>118</sup> International Organization for Standardization (2009) *ISO 14000 essentials*

<sup>119</sup> Zhuji Dongjia Knitting CO. Ltd. (2009) *About Tonka*

<sup>120</sup> Zhuji Dongjia Knitting CO. Ltd. (2009) *Honors*

holds very high focus on sustainability and ethics, and it is incorporated in their overall vision, mission, drivers and values:<sup>121</sup>

*Vision - To equip the world with SKF knowledge.*

*Mission – To be the preferred company for our...*

- *customers, distributors and suppliers* (delivering industry-leading, high value products, services and knowledge-engineered solutions)
- *employees* (creating a satisfying work environment where efforts are recognised, ideas valued, and individual rights respected)
- *shareholders* (delivering shareholder value through sustainable earnings growth.)

#### *Drivers*

- *Profitability*
- *Quality*
- *Innovation*
- *Speed*
- *Sustainability*

#### *Values*

- *High ethics*
- *Empowerment*
- *Openness*
- *Teamwork*

SKF follow relevant OECD and ILO conventions and are also part of the UN Global Compact initiative. The strive to be acknowledged as a economical, social and ethical responsible company is further emphasized in SKF's *Code of Conduct* - introduced in 2002.<sup>122</sup> The SKF Code of Conduct is defined through four distinct principle areas of responsibility. Responsibility is defined towards: *customers, distributors and suppliers, society and shareholders, and employees*. These responsibilities are met by addressing the core values of the corporate culture - *Empowerment, High ethics, Openness and Teamwork* – in combination with the principles stated above. This, with the addition of actively involving stakeholders whenever possible, ensures financial and social development both within the organization and for society. The responsibility towards employees emphasizes the respect that is to be given towards workers and their rights, including safe working conditions, non-discriminatory conditions, and continuous internal training to further career opportunities for the individual.<sup>123</sup>

When addressing the issue of sustainability, the corporation follow and abide by the internal guiding principles of the *SKF Care* concept. This long-term approach to sustainable development emphasizes four inter-dependending areas: *Business Care, Employee Care, Environmental Care, and Community Care*. The employee care aspect, for instance, is embedded in the corporate culture and adheres to the *Code of Conduct*. Policies and procedures are in place and managed to ensure that the workers feel respected, motivated, and proud of working at SKF.<sup>124</sup>

<sup>121</sup> SKF (2009) *Annual report 2008* p.3

<sup>122</sup> SKF (2009) *Annual report 2008* p.17

<sup>123</sup> SKF.com (2009) *Code of conduct*

<sup>124</sup> SKF.com (2009) *Employee Care*

Furthermore, SKF's involvement within CSR relatively high. For instance, SKF was awarded the Hallvarsson & Halvarsson Award in 2009, chosen to be the best Swedish company at CSR initiatives and communication.<sup>125</sup>

The *SKF (Shanghai) Automotive Technologies Co. Ltd.* factory (from now on referred to as ATC) is located a due hour north of Shanghai City, in a small industry town called JiaDing. ATC is SKF's first manufacturing facility in China, and manufactures bearings mainly for the Car Business Unit, within the Automotive Division of SKF. It started out as a joint venture in 1994, between the two companies SKF (70% equity) and Shanghai Bearing Corporation (30% equity). In 2006, new facilities were completed and the joint venture became SKF ATC, a wholly owned SKF company. The company employs a total of 370 people, with a factory workforce of 220. ATC has 6 production lines and serve both national and international car manufacturers such as Volkswagen, Ford and Toyota.

The codes of conduct (COC) for factory workers at ATC follow the overall guidelines given by SKF. These COC are available in Chinese and presented at the introduction for all new workers. Unfortunately, there is no English translation. Since these COC follow the overall guidelines instituted by SKF, I find it unnecessary and also overly resource demanding to translate these specific COC into English. The work force is divided into four separate shift, and all employees work on average 9 hours per day, 5.5 days per week.<sup>126</sup> Overtime occurs depending on production level, but there is a maximum number of overtime hours set to 2 hours.<sup>127</sup> Due to the lack of worker dormitories, and communal transport in the area being scarce, transportation for the workers are arranged by shuttle bus from various locations in Shanghai City to the factory at the start/end of every working day. Also, at ATC, management states that a worker union is present in the form of the All China Federation of Trade Unions (ACFTU).

<sup>125</sup> SKF.com (2009) *SKF best at CSR*

<sup>126</sup> See appendix 5

<sup>127</sup> Ibid



## 4.2 Interviews at Dongjia

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*The empirical data gathered from the respondents are compiled from both companies, and will thereafter be analysed in an sequential fashion through my theoretical framework.*

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### 4.2.1 Empirical data – gathering opinions regarding:

#### **Stated Codes of conduct**

When asked to share their personal opinions regarding Dongjia's codes-of-conduct, or more specifically – *working manual* - the respondents all agreed, in their own way, that the working manual was good. The notion of 'good' is, intuitively, a somewhat vague description and most certainly depends on perspective. When asked for a more descriptive explanation, the respondent became confused. Nonetheless, when pursued further if complaints against the working manual would be accepted, all agreed in unison that this indeed was so.

#### **Unions**

There was some confusion that arose when discussing trade unions in China. As our first respondent said: *"We don't have that [unions] here, I don't understand what they are."* It became evident that this issue was indeed a sensitive matter, and I therefore chose not to pose this question to the remaining respondents. The concept of collective bargaining was also an issue related to the sensitive topic of assembly, and having your voice heard through the power of many. Therefore, I chose to not pose this question as well, since it was my intention to create an comfortable environment in order to obtain truthful answers.

#### **Wage**

Throughout the interviews, a clear notion of contentment regarding the issue of wage was emphasized. As one respondent said: *"We are satisfied with our wage. We don't have any collective bargaining desire."* When discussing wages on a more personal level, two respondents said: *"Because everyone receives the same salary I don't have an opinion about it. I think it [the wage] is fine..."* and *"For me personally, if I did a bad job, I would feel uncomfortable working here. On the other hand, if I did a very good job, I feel very comfortable working here."*

#### **Discrimination**

One topic closely related to the world of CSR is discrimination. When asking to describe discrimination the respondents all described discrimination as an unethical way of treatment. They all concurred that discrimination was not taking place at their specific case company. As one respondent said: *"I understand that the notion of discrimination is to look down upon others, but I don't think that there exist any discrimination in this company."*

### **Overtime**

The notion of overtime is described in a non-negative and voluntary fashion by several respondents. For instance, one discussion with one factory worker state: *“R: For me, I think it’s very normal to work overtime. If there are a lot of things that I need to take care of I would like to stay here and work. I: Is it voluntary? R: Yes, of course.”* As another respondent said: *“It is a free choice so I feel fine about it.”*

### **Safety & Health**

Safety and health issues within the work place are required by both moral obligation and law. Dongjia’s responsibility towards their stakeholders regarding safety and health issues are all expressed as an overall notion of 'very good' according to the respondents. As one respondent said: *“Where I work is what I imagined it to be like, very hygienic and safe.”* It was interesting to see the respondents all agreeing that there was no lack of either safety or health requirements at the case company.

### **Dormitories**

These needs, of safety and health, are further expressed as satisfactory when asked to describe the living situations within the dorms in regards to personal privacy and basic human dignity aspects. From the respondents that actually have experienced living within the dorms (three out of five respondents) all agreed that the dorms ensured them basic human dignity standards<sup>128</sup>.

### **Leave**

The discussion regarding leave showed that the respondents were unanimous in stating that Dongjia handled leave according to regulations. As one respondent stated: *“I think it's OK, the company follows the national regulation regarding leave.”* The variety of statements being almost the same, and empirical material stating that the company follow national regulation, the interviews progressed to the next area.

### **Committing to the Codes of Conduct**

The final discussion of importance with the respondents related to the question if the case company was actually following their stated COC and if these could be improved. It is, from the respondents statements, quite clear that they were all content with the codes and conducts stated in the working manual. As one respondent stated: *“... I think that this company takes care of their employees, and if any workers do not like what the company does, it is very easy to file complaints.”* This statement, and others like it, highlights an overall notion that the respondents enjoy and feel privileged to be working at Dongjia, and furthermore, having the right to file complaints if receiving unfair treatment.

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<sup>128</sup> Basic human dignity standards defined as: 1 person per bed, gender separation, cleanliness, well ventilated and lit, access to bathrooms and drinkable water, etc.

### ***Recommendation regarding improvement***

When asked to supply recommendations of improvement regarding the working manual, not one single respondent could offer such a recommendation. When discussing actual physical improvements made at the factory one respondent stated: *“No, since everything is fine, there hasn't been um... to my knowledge... any specific change.”* This comment and others like it show that improvements at the factory, from the employees perspective, are few and far apart.

### ***Managements view on CSR and COC***

After receiving the respondents thoughts and reflections regarding CSR and COC, I chose to consult the factory manager Marcel Wang via email correspondence in reference to - not the workers version of good CSR – but the managements thoughts on the subject.<sup>129</sup> This was done for two reasons. First of all, to confirm the truthfulness of the respondents answers. If, for instance, the respondents all state that they work 8 hours per day, this needs to coincide with management regulation for the answers to be truthful. Secondly, to allow management to address certain issues they find important.

It became quite clear through my correspondence that Dongjia emphasized the notion of an attractive workplace. The need to consider working rights for factory workers are displayed through established codes-of-conduct demanded by clients, but Wang himself stated that *“..big companies do a lot of job on CSR, small companies focus on development themselves. With more modernization and growing-up further, more and more companies will be involved in CSR.”*<sup>130</sup>

## **4.3 Interviews at SKF**

### **4.3.1 Empirical data – gathering opinions regarding:**

#### ***Stated Codes of Conduct***

Similar to the interviews at Dongjia, the respondents all felt that their company had good COC. This being true in most cases, one respondent shared a different viewpoint on one aspect. She stated: *“Generally speaking, I think its OK (the COC), but it being affected by the economic crisis, the management level is not so... because of the economical crisis, people have been quitting.”* The term 'quitting' here implying termination for some of the employees. If there were any need to 'speak up' regarding the violations of the COC, all respondents felt free to do so – and furthermore – to take action on a more personal level if there was need to. As one respondent said: *“...if a person makes a mistake that is not so serious, I will talk to this person directly, but if I found it [the mistake] seriously and could affect other people, then I would speak out to management.”*

#### ***Unions***

When addressing issues relating to union work and participation, all respondents agreed that - as one

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<sup>129</sup> See appendix 3

<sup>130</sup> Ibid

respondent nicely put it: *“Trade unions are in place to benefit the workers.”* Gaining access to this rather sensitive area of discussion was indeed something beneficial for me – and furthermore – to hear one respondent displaying obvious contingency regarding the union was even more astounding. The following two quotes state: *“Yes, the union stand for the workers, but it is a bit unclear what exactly they do”* and *“I’m not very clear about it. Each month each worker has to pay 5 RMB for the union fee, but its unclear how this money is being used”*. These statement and others like them highlights the issue of how the unions actually do or do not benefit the workers regarding human, labour, ethical rights and economical privileges. Although the union arrange trips for the employees, as one respondent state - *“...sometimes the company and the union arranged some very nice activities after-work, for instance the spring trip...”* - the extent of which union actions actually improve worker rights are questioned by some of the respondents. The discussion following union involvement, was the one of collective bargaining, something that - intuitively - was regarded as synonymous with union involvement during the interviews.

### **Collective bargaining**

According to the respondents, there is an overall notion that collective bargaining is good for the workers and has even occurred once at the previous factory. It has not yet taken place at the current factory, and there are different views if collective bargaining is required at ATC. As one respondent said: *“If it is needed, then it is good”*. Some respondents share this view that there is no need for collective bargaining. On the other hand, some respondents emphasize that the collective discussions regarding, for instance, wage is a process that takes long time: *“The efficiency of the collective bargaining could be improved, because sometimes it takes very long for decisions to be made.”*

### **Wage**

When discussing specific wage levels, not one respondent could state that the wage was 'good'. As one respondent said: *“It’s OK, not to good.”* Another respondent held the same train of thought: *“I think that the wage should be going up more according to the level of production, because now we are producing a lot more but each adding [of wage increase] is not as much as each adding of production.”* There is obvious discontentment regarding wage, and there was forthrightly behaviour of discussing it. The issue of wage was a recurring theme throughout the answers of the respondents, often regardless of topic.

### **Discrimination**

The very next area discussed was the concept of discrimination, and one respondent clearly stated, through an example relating to ATC, how workers who performed the same tasks received different levels of wage. This was according to the respondent one way to describe and conduct discrimination. One female respondent said: *“Because I’m a very experienced worker, having worked here for over three years, I think for the more experienced worker, the wage could be more, compared with the new employee.”* The respondent is sharing an

opinion regarding herself – not the group - and the benefits she feels should be her entitled.

### **Overtime**

The notion of overtime was to most respondents looked upon as an positive experience resulting in more income - due to the automatic percentage increase. As one respondent said: *“...I'm very positive about it [overtime]. If there is opportunity to work overtime, then I want it, since I earn more during overtime.”* There was one respondents who looked upon overtime in a more negative fashion due to private external circumstances. Since this specific respondents view on overtime was influenced by private issues, and the overall respondents concurred that overtime was good, I chose to disregard the deviating statement as empirical data.

### **Safety & Health**

Regarding the issue of safety and health, all respondents concurred that the factory floor was a safe and hygienic environment to work in - if correct protocol was followed. As one respondent mentioned: *“If everything is according to standard, then it will look very clean and tidy. And regarding safety, if I use the proper safety equipment, I feel safe.”* From my tour of the factory floor, and with the specific type of manufacturing taking place at ATC, it is understandable that improper working procedures would result in short-term dangerous conditions for the worker. Although most respondents shared this positive view of safe and hygiene, one respondent also held a long term perspective and stated: *“There are always loud noises – it would be better if it could be controlled. And also, for long time employees, there might be some kind of disease that we get by working here for such a long time.”* There was also the recurring issue of air quality discussed - *“...for the safety here, if you work according to the working instructions its very safe. But for hygiene, the air quality can be improved...”* and *“...safety is OK, but I feel that air quality could be improved.”*

### **Dormitories**

Since ATC does not use worker dormitories, the discussion regarding them and personal privacy issues within such dormitories was short lived. Although few statements were made regarding worker dormitories, one respondents expressed the following: *“I think it would be good to have worker dormitories here, because its much more safer than driving my motor [vespa] home. Especially for the night shift, it would be much more safer.”*

### **Leave**

When discussing 'leave' all respondents agreed that leave, in various forms, were subject to approval from management. As one respondent said: *“Occasionally, if I feel sick, I apply for sick leave.”* Furthermore, occasional leave for personal reasons are hardly negatively looked upon by management, actually, there are 3-5 days of mandatory leave (besides holiday-leave) per year that all employees have to take.

**Commitment to the Codes of Conduct**

The respondents all confirmed that ATC followed their stated COC. However, it was interesting to see that one respondent shared an opinion not similar to the others: *“Yes, our company follows [the codes of conduct], but sometimes the operators are not very clear. I: Would you mind describing it more? R: We [the workers] have discussed it previously with our operators, but I can't remember anything specific.”*

**Recommendation regarding improvements**

When asked to share thoughts regarding improvements made during the last year, the majority of the respondents gave positive comments ranging from issues relating to improved management ( *“...we have better management.”*), employee benefits (*“Medical insurance has improved.”*) and hygiene (*“The working environment is more clean”*).

**Managements view on CSR and COC**

As done with the case company Dongjia, I chose to consult Alex Zhu (via email) with some questions after all the interviews were completed.<sup>131</sup> This was done to obtain managements – not the employees - view on the topic CSR and relating issues. Furthermore, Zhu’s statement was used to confirm (or condemn) the truthfulness of the respondents answers.

SKF’s work in the field of CSR has been praised these past several years. As previously mentioned, SKF was awarded the Hallvarsson & Halvarsson Award in 2009, chosen to be the best Swedish company at CSR initiatives and communication.<sup>132</sup> As Zhu stated: *“Since SKF does care environment, society and employee, we believe the company will take more Social responsibility.”*

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<sup>131</sup> See appendix 5

<sup>132</sup> SKF.com (2009) SKF best at CSR

## 5 Analysis

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*I intend to analyse my empirical data through my theoretical frame of reference, stated in chapter 3. To coordinate this understandably, I will analyse the empiric in an sequential, thoroughgoing, process - addressing the empirical data from both companies at once. This is done to highlight certain important theoretical aspects, and also to simplify the process of explaining the data and its correlation to my end results.*

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### 5.1 Chinese corporate culture

With the previously discussed theoretical and empirical foundation/framework, we can now seek to analyse how factory workers at the specific case companies relate to the area of CSR and COC. As previously discussed, Hofstede (2007) claim that cultural values differ among societies, but stay very much the same within one society. His theories is applicable and of good use when analysing what is - in my case - referred to as the society of factory workers.

#### **Collectivism**

Hofstede (2007) classify China as an country scoring high on the cultural dimension *Collectivism*. With factory workers taking part of the Chinese culture at large, and the companies themselves are operating in China, the workers are influenced by both the overall Chinese culture and the corporate culture (which, understandably, is to some extent influenced by the overall culture as well) promoted by the specific company. The empirical data supplied by the respondents (in particularly at Dongjia) all emphasized the notion of collectivism as basis for their argument. As an example, when discussing the topic of wage, one Dongjia factory worker stated: *"We are satisfied with out wage. We don't have any collective bargaining desire."* Although the statement is made in regards to the topic of wage, the specific choice of word – 'we' - clearly emphasize collective though and gives credibility to the use of theories supplied by Hofstede (2007). One important conclusion made by Hofstede (2007) is the fact that a country (and its culture) become more individualistic with economical growth. This is an useful insight when continuing my analysis of the factory worker culture specifically at SKF. SKF, being a global corporation, promote a more 'Western' corporate cultural, which, as previously discussed, put more emphasis on the 'individual' rather than 'the group'. There were several examples of a more individualistic culture at SKF. As one SKF factory worker said (discussing the topic of wage): *"Because I'm a very experienced worker, having worked here for over three years, I think for the more experienced worker, the wage could be more, compared with the new employee."* This statement highlights the notion of self-interest, a strong characteristic for *Individualism*, as explained by Hofstede (2009), clearly showing a more 'Western' culture present at SKF.

### ***Power distance***

When trying to analyse how factory workers relate to the notion of inequality, Hofstede's (2009) theories regarding the culture dimension *Power Distance* become applicable. Hofstede (2009) claim that Asian cultures score high on this dimension, that is, the culture accept unequal power distribution and has high respect for authorities. This became evident throughout the interviews at Dongjia and SKF. For instance, when discussing the notion of unions - which in itself is a way to question authorities and (to some extent) affect and balance power distribution - at Dongjia, even the notion of questioning authorities through unions gave the following statement: *"We don't have that [unions] here, I don't understand what they are."* Due to the sensitive matter of unions, there were only limited outspoken empirical data gathered at Dongjia. On the other hand, the 'unspoken' empirical data obtained through this sensitive matter only further demonstrate the high level of *Power Distance*, and the indifference regarding the questioning of authorities, through for instance, unions. It needs to be said that the high level of *Power Distance* is also maintained, although not intentionally, through governmental promotion and firm (sometimes unethical) action regarding the issue of assembly (with the intention to question authorities).<sup>133</sup> This is further displayed when discussing union actions at SKF. Two respondents mention: *"Yes, the union stand for the workers, but it is a bit unclear what exactly they do"* and *"I'm not very clear about it [the union]. Each month each worker has to pay 5 RMB for the union fee, but its unclear how this money is being used"*. These comments, valuable in themselves simply because they are shared (due to the sensitive topic), do not outright question the authority of the union, but they do indeed highlight a lower level of *Power Distance* relative to the one at Dongjia. This further demonstrates influences of 'Western' culture active within SKF, due to its corporate cultural heritage. Another topic of interest in regards to *Power Distance* is the relationship to economical growth. The relationship states that with higher economical growth, power holders are forced to justify themselves. This is evident throughout my empirical data, both on the small scale of interviewing factory workers and on the larger scale of China having to justify their economical actions towards nations and organisations through mutual established contracts and MOU's.<sup>134</sup> As one SKF worker state (regarding wage): *"I think that the wage should be going up more according to the level of production, because now we are producing a lot more but each adding [of wage increase] is not as much as each adding of production."* This statement display managements need to justify themselves in setting one specific, fixed wage despite production increase<sup>135</sup>.

### ***Losing face***

Another dimension of importance when analysing Chinese corporate culture, is the notion of time, specifically *Long term* or *Short term* orientation. Hofstede's (1988) research showed that Asian countries put large emphasis on long term orientation. Characteristics such as perseverance, thrift, "losing face", tradition, etc., are of importance for individuals who belong to a long term oriented culture. It became evident that these characteristic were indeed of importance to the employees at respective case company. One area worth

<sup>133</sup> Previously discussed under passage 4.1.2

<sup>134</sup> Previously discussed under passage 4.1.4

<sup>135</sup> Increased production in this aspect equals increased profit, which in turn can be viewed as economical growth.



discussing regarding these characteristics are, for instance, the concept of “losing face”. The phenomenon was displayed through the following statement (made by an SKF employee): “...if a person makes a mistake that is not so serious, I will talk to this person directly, but if I found it [the mistake] seriously and could affect other people, then I would speak out to management.” Addressing a co-worker on a more personal level minimizes the risk of both employees 'losing face', and furthermore, it does not require managements attention to the problem.

### **Long term orientation**

The long term orientation is something imbued in both case companies policy, thus, affecting the corporate culture and in effect highlighting long term commitment as a favourable thing for factory workers. As a closing statement, one respondent said, (displaying commitment towards the company): “For me personally, if I did a bad job, I would feel uncomfortable working here. On the other hand, if I did a very good job, I feel very comfortable working here.” This commitment displayed by the factory workers combined with long term orientation is, through my analysis, one of many Chinese corporations’ competitive advantage on the global market and a major influence on Chinas economical growth. For us to understand how this commitment and long term orientation came to be, the empirical data needs to be analysed with further focus on cultural values imbued in the Chinese system. I therefore turn my attention to the influences of Confucian thought on Chinese values.

## **5.2 Confucian influences**

As previously stated by Zhao (1994), Confucian principles are the basis for the value system most common among Chinese people. The importance for human relationships, order and group obligation are all influences on Chinese labour relationships and HRM. The notion of *harmony* is the highest praised and sought after state, something that, when combined with previous processed empiric’s (above), enable us to analyse and understand *why* the currents conditions exist for factory workers today, and furthermore, why they are *allowed* to endure.

### **The four principles of Confucian thought**

Combining the previously stated cultural collectivism present at the case companies with the societal culture of Confucian thought, certain distinct phenomenons become evident. The four principles of Confucian thought emphasize a paternal, hierarchical, educational, and ruler imposed system in the Chinese society. The paternal aspect combined with hierarchical principles create a notion of either one individual or group’s superiority over another. It can also be demonstrated as one group’s loyalty towards another group, for instance, factory workers loyalty towards management. Such examples of 'loyalty' were displayed several times when conducting interviews with the respondents. For instance, one SKF respondent said (regarding the topic of overtime): “If the company needs me to work overtime, and its necessary, I will do it and I feel good about it”

This shows signs of expressed loyalty not only associated with proper work performance, but voluntarily work performance as well. With this establishing loyalty towards management from the employees' behalf, it is now of interest to see how management care for the subordinate relationship when satisfying the stakeholder. With modern corporate governance close to mind, the third Confucian principle states that the 'ruler' (management) is to care for and satisfy the 'subjects' (employees), or risk being 'overthrown' (terminated). Some of these satisfactory efforts were displayed by certain respondents at SKF, as one respondent stated: *"Medical insurance has improved. The efficiency to solve emergency accidents or issues has also improved."* (At Dongjia, satisfactory efforts of similar sort were, according to the respondents, few and far apart.) The fourth principle of Confucian thought highlights the aspect of education, and the importance it holds for society. The influences made by Confucian thought is yet again evident and demonstrated with one SKF respondent stating: *"...we need to learn more English. Also, I would like to have more practical training, and get working skills, especially for new technology."* With clearly stating Confucian influences in the case companies studied, we can now take the next step when analysing *if* and *how* this affects actual worker rights and opportunities.

### **Effects on employees**

From the discussion above, we can conclude that corporations in China are more than just an employer according to 'Western' standards. Confucian thought influences corporations in China to provide and promote long term employment (as also stated by Hofstede's (2009) long term orientation dimension), housing (dormitories), medical care, benefits, etc. This, combined with the previously explained notion of *harmony* keeps the worker content. As one Dongjia respondent said (when discussing improvements): *"No, since everything is fine, there hasn't been um... to my knowledge... any specific change"*. This notion of contentment is characteristic when interviewing several of the respondents, especially at Dongjia. This can be explained since Dongjia – being a more Asian influenced organisation regards corporate culture than SKF – holds several respondents that all share their opinion with the notion of being content and, more importantly, not disrupting 'harmony'. As stated by Zhao (1994), this notion of not disrupting 'harmony' and demonstrated contentment creates a passive, non-innovative attitude amongst the workers. As one Dongjia respondent said: *"I can not think of anything that would improve my situation as a worker."* This statement, and others similar to it, show intentions of not wanting to disrupt harmony, although there might be issues, minor or major, that could be discussed in order to improve the situation of their work life.

With the analysis stated above, we can conclude that Chinese factory workers are subject to the notion of *harmony* and the passive, non-innovative culture promoted by Confucian thought. As my analysis shows, overall Confucian thought – with the help of theories supplied by Hofstede (1988) – state *why* current sub-standard working conditions and questionable rights are *allowed* to endure in China today. With the factory worker perspective on obtaining proper worker rights analysed, we can continue to discuss and analyse managements point of view regarding worker rights and responsible conduct towards one specific stakeholder group - the factory employees.

### 5.3 Level of responsibility seen through Carroll's CSR pyramid

When discussing worker rights from managements perspective, it is useful to analyse the gathered empirical material using Carroll's (1991) theories as a foundation. The purpose of Carroll's (1991) pyramid is to highlight certain areas of responsibility that corporations need to address, when striving for sustainable business and becoming a 'good'/responsible member of society. The definition of 'good' in this case implying taking broad ethical and philanthropic responsibility towards the company's stakeholders and society. To what extent the case companies fulfil their responsibilities towards their stakeholders (especially factory workers) and society is what I intend to find out by comparing the companies actions with the theories supplied by Carroll (1991).

#### ***Economical and Legal responsibility***

Economical responsibility, being the first major step, highlights the notion of creating maximum profit for shareholders. This, in combination with legal responsibility (i.e. following laws, regulation, etc.), are two mandatory requirements when conducting business regardless of geographical, political or economical conditions – i.e. the free enterprise system. The case companies showed both economical and legal responsibility. This is quite intuitive, since my fundamental requirements (as stated in passage 2.1 Primary sources) regarding the inclusion of the case companies in my thesis, relate to the economical and legal responsibilities being fulfilled.

#### ***Ethical and philanthropic responsibility***

Since laws are 'codified ethics',<sup>136</sup> and ethical values are based on collective culture, there is a connection between ethical responsibility and worker rights evident. Furthermore, it is interesting to see how these relate to the ethical values promoted by management within Chinese corporations. Holding a broad market perspective, and economical growth being *the* main goal in China today, there is an obvious risk that ethical considerations of non-profitable character – ethical short-term actions often being non-profitable – are de-prioritized and neglected. As Marcel Wang stated: "...big companies do a lot of job on CSR, small companies focus on development themselves..."<sup>137</sup> Understandably, with this statement, ethical actions are not seen as incentives for an increase in potential profit, or to be used as competitive advantage, but rather as necessary ethical obstacles created by society to be dealt with when small companies expand. In the case of Dongjia, a sort of 'voluntary' (not required by law) view on ethical corporate actions become evident. SKF, on the other hand, being a role model corporation regarding CSR, holds a high notion of ethical perspective in their overall objectives. As Zhu stated: "*Since SKF care for the environment, society and employees, we believe the company will take more Social responsibility.*"

<sup>136</sup> See passage 3.3 for previous discussion

<sup>137</sup> See appendix 3

### ***Stakeholder power and legitimacy***

With these managerial views on ethical responsibility established, the next step is to analyse how these broad views on ethical responsibility relate to the more narrow, specific stakeholder group employees. Carroll (1991) emphasize issues of *legitimacy* and *power* when addressing the issue of satisfying the stakeholder. It becomes quite clear that large organized groups wield more power and influence than their opposition. With employees having questionable rights to organize, and belonging to a culture that foster non-innovative behaviour, the specific stakeholder group (employees) therefore wields a low amount of power when seeking the attention of management. This lack of power hinders the group to state their claims, which in turn leads to low legitimacy for management to consider. As Zhu stated (when having preliminary discussions regarding my thesis): *“That’s great... then I get to know their true feelings about working here...”* With this bottom-to-top perspective evidently found as somewhat ineffective – in my case - the next step is to consider a more top-to-bottom approach, with management displaying an proactive ethical approach. We can therefore use the theories explained by Carroll (1991) regarding immoral, amoral and moral management to analyse what type of specific or transboundary managerial style they exercise.

### ***Managerial style***

Immoral management taking no consideration what-so-ever to stakeholder claims of ethical responsibility, rights or needs, it becomes evident, through my empirical research, that neither case company exercise immoral management. Amoral management, being defined as a lack of ethical perspective but nonetheless treating the stakeholder according to law, are sometimes displayed through the interviews at the case companies. Although a clear strive is displayed for the conduct of moral management, there are certain societal elements interfering. With the socialistic government allowing only questionable levels of assembly and freedom of speech - characteristics supported by moral management<sup>138</sup> - it is hard for the case companies to fully exercise this managerial style. Although there are efforts displayed (such as mutual commitment: *“...we want them [the workers] to be involved in ALL our actions...”*) by management to conduct moral management, occurrences were displayed by respondents, highlighting amoral management. For instance, discrimination, being one characteristic of amoral management, is mentioned by respondents at SKF when discussing different wage levels. This type of unethical conduct, although minor, put pressure on the specific organisation-stakeholder relationship. It becomes evident that - with organisation-stakeholder (management-employee) relationship described and analysed above – the strive for ethical/philanthropic responsibility and moral management, although admirable in itself, is not enough in obtaining the satisfaction of the specific employee stakeholder group. The case companies have therefore put emphasis (of varying size) on infusing CSR with their overall objectives. This works as larger incitements that will be beneficial for both the organisation and the stakeholder. I turn my intention to the CSR infused business cycle, as stated by Wijk (2009) and Porter (2006), to analyse *if* the case companies current level of engagement within CSR infused business can be used to highlights (and improve) ethical behaviour towards the stakeholders.

<sup>138</sup> See passage 3.3

## 5.4 Creating shared value through CSR

To analyse how CSR endeavours of the case companies actually benefit their factory workers, it is helpful to consult the theories supplied by Porter et al (2006) and Wijk (2009). To not risk repetition, the theories basically regard the infusion of CSR into overall corporate objectives as beneficial both to stakeholders and the corporation itself (through competitive advantage). When analysing respective case company's level of involvement within CSR and ethical conduct towards factory workers, distinct differences become evident. SKF, with *high ethics* as an overall promoted *value*,<sup>139</sup> highlights the need to conduct business actions with an ethical viewpoint. Furthermore, they emphasize the need to create a satisfying environment for their employees, the promotion of valuing ideas, and the respect for individual rights. Porter et al (2006) highlight public discontent as one factor that large corporations need to consider when performing business actions. This is because larger corporations are more easily targeted if public discontent occur. It is therefore understandable why SKF, being a large corporation, hold great focus on (among other topics) CSR reports, high ethics and employee involvement. Receiving high ranks (on CSR) from self-appointed institutions and highlighting the corporations CSR endeavours are very admirable in itself, but it still does not offers an strategic framework for CSR activities. From my empirical findings it becomes evident that practical integration of social considerations (specifically towards factory workers) into the corporations (SKF and Dongjia) overall objectives are inadequate. Dongjia, on the other hand, being a relative small company, hold no larger aspiration of CSR conduct at all, other than the notion of Wang stating: *"To develop an attractive workplace, in order to rally the cause of people, in order to train people, in order to forge the performance of people"*. With the above stated perspective - of respective case company established - we can now with the help of Wijk's (2009) *holistic model for corporate management* see to what degree value based relationships are promoted with the specific employee stakeholder group.

### **Dominant relationships**

The idea of creating an dominant relationship with the stakeholder (employees) through proactive and reactive actions at each case company are few and far apart. Short term satisfaction of various sort are evident, but long term efforts of satisfactory sort are either diffuse or non existent. As one SKF respondent said (regarding collective bargaining): *"The efficiency of the collective bargaining could be improved, because sometimes it takes very long for decisions to be made."* This statement highlights an inconsistent time frame, lack of mutual commitment, and an submissive (non-dominant) relationship to the stakeholder.<sup>140</sup> From this perspective, certain limitations and justifications can be used to understand *why* these non-dominant relationships are allowed to endure. For instance, *moral obligation* towards the society (i.e. treating the employees "fair") are established through, for example, COC (either established by the corporation itself or supplied by external suppliers) which, with society as judge, justify the respective corporation's *license to operate* – for instance,

<sup>139</sup> See passage 4.1.8

<sup>140</sup> Further correspondence with SKF, after the interviews, revealed no scheduled plans of conducting collective bargaining with the employees.

working toward a common goal through a practical framework of conducted in reference to employees - and through this, gaining the approval of society through heightened *reputation*. These COC, although beneficial towards employees in several ways, have fixed guidelines (established from a managerial point of view), which in turn hinders a mutual, dialogue based, dynamic relationships to expand. The case companies focus on justifying their actions towards society, rather than improving internal interdependence. Through this perspective, and this scenario being evident, the sought-after level of sustainability by the case companies are unachievable. With this conclusion, and the stated desire to produce maximum profit and social benefit by the case companies, we turn to Porter et al's (2006) theories regarding the *value chain* in order to analyse in which extent this is achieved.

#### ***Outside-in perspective on Value Chain ramifications***

The *value chain* highlights the notion that every single action within the value chain affect society. For instance, in SKF's case, choosing to manufacture industrial goods in China, has different social ramifications than producing them elsewhere. Adhering to lower regulatory standards in China may be less resource demanding, but with it, bringing social ramifications hard to foresee. For instance, as one respondent at SKF said (regarding suggested improvements): *"There are always loud noises – it would be better if it could be controlled. And also, for long time employees, there might be some kind of disease that we get by working here for such a long time."* This is indeed a valid point of concern. There was also the recurring issue of air quality discussed - *"...for the safety here, if you work according to the working instructions its very safe. But for hygiene, the air quality can be improved..."* and *"...safety is OK, but I feel that air quality could be improved."* The long term effects of working in a factory environment are often hard to foresee. The repercussions, if negative health issues are shown and linked to a specific work environment, can be devastating (in all aspects) for the specific company and, of course, the effected employee. In the case of Dongjia, choosing where to produce their products has social ramifications of both positive and negative sort on the inhabitants of Shaoxing. The social effects of *value chain* decision become evident, something that the case companies need to respect in order to obtain a healthy relationship with society and stay competitive. The notion of creating *shared value* that benefit both the case companies and its stakeholders become evident. This broad, outside-in view of *value chain* decisions resulting in social ramifications are indeed hard to foresee and act upon.

#### ***Inside-out perspective on Value Chain ramifications***

Turning our attention to the more tangible inside-out view regarding the *value chain* the case companies demonstrate effort of varying sort to create appreciated *shared value*. For instance, in Dongjia's case, making sure that employees have access to living quarters that ensure human dignity and privacy, is indeed an inside-out *value chain* commitment, creating *shared value* with the employees. In SKF's case, supplying free transport at the start/end of every working day are also signs of corporate based efforts aimed to create and sustain *value based* relationships. From this perspective, and through the *value based* relationships - i.e. obtaining *shared value* - it becomes clear that long term prosperity are indeed based on the interdependence between

business and society. Helping us to analyse what efforts and which endeavours the case companies give attention, the three category framework regarding *Generic Social Issues*, *Value Chain Social Impact*, and *Social Dimensions of Competitive Context* (supplied by Porter et al (2006))<sup>141</sup> become useful.

### ***Three category framework***

When analysing the implementation and empowerment of worker based COC (with focus on worker rights), it becomes clear that, in both case companies, this is indeed an issue of both *generic social issue* and *value chain social impact*. Implementing and enforcing worker rights affect the corporations actions within its course of business, both through gaining the approval of society through ethical conduct (strengthening the notion of *reputation*) and also, as described above, addressing issues of social impact within the value chain. Further down the *value chain*, customers who enjoy their competitive advantage due to the collaboration with the case companies, highlight the need to address this social issue if collaboration is to continue, therefore putting them within the frame of *social dimensions of competitive context*. As Porter et al (2006) mention, certain issues of social importance promote cooperation. It becomes clear that, through this perspective, worker rights are indeed a social issue of importance, and it becomes evident through my analysis, *why* the case companies collaborate with their respective organisations and *how* it - in their attempts of creating mutual interdependence (i.e. *shared value*) and collaboration with stakeholders - improve working conditions for factory workers. This sort of *Responsive CSR* demonstrated by the case companies - highlight the strive for “good” corporate citizenship and dealings of social issues, in their efforts of obtaining their goals - are admirable in itself, but *Responsive CSR* still lack the hands-on approach of *Strategic CSR*.

### ***Responsive/Strategic CSR***

With the different perspectives analysed for the case companies above, it becomes clear that *Strategic CSR* - the preferred model of choice when addressing social issues – is not promoted by the case companies. The lack of addressing social issues through inside-out and outside-in perspective simultaneously, lead to opportunities of *shared value* gone lost. Investing in social issues, creating a mutual, dominant relationship, and incorporating the notion of *value* in overall objectives, is one way to achieve corporate responsible actions and competitive advantage.

With the case companies analysed through the theories of Porter et al (2006) and Wijk (2009), it now becomes of interest to view the effects of implemented COC on the lowest level – i.e. the effects on factory workers. Changing perspective in order to analyse the case companies endeavours within COC and worker rights – and how it actually benefit factory workers - I turn my attention to the theories stated by Beer et al (1984).

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<sup>141</sup> See passage 3.4

## 5.5 Influences on Human Resource Management

### *Situational factors*

Since the treatment of factory workers is closely related to issues of Human Resource (HR) importance, the theories supplied by Beer et al (1984) and the *Harvard Map of HRM* become applicable. The model basically analyse factors of positive and negative characteristics that influence Human Resource Management (HRM) policies in the efforts of satisfying the company's stakeholder groups – in our case – employees. Two broad considerations are addressed when analysing the influences on HR policies. *Situational factors*, are addressed in the form of laws, values, workforce characteristics, market conditions, unions, etc. An analysis of the empirical data allows me to identify the following situational factors:

- laws and regulation are followed
- values are influenced by Confucian thought
- workforce characteristics are (to various extent) non-innovative and content
- market conditions offer an abundant labour force to low cost
- unions exist, although with questionable influence

These situational factors (among others), combined with stakeholder interest (as previously discussed), influence the HRM policies of the case companies. Emphasising not on responsive behaviour, but a more strategic approach, the next step is to analyse the case companies through the four areas *human resource flow*, *reward systems*, *employee influence* and *work systems*.

### *Reward systems*

Through the limited insight into the case companies, and the purpose of this thesis, there was no empirical data gathered to support or condemn the case companies actions in accordance with *human resource flow* nor *work Systems*. *Reward systems*, on the other hand, showed somewhat inconsistent results when looked through the perspective of each case company. As one SKF respondent said (discussing the topic of wage): “Because I'm a very experienced worker, having worked here for over three years, I think for the more experienced worker, the wage could be more, compared with the new employee.” This statement show lack of employee appraisal in monetary means. Monetary means being one source to motivate, attract and maintain employees. The respondents at Dongjia, on the other hand, were quite pleased when discussing *reward system* issues (i.e. they were content with their wage). Bear in mind the previous discussed employee characteristics regarding the personnel at Dongjia.

### *Employee influence*

*Employee influence*, an area of great importance when discussing worker rights and mutuality between management and employees, were emphasised at both case companies as an important part of HRM policies. From managements (SKF's) point of view, Zhu stated: “...we want them [the workers] to be involved in ALL our



actions...” This being admirable in itself, there were still inconsistency when asking for the factory employees thoughts on the subject. As one respondent said (regarding matters of improvement): *“I think that there is need for better communication between the factory floor operators and our managers.”* Comment similar to this display discontentment from the employees, since communication is one fundamental requirement when obtaining employee influence. At Dongjia, no outspoken nor literal aspiration from management is emphasized regarding *employee influence*, but on the other hand, several respondents commented positively on the issue. As one respondent said: *“Because the policy demonstrated within the declaration of the working manual, I always tell my boss if something is not up to standard, and we [manager and respondent] will work hard to improve that so we are all the time checking that these working situations are good.”* With the above corporate HRM policy conduct analysed, we can now continue to see how the results are shown within the, previously discussed, *four C’s*.

#### ***The Four C’s - Commitment***

Commitment, being the first of the four C’s, can be used to show the extent of which employees commit to the organisational culture and its objectives. Attaching a value to employee commitment is indeed difficult (close to impossible), but based on previous discussed theories, empirical data, and analysis, we can conclude that employee commitment towards respective case companies – when striving for overall goals – are adequate. Adequate, in the sense that commitment can be improved to satisfy the stakeholder further, and in doing so, receiving increased moral, higher production and an overall improvement of the intangible environment for the employees.

#### ***The Four C’s - Congruence***

Congruence, emphasizing that organisational goal are to be in tune with overall HR objectives (and the understanding and confirmation of this between, for instance, management and employees) are from the processed empirical data, inadequate. If, for instance, employees disagree with organisational goals or HR objectives, the passive employee culture combined with socialistic conditions in China allow no room for employees to strike or even air their opinion.

#### ***The Four C’s - Competence***

The case companies strive for a mix of skills, attitude and behaviour – Competence – are at the Dongjia, inadequate. The smaller company, as an indigenous Chinese corporation, have factory workers who embrace the culture (as previously explained) to greater extent than SKF, and therefore foster an non-innovative, non-disruptive factory worker culture. This is combined with lack of internal training and non-existent career opportunities. SKF, on the other hand, embrace a more 'Western' approach, which in turn emphasize a more innovative culture. Bear in mind, although supplying internal training and putting focus on developing the workforce, some respondents claimed that these emphasized commitments were not met. As one respondent

said: “...we need to learn more English. Also, I would like to have more practical training, and get working skills, especially for new technology.”

#### ***The Four C's – Cost effectiveness***

Due to the market conditions in China, the final area of analysis – Cost effectiveness – is complex. The case companies are indeed cost effective in their HRM policy toward employees, from managements point of view, since labour in China is – intuitively – a minor cost item. On the other hand, judging wage levels from the individuals perspective, it is indeed inadequate, due to the (in comparison to 'Western' measures) sub-standard wage level in China. Both case companies claim that they supply wage levels above minimum requirements, but put in the perspective of providing discretionary income for workers, the wage is indeed inadequate.

## 6 Conclusion

*In this chapter, the conclusion that my research exhibit is expressed, and suggestions are given to further research.*

To make the empirical analysis more understandable, and in my overall effort of answering my questions stated in passage 1.5, I have chosen to summarize the data below. Based on the analysis of the empirical data, we can now demonstrate respective company's level of CSR commitment towards the certain specified stakeholder (employees).

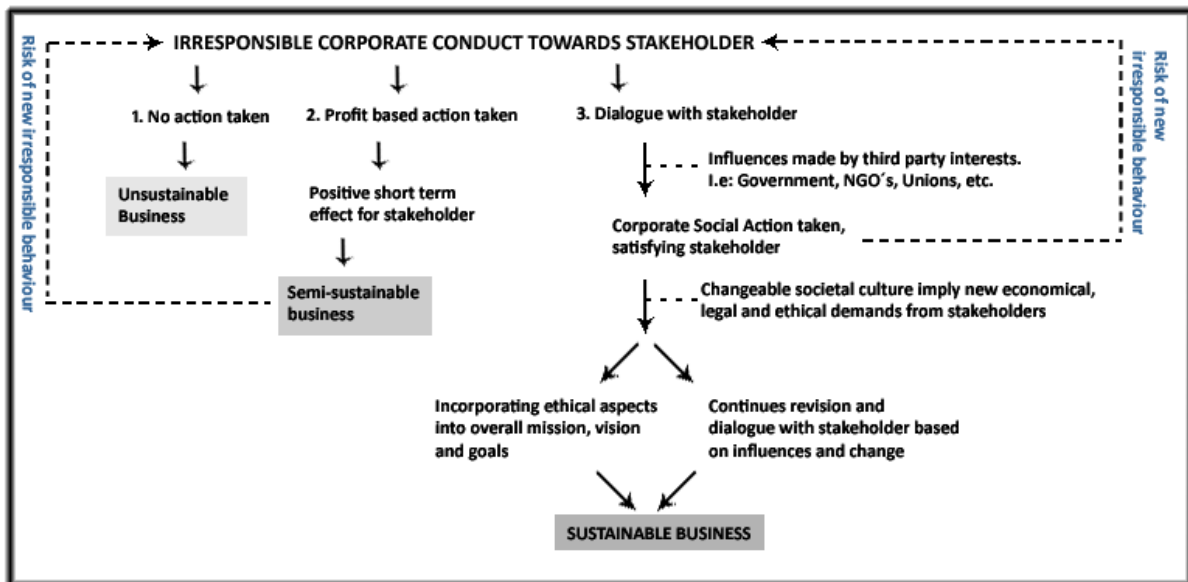
Question formulation	Result
<i>How are the current social, economical and humanitarian rights enforced for factory workers (at the respective case) company in relation to implemented CSR policies and COC?</i>	Social, economical and humanitarian rights are enforced for factory workers at the case companies studied through regulation, own implemented COC /Working Manuals, and – in some cases - COC supplied by exterior stakeholders. The above mentioned insistences are enforced through managerial efforts influenced by stakeholder (i.e. employee) interests. To what extent these efforts are actually improving worker right for the long term is - from my study – inconclusive due to restricted amount of time and insight granted within each case company. Furthermore, the current state regarding factory worker's right to assemble - through worker controlled unions - and freedom of speech is as of today of questionable sort in China.
<i>How are the relationships between stakeholders affected with the implementation of CSR policies and COC?</i>	The relationships between stakeholders (i.e. owner to employee, owner to customer, etc.) - regarding implemented CSR and COC's - have improved. It is evident that mutual appreciation and collaboration regarding responsible, sustainable, corporate actions and endeavours - involving stakeholders of the case companies - benefit the parties involved. It must be said, that the magnitude of these relationship improvements differ depending on case company studied.
<i>How have factory workers benefited from implemented CSR-policy's and COC's?</i>	Due to the separate answers - regarding tangible and intangible benefits - obtained from the case companies, the result are inconclusive. Case company Dongjia's employees could not state specific improvement, nor could they display any need for it either. SKF ATC's employees highlighted specific improvements, and also proposed their personal opinion regarding further improvements.

With the above results concluded, improved worker rights and benefits are shown with the implementation of COC, and is furthermore highlighted through the positive channels of dialogue. The non-innovative, 'harmony'

striving culture that imbue Chinese workers - combined – with a socialistic state that allow only questionable rights of freedom of speech and assembly, creates unethical working conditions. One line of hope when obtaining proper worker right lie with those that wield power, i.e. the corporations active on the Chinese market. Influences made by NGO are good, but take a long time to make a difference. Instead, if the improvement of proper worker rights are to be realized, corporations need to take greater responsibility for the longer term.

## 6.1 An alternative theory

With the previous discussed theories, empirical analysis and conclusion, the need for a basic framework become evident. As a visible guide, the framework below can be used to display certain overall aspects that need to be considered when addressing issues of social responsibility. The framework assume that there is irresponsible behaviour taking place towards one or several stakeholder. This can be for instance, improper wage for workers, pollution of the environment, etc.



1. With no action taken, the first aspect displayed, there is an intuitive apprehension that the corporation will – through this unsustainable fashion - receive further resource demanding problems and only be profitable for immediate short-term.

2. The second approach to satisfying the specific stakeholder follow the founding notion of all business endeavours – i.e. creating maximum profit. Satisfying the stakeholder on this short-term basis, allows business to continue and the creation of profit to the shareholder. This short-term 'fix' takes on an semi-sustainable approach, fulfilling the bare minimum of satisfactory conduct towards the stakeholder – but leaves room for new irresponsible behaviour. This resource demanding 'loop' will not let the corporation, nor relevant stakeholder conduct long-term sustainable business.

3. The third, preferred, approach opens to the thought of dialogue with the stakeholder. It suggests that the corporation listen to third party interests, such as the Government, NGO's, (in which case applicable) Worker Unions, etc. This, to early identify areas of importance regarding the satisfaction of certain stakeholder. For instance, when addressing issues relating to the employee stakeholder group, this can be done through a bottom-to-top approach, highlighting issues of importance for the stakeholders and allowing management - in collaboration with the stakeholder - to make decisions which benefit them both. Making the satisfaction of stakeholders an proactive issue can also be the source of competitive advantage. Addressing issues of responsible behaviour and importance ahead (of time) of the competition can even uncover new market opportunities. With dialogue and consideration given to the aspiration of third party interests, corporate social responsible actions and decisions can now be made.

Although this promotes sustainable business, it still leaves room for irresponsible conduct to be made, creating a similar 'loop' encountered when conducting business with the simple maximum profit approach. This prohibit long-term sustainability to occur. If the specific corporation instead accept and embrace the changeable societal preferences regarding economical, legal and ethical issues, and incorporate such issues in their overall strategic goals – upholding continued mutual revision and dialogue with affected stakeholder - only then will long-term sustainable business occur.

## **6.2 Suggestion to further research**

Creating a more general approach with focus on the influences on CSR and its relation to profitability would be an area of further research of interest. Highlighting how, specifically, endeavours into Corporate Social Responsible actions help to benefit *all* stakeholders would indeed be interesting.

## 7 Lessons learned

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*In retrospect, some considerations worthy of attention become evident when conducting studies that include field work similar to mine. In this chapter, I intend to highlight such considerations that were made, not stated in my preliminary Method Chapter, but nonetheless helpful when obtaining truthful, sincere, empirical data from, for instance, the respondents.*

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### 7.1 Conduct toward involving organisations

Since large parts of my correspondence with the involving organisations were made through email, the need to specifically state the purpose of the thesis and the intentions with the interviews are of critical importance.

Being overly specific and precise minimize the risk of misunderstanding. This is quite intuitive of course, and it is also easy to realize that time, resources and opportunity are lost when such incomprehension occur.

Showing gratitude and appreciation towards involving organisations when being given the opportunity to conduct empirical research at their respective facility is of great importance. For instance, bringing smaller gifts from home (that can not be mistaken as bribes), such as Swedish gingerbread cookies or mulled wine (Glögg), can help create a pleasant atmosphere. Becoming somewhat culturally aware by spending time in the country before conducting interviews are indeed beneficial, and combining this with basic language skills further help cultural misunderstandings to be minimized. These basic notions of conduct towards the organisations create a mutually beneficial relationship that fuel further collaboration.

A characteristic that is of great importance, when conducting a Minor Field Study, is being flexible. Having prepared a strict agenda and a far-reaching outlined plan is admirable in itself, but my experience tells me that things never turn out the way expected. Being able to adapt to unforeseen circumstances and modify preliminary set agendas are of utmost importance. It can – dramatically – be described as a requirement when conducting field research.

### 7.2 Interviews at Dongjia

When arriving at Shaoxing train station, transportation was arranged for me and my translator John Chang by Marcel Wang. Arriving around noon by train, we first had lunch which created an social atmosphere. After lunch, there was a short tour of the factory floor, and after that, some preliminary discussion took place regarding my intentions with the project. It seemed as if interviews was something that happened from time to time, and my intuition told me that several companies came to the factory and did similar research to confirm that their supplier followed set standards. This was later confirmed by Wang stating: *“We are having a customer from country X coming tomorrow to look at the factory”*<sup>142</sup>. I was free to choose respondents from the employee ledger, and I made a random selection of individuals based on gender, age, employment time, and

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<sup>142</sup> Wang (2009-12-09)

position. These choices were made to get both broadness and depth to my empirical data. The interviews took place in a conference room away from the factory itself, with none other than me, my translator John and the respondent present in the room. As it was rather cold on the day in question, I arranged for tea during the interview which I noticed made the respondent feel very at ease and appreciative. To further this feeling of comfort, I had asked John (and myself included) to dress very casually on the day in question. Suits and ties can give of an impression of superiority, something I wanted to avoid.

### 7.3 Interviews at SKF ATC

When conducting empirical research at ATC, a preliminary presentation of the company was given by Alex Zhu, Human Resource Manager at ATC. During Mr Zhus short presentation, he stated “...we want them [the workers] to be involved in ALL our actions...”, a statement that shows the current level of management focus on employee involvement active at ATC. When explaining my intentions of obtaining an employee perspective regarding worker rights at ATC, Mr Zhu showed his approval in saying “that’s great... then I get to know their true feelings about working here”. This openness and sense of mutual benefit made my stay at ATC feel very welcome and significant. After the presentation, a short tour of the factory floor was given and later on, the interviews took place. ATC had arranged a random selection of factory workers for me to interview, ranging in age, gender, employment time and position. As previously stated, this gave both broadness and depth to my empirical data. It was also explained that all ATC employees receive an introduction of the company and its COC. The COC are explained at this introduction, but, according to the respondents, only thoroughly read on an voluntary basis.

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## Appendix 1 – Questions to factory workers

### Purpose of interview

It is important that the interviews conducted in collaboration with company X's workers hold the following terms close to mind:

- The interview will be done with the highest respect for anonymity.
- The person being interviewed (referred to as the respondent) will receive a short briefing regarding to the purpose of the interview, and in what way the data will be used.
- The respondent will not be asked to share information that he/she does not feel comfortable sharing, and will furthermore have the right to end the interview at any given time.
- The interview will, to avoid losing important data, be recorded via audio.

### Questions

1. How old are you?
2. Can you please tell me what kind of work you do at company X?
3. How long have you been working for company X?
4. Do you have any formal education/training previous to working at company X?
5. Would you say that you are a full-time worker or a part-time worker?
  
6. What do you think about company X's codes-of-conduct regarding human rights, labour and ethical standards?
7. How do you feel about the, hypothetical, need to file a complaint regarding the violation against these codes-of-conduct?
  
8. What do you think about the concept of trade unions?
9. Do you think that Chinese workers benefit from being involved with trade unions?
10. What do you think about collectively bargaining?
  
11. What is your opinion regarding the wage for factory workers?
12. How do you feel about your own wage?
  
13. How would you describe 'discrimination'?
  
14. Do you have a lot of leisure time in comparison to work time?
15. How do you feel about the amount of hours that you work at company X?
16. How do you feel about overtime?

17. What is your definition of a safe and hygienic work zone?
18. How do you feel regarding your work zone regarding to safety and hygiene?
  
19. What do you think about worker dormitories?
20. What do you think about the degree of personal privacy in dormitories?
  
21. What do you know about the concept of “leave”?
22. Have you, personally, ever requested leave?
  
23. Would you say that company X follow their codes-of-conduct?
24. In your own opinion, do you think that these codes-of-conduct could be improved?
  
25. Have you noticed any specific change during the last year that you feel have improved your situation as a worker?
26. In what way do you think your situation as a worker could be improved?
  
27. Do you have any other comments, considerations or reflections that you would like to share?
  
28. Do you have any questions that you would like to ask me?

Thank you so much for allowing me to perform this interview!

## Appendix 2 - Interviews at Zhejiang DONGJIA knitting CO, Ltd.

### Transcription and reflections of interview number 1.

1. (Long pause) I'm 22 years old.
2. R: I work in manufacturing.  
I: What kind of manufacturing?  
R: Knitting. I work with a knitting machine.
3. I have been working here for 3 years.
4. When I came to this company, I received training at this company to be trained to handle this knitting machine.
5. I am a full-time worker.
6. R: I think the codes-of-conduct and working manual is very good. I totally obey it and do whatever it says.  
I: Have you ever read the manual?  
R: Yes, I read it when I started at this company.
7. It is totally fine for me to make a complaint against the working manual if I should to choose to do that.
8. We don't have that here, I don't understand what they are.
9. [Question number 9 was skipped since the respondent did not grasp the concept of trade unions.]
10. [The respondent was unfamiliar with the concept of collective bargaining and after a short explanation of the concept and how it can benefit workers in, for instance, the wage aspect the respondent could declare the following:]  
R: Since we [the workers] don't have any problem with the current situation at the factory and I am currently satisfied with situation there is no need for collective bargaining.  
I: Has there been any collective bargaining regarding, for instance, wage?  
R: We [the workers] don't have that opinion about the company.  
I: What kind of opinion?  
R: We are satisfied with our wage. We don't have any collective bargaining desire.
11. R: Because everyone receives the same salary I don't have an opinion about it. I think it is fine.
12. I'm totally fine with my salary, I've stayed here for a long time and I really like this place.
13. I have, personally, never experienced discrimination so I have no good description for it.
14. R: I work 6 shifts and every shift is 8 hours so I feel I have a lot of leisure time.  
I: Do you work 6 shift or week?  
R: Yes, 6 days per week.
15. [Question was not asked since it was answered through question 14.]
16. R: In this company, overtime is totally voluntary so I feel fine about it.  
I: You mention, "in this company", how do you feel about other companies' overtime?  
R: This is my first job, so I don't know about other companies.

17. I think my workplace is very safe and hygienic. We have time to clean up our stations after our shifts for the next person who works there. We are also able to clean ourselves up after our shifts.
18. [Question was not asked since it was answered through question 17.]
19. I think our worker dormitories are very good. We sleep 4 people in one room.
20. R: I feel great about it also, because, for instance, my relatives can come see me.  
I: Can the relatives stay over?  
R: No, they are just allowed to visit.
21. I know that the right laws are in place so people are allowed the right amount of leave. For instance, when becoming pregnant, there is 90 days maternity leave.
22. I have never requested leave.
23. Yes. I think that this company takes care of their employees, and if any workers don not like what the company does, it is very easy to file complaints.
24. No, I cant come up with anything.
25. Um, there has been some improvements in the cafeteria that have benefited us workers.
26. None that I can think of.
27. No, I don't have any comments.
28. I have no questions, but I wish you great success with your thesis. I hope you are pleased with my participation.

*End of interview.*

**Reflection:** The female respondent was a very energetic person, who was eager to participate. She was very comfortable and gave, to my impression, very sincere answers. Regarding question 8, the respondent did not understand the concept of unions, and since China have no local trade unions, it became my understanding – confirmed with statements from my translator John - that workers on a local level are often unfamiliar with them. Due to the sensitive nature of this topic - and my intentions were to create a relationship of trust with the respondents - I therefore chose not to pose this question to further respondents.

#### **Transcription and reflections of interview number 2.**

1. (Long pause) I'm 21 years old.
2. I'm working in the packing area, with packaging.
3. This is my second year at this company.
4. I have finished [equivalent to] secondary school and received no formal training before working at this company.
5. I am a full-time worker.
6. R: I think that the employee manual holds all the necessary standards that we [the workers] can request, and I follow it in my job.

- I: Have you ever read the manual?  
R: Yes, I read it before.
7. Because I have had no problem with the manual, I don't feel that I need to file any complaint about it.
8. [Skipped due to previous statement reason.]
9. [Skipped due to previous statement reason.]
10. I feel fine about my salary so I don't see any need for collective bargaining.
11. Not bad.
12. R: I'm satisfied with my salary.  
I: Would you like to have a higher salary?  
R: (Laughter) Of course.
13. I don't know how to describe discrimination.
14. R: I have leisure time. (Pause)  
I: How much in comparison to work?  
R: I work 8 hours, 6 days a week. Rest of the time is leisure time.
15. I feel fine about them.
16. No comment.
17. Where I work is what I imagined it to be like, very hygienic and safe.
18. [Skipped due to previous statement]
19. R: Its very nice.  
I: How many people live in one dorm?  
R: 4 people.
20. Its all very good. I have personal privacy.
21. Leave is given according to what the law states.
22. I have personally never requested leave.
23. Yes.
- [When stating question 24, the secretary of the factory manager interrupted the interview by bringing tea, and also stating that we needed to hurry up the interview.]
24. Not that I can think of.
25. No, I haven't noticed any changes.
26. I can not think of anything that would improve my situation as a worker.
27. No.
28. No.
- End of interview.*

**Reflections:** This respondent was very shy. It was very hard to make the respondent feel comfortable, and the interruption done by the factory managers secretary did not help the situation. It was overall evident that she



had rather not participate, and I therefore felt it was unethical to push for answers. The sincerity of her answers were hard to confirm, due to the reasons stated above.

### Transcription and reflections of interview number 3.

1. I am 26 years old.
2. I am a quality controller. I control the quality of socks.
3. I have been working here for almost 2 and a half years.
4. I finished senior middle school, but have had no formal training at this company. I have worked at a different company previously that gave me training.
5. I am a full-time worker.
6. R: I don't have any problems with the worker manual of this company.  
I: Have you read it?  
R: Yes, I read it before.
7. I feel that it is fine to make a complaint if one should chose to do so.
8. [Skipped due to previous statement reason.]
9. [Skipped due to previous statement reason.]
10. If anyone has a problem or issue with their wage or anything like that, they can talk to their corresponding department, but I don't think that anyone is upset about their wage at this factory.
11. R: Not bad.  
I: Would you like to earn more money?  
R: Of course I would like to. (Giggle)
12. R: For now, I am satisfied with my current salary.  
I: And in the future?  
R: I plan to make more money in the future.
13. I don't feel that there is any discrimination existing in this company. I understand that discrimination means sometimes that you might be treated different by the manager, or if anyone receives punishment that they don't deserve or if someone is given a really low salary.
14. Yes, I have a lot of leisure time.
15. I'm fine with them.
16. It is not compulsory or obligated by us to work overtime. I can choose on my own if I want to.
17. In the place I work, I feel very safe and... um... it is very hygienic as well. My station is always very clean and tidy.  
[At this point one of the people showing us around enters the room. Apparently – her mobile phone battery has gone dead and its replacement lies in her bag left in the room previous to the interviews. I ask my translator to pause the interview while she fiddles with her phone and eventually leaves the room.]
18. [Skipped due to previous statement]

19. I don't live in the dormitory, my house is nearby, but I've heard from the people who works here that the dormitories are not bad.
20. Since I don't live here I can't give a good statement on this subject.
21. R: I don't have any problem with that.  
I: What don't you have a problem with?  
R: Since the company follows the standards that our national regulations state, I don't have a problem with that.
22. No.
23. Yes, I think that this company follows the worker manual.
24. I don't feel that any part of these codes of conduct can be improved.
25. Because the policy demonstrated within the declaration of the working manual, I always tell my boss if something is not up to standard, and we [manager and respondent] will work hard to improve that so we are all the time checking that these working situations are good.
26. It is totally up to the boss, our manager. If the boss thinks that something might be harmful towards us workers, he will hire people to replace that, or if our workplace is not hygienic enough, he will hire someone to clean it up.
27. To me, I am very excited to work for this company.
28. No, I don't have any questions for you. (Smile)
- End of interview.*

**Reflection:** The respondent was very comfortable with discussing various issues with us, she was a bit older and seemed more knowledgeable. She was a factory floor worker but could be seen as having more responsibility than the previous two respondents. The interruption during the interview did not, to the best of my knowledge, affect the respondent what so ever, but I issued my translator to take a pause while the interruption took place.

#### **Transcription and reflections of interview number 4.**

1. I am 25 years old.
2. I work with repairing and the maintenance of mechanical machines. I am a mechanic.
3. I've been working here since august 1<sup>st</sup> 2008.
4. My highest education is junior school. I developed my skills as a mechanic before I came to work here.
5. I am a full-time employee.
6. I read it once, and I have no problem with the working manual.
7. When working here, I have not yet felt the need to file a complaint, but if I should feel the need to do so, that would be fine.
8. [Skipped due to previous statement reason.]
9. [Skipped due to previous statement reason.]

10. Since I think my salary is OK I don't feel that there is any need to bargaining. If I would feel that my salary wasn't OK, I would definitely take it up with the HR department.
11. Not bad.
12. R: I'm satisfied with my salary.  
I: Would you like to earn more?  
R: Yes, of course I would like to earn more.
13. I think that discrimination can include racial discrimination, or if I am someone that is not from this place, and how I in that case would be treated differently.
14. I have a lot of leisure time.
15. I feel they are OK.
16. It is a free choice so I feel fine about it.
17. I've never though about it.
18. No comment.
19. R: Not bad.  
I: Do you mind describing it a little bit more?  
R: Initially I used to live here, but I don't live here any more, and when I lived here it was OK.
20. R: Yeah, we have personal privacy in the dorms. (Pause)  
I: So, for instance, how many people live in each dorm room?  
R: 4 people.  
I: Comfortable beds?  
R: (Laughter) Yes.
21. We have all of the issues of leave available to us, like sick leave and maternity leave.
22. No, I have never requested leave.
23. Yes, they follow their codes of conduct.
24. I've never thought about it.
25. No, I haven't noticed any specific change.
26. I can't come up with anything that would improve my situation as a worker.
27. I have been working for other companies before, and I feel that this company is very nice.
28. No, I don't have any questions for you.

*End of interview.*

**Reflections:** This male worker seemed very confident but had short, simple answers. Since it was my notion that this respondent held more information than he was willing or prone to share, I attempted at different occasions during the interview to further the conversation in order to make him more talkative. As previously mentioned, the time constraint made this very hard, but I feel that my efforts to gain more information from the respondent were successful. There will be more in-depth analysis of this further on.

**Transcription and reflections of interview number 5.**

1. I am 34 years old.
2. I am in charge of all the repairs regarding mechanical equipment.
3. I have been working here for almost 4 years.
4. My highest form of education is senior middle school. I had some formal training before I came to this company.
5. I am a full time employee here.
6. I have read this manual once before, and I am fine and agree with what is said in regards to human rights, labour and ethical standards.
7. Yeah, for sure, if there are any issues that go against these codes of conduct I would be sure to file complaints about it.
8. [Skipped due to previous statement reason.]
9. [Skipped due to previous statement reason.]
10. I would definitely talk to them [management] if I thought my salary was improper.
11. I think it is not bad.
12. R: Not bad.  
I: Would you like to earn more?  
R: Of course, but I think that I would need to perform better or get a promotion in order to get a raise on my salary.  
I: Do you think that a 'performance slip' would degrade your salary?  
R: For me personally, if I did a bad job, I would feel uncomfortable working here. On the other hand, if I did a very good job, I feel very comfortable working here.
13. I understand that the notion of discrimination is to look down upon others, but I don't think that there exist any discrimination in this company.
14. I work from Monday to Friday, from 9 am to 6 pm, so that's 5 days per week times 8 hours per day which is 40 hours per week. I feel that I have as much leisure time as I need.
15. [Skipped due to previous statement]
16. R: For me, I think it's very normal to work overtime. If there are a lot of things that I need to take care of I would like to stay here and work.  
I: Is it voluntary?  
R: Yes, of course.
17. I don't know how to answer that question.
18. [Skipped due to previous statement]
19. R: I don't live here in a dormitory.  
I: Have you ever lived in a worker dormitory?  
R: My house is so close (pointing towards the window), that I have never experienced living in a worker dormitory.

I: Have you ever heard from fellow workers about the conditions in the worker dormitories?

R: No, usually when I finish work I just go home, so I've never heard anything about it.

20. [Skipped due to previous statement]

21. I think it's OK, the company follows the national regulation regarding leave.

22. No comment.

23. Yes, I think that they follow the codes of conduct.

24. I think everything is fine, there is nothing I can think of that needs to be improved.

25. No, since everything is fine, there hasn't been um... to my knowledge... any specific change.

26. [Skipped due to previous statement(s)]

27. I think this company is very nice.

28. None that I can think of.

*End of interview.*

**Reflection:** This worker had a more managerial position, although still working on the factory floor. He was older, and seemed very knowledgeable. He seemed very content with his job and tried to answer the questions from his own perspective, which was highly appreciated.

**Note:** With using a semi-structured design of the interview, I felt free to drop questions that had already been answered through previous questions and also adding questions that I thought was of importance for my thesis.

### Appendix 3 - Questions to factory manager at Zhejiang DONGJIA knitting CO, Ltd.

1. How many factory workers does company X have?

180

2. What is the average employment length (in years) at company X?

2 years

3. Are the workers entitled to bargain collectively, for instance, in regards to wage?

Yes

4. Does company X workers have a collective contract that stipulates wage and working standards?

Yes

5. Is the workers wage above or below minimum wage standards posted by the China Employment Law?

Above the average wages

6. How does the situation for workers of company X involvement in trade unions look?

The workers are voluntarily involved in trade union

7. Is the workers involvement of trade unions promoted by company X?

Yes

8. On average, how many hours per day do one worker work?

8 hours pay day

9. On average, how many days per week do one worker work?

6 days per week

10. On average, if and how many hours of overtime per day do one worker work?

0

11. In what way are the workers compensated when working overtime?

2 times on ordinary holiday, 3 times on the national day

12. Do the workers received necessary instructions/formal training in handling harmful and/or dangerous substances and/or procedures?

Yes

13. Are the workers provided with personal protection equipment when necessary?

Yes

14. Do all workers have access to bathrooms and clean water?

Yes

15. Do the worker dormitories at company X ensure basic human dignity standards (i.e. 1 person per bed, gender separation, cleanliness, well ventilated and lit, access to bathrooms and drinkable water, etc.)?

Yes

16. Are the workers granted leave in accordance to law (e.g. vacation, sick leave, pregnancy, maternity, etc.) when requested?

Granted

17. What does company X believe that the future development of 'Corporate Social Responsibility' (CSR) will look like?

At present, big companies do a lot of job on CSR, small companies focus on development themselves. With more modernization and growing-up further, more and more companies will be involved in CSR.

## Appendix 4 - Interviews at SKF (Shanghai) Automotive Technologies Co. Ltd.

### Transcription and reflections of interview number 1.

1. I'm 35 years old.
2. I'm working at the heat treatment channel.
3. About half a year.
4. I completed middle school, its part of our public education. I had some safety training before coming to here.
5. I work full-time.
6. R: I think they are very good.  
I: Have you ever read the codes-of-conduct?  
R: Yes, when I started working here, the HR department introduced this (pointing towards COC).
7. If there were any problems, I would speak out.
8. Um, the trade unions should speak for the workers.
9. Yes.
10. I think the collective bargaining is good for the worker.
11. It could be higher. (Laughter)
12. R: I don't have an opinion, I just get what the company pays.  
I: Do you feel satisfied with your wage?  
R: (Pause) Yes.  
I: Would you like to earn more?  
R: Of course, Yes. (Laughter)
13. I don't understand. I can't describe it.
14. Yes. Very.
15. I think its OK.
16. R: I would like to work more hours, so I think overtime is good.  
I: Is overtime voluntary?:  
Yes, its voluntary, but here we have extra wage for overtime, which is good.
17. I would define this place [the factory] as a safe and hygienic zone.
18. Very good.
19. R: We don't have dormitories here.  
I: OK. Still, do you have any thoughts regarding dormitories?  
R: I've never lived in a worker dormitory. I live alone.
20. [Skipped due to previous statement]
21. I think its OK. For instance, if you are sick, you just apply for sick leave.
22. Occasionally, if I feel sick, I apply for sick leave.



23. Yes. I think they follow.
24. R: Yes, we can improve.  
I: In what way?  
R: Um, I don't know, but there are always something that can be improved.  
I: Interesting. In what area can they be improved?  
R: I don't know actually. (Pause)  
I: But you feel that there is room for improvement?  
R: Yes.
25. R: Yes. (Pause)  
I: Any specific change?  
R: The environment is better.  
I: In what way?  
R: The working environment is more clear, and the air is more fresh.
26. I don't have any suggestions.
27. No.
28. No.
- End of interview.*

**Reflections:** This male respondent was very shy and delivered short, simple answers. Unfortunately, it was hard to gather data from him, although he seemed to have opinions regarding issues relating to my project. A bit older in age, not an long-time employee at SKF, and a high degree of shyness, resulted in the respondent keeping his more descriptive thoughts to himself.

#### **Transcription and reflections of interview number 2.**

1. I'm 38 years old.
2. I work in the hub 1.2, my work is in assembling.
3. More than three years.
4. Yes, I worked in the previous factory and have worked in a Japanese factory as well. I received six months training in Japan from that factory.
5. Full time worker.
6. R: I think its good, very good.  
I: Have you read them?  
R: Yes, when I started working here I was briefed on them at my introduction.  
I: Do all new employees receive introduction.  
R: Yes, all new employees receive HR training, and safety training by our [channel] operator.
7. If there´s need to speak out, I will, especially since I'm an old employee and quite experienced. The younger employees that are not as experienced maybe doesn't know what to do, so I find it very necessary to

show them and point out where danger can occur. [The 'danger' this respondent is emphasizing is danger related to not operating the machines correctly.]

8. I think the trade union speak for the workers benefit. If we have questions or problems we should speak to the union, and let the union speak to the company.

9. Most of the time its good, very good, but sometimes the company and the union arranged some very nice activities after-work, for instance the spring trip, but now it is almost never arranged. I think its because of the production, we have to improve the quantity of what we are producing.

I: So you mean, since the production has gone down...?

R: No, since the production has gone up and everyone is working (!) there is no time for the company union to arrange trips for us.

10. The efficiency of the collective bargaining could be improved, because sometimes it takes very long for decisions to be made.

11. I think that the wage should be going up more according to the level of production, because now we are producing a lot more but each adding [of wage increase] is not as much as each adding of production.

12. Because I'm a very experienced worker, having worked here for over three years, I think for the more experienced worker, the wage could be more, compared with the new employee.

13. [There was some confusion regarding this question. The respondent had difficulty explaining the meaning of the work 'discrimination' and therefore used an example.] Sometimes, there are trainee's coming into the company that knows little about the process which means that the experienced workers have to teach them and these interns have a very high wage, almost the same as us experienced workers. After one year, these interns leave the company, and we – the more experienced workers – get more work and still have the same wage. I think this is one way to describe discrimination.

14. When we're working on the day shift, there is leisure time, but when we're working night shift, the next day is mostly sleeping. (Laughter)

15. It's OK.

16. I feel OK about overtime, because sometimes the production plan needs us to work overtime and I also get paid more during overtime.

17. For the safety here, if you work according to the working instructions its very safe. But for hygiene, the air quality can be improved.

18. [Question skipped due to previous statement]

19. I think it would be good to have worker dormitories here, because its much more safer than driving my motor [vespa] home. Especially for the night shift, it would be much more safer.

20. It's probably not as private as at home, but since we don't have worker dormitories, I have my own place, I can't tell for sure.

21. If I start to feel sick, or have other things I need to do, I will apply for leave.

22. R: I almost never apply, only for the annual leave.

I: Annual leave?

R: Yes, each year every worker has 3-5 days of annual leave that you *have to* have... its like necessary.

The experienced worker has more days.

23. Yes, they follow.

24. Basically, no.

25. The working environment is much more clean.

26. More ventilation. Because I think the air could be improved on the factory floor.

27. For our operators, here at ATC, we have two bus routes, but not all the operators can get on these buses since they don't live in that direction. The operators that can't use these buses must therefore take their own car to work every day. Since the bus is free and driving cost money, maybe there could be some sort of bonus for those who drive on their own, to pay for gasoline.

28. I'm actually quite shy, (laughter), so I don't have any questions for you.

*End of interview.*

**Reflections:** This worker was a bit older and had worked at ATC for more than three years. She seemed very shy, but was very talkative and was not afraid to air her opinion. When discussing discrimination, the respondent had a hard time explaining the concept, and therefore used an example to illustrate what she thought constituted discrimination.

### **Transcription and reflections of interview number 3.**

1. I'm 23 years old.

2. I work in assembly and are familiar with the machines.

3. Almost three years.

4. I have received official training previous to working here.

5. I'm a full time worker.

6. R: I think its OK.

I: Have you ever read them?

R: It was introduced to me when I started here, but I haven't read it page by page.

7. It's perfectly normal. If you need to, we speak up.

8. Trade unions are in place to benefit the workers.

9. Yes, of course.

10. If it is needed, then it is good.

11. It's OK, not to good.

12. No opinion.

13. I would describe it as looking down upon others.

14. Yes, I have leisure time after work.

15. R: I think its good, I have better hours than others. (Laughter)

I: So you want to work a lot?

R: No, I have been working at other companies before that had longer hours per day, so I like only working 8 hours per day here.

16. R: If the company needs me to work overtime, and its necessary, I will do it and I feel good about it.

I: Do you look upon overtime as a positive thing?

R: Yes, I'm very positive about it. If there is opportunity to work overtime, then I want it, since i.e.arn more during overtime.

17. R: If I work according to the work instruction, then its very safe. Hygienic work is now OK.

I: How was it before?

R: No, I mean, generally speaking, its good.

18. I think it's OK. Acceptable.

19. R: I live in my own place, so I don't know.

I: Have you ever lived in worker dormitories?

R: No.

20. [Skipped due to previous statement]

21. If I have personal stuff or I feel uncomfortable [sick] with myself I will apply for leave.

22. Yes, a few times for sick leave and annual leave.

23. Yes, they follow their codes of conduct.

24. No, I think that currently they are good.

25. Our processes [on the factory floor] are more stable now, so we can work more fluently. Also, we have better management.

I: In what way is management better?

R: The general way of doing things have affected every employee in a good way.

26. I think it would be better if our wage was higher and the food we get here was better.

27. No, I don't have anything.

28. R: How much does a factory worker make in Sweden, in general?

I: In general, made they make, um... After taxes, the equivalent of 20 000 RMB.

R: Per month?

I: Yes, per month. R: 20 000! Wow, I want to work in Sweden. (Laughter)

I: If its OK to ask, how much do you make per month?

R: No problem, around 1700 RMB. You see the difference?

I: Wow, yes, quite a difference, but remember also that Sweden is a very expensive country in comparison.

R: Mmm, indeed...

*End of interview.*

**Reflections:** This male respondent was a bit younger, but felt very comfortable and answered sincerely. At the end of the interview, the discussion became very friendly and his curiosity regarding Swedish wages led me to

pose the one question I previously felt was too sensitive to ask – the respondents' actual monthly wage. The respondent answered sincerely and did not feel uncomfortable stating his wage.

#### Transcription and reflections of interview number 4.

1. I am 40 years old.
2. I work in the hub 1.1, mainly on assembly.
3. I've worked here for six years.
4. Yes, I have been trained in quality and I have a certificate for that.
5. I am a full time worker.
6. Very good. Here at SKF, we do a very good job, especially on management level.
7. R: Usually, people have no problems with the codes of conduct, but if someone found a problem, they would first talk to their channel supervisor.  
I: You mention 'usually'. Has there been any complaint that you know of?  
R: No, I mean *if* someone had a problem, they would speak out, but there has been no problem that I know of.
8. It's an organization that ensures the benefits for the workers.
9. Of course.
10. R: I feel that collective bargaining benefits the workers and our rights, and if the company would deal with these [issues] for quite a while, it would be perfect.  
I: Has there been any collective bargaining at SKF?  
R: Once before, at the old company ABC, before moving here.  
I: Do you think that there is any need to bargain collectively now?  
R: No.
11. Generally speaking, it could always be a little bit better. (laughter)
12. The current wage is OK, but it wouldn't hurt to have a little bit more. (laughter)
13. No comment.
14. Yes.
15. R: They are OK.  
I: Would you like to work more or less?  
R: It currently fits my day life, and the situation of our company. I'm content with my hours.
16. No comment.
17. R: Regarding the safety, there is no potential harm for the workers, and the cleanliness is OK here.  
I: Do you have access to, for instance, clean water and soap to clean up at end of your shift?  
R: Yes, we do.
18. [Skipped due to previous statement]
19. I stay at my home, because my home is nearby. I have never lived in dormitories.
20. [Skipped due to previous statement]

21. R: If I have personal stuff or I feel sick, I will apply for leave with my channel supervisor, and then he has to approve it.

I: Does it happen that leave-requests are not approved?

R: Generally, they are approved.

22. Yes, I have applied for leave at different times, often to spend time with my children.

23. Yes.

24. R: Yes, they could be improved.

I: In any specific way?

R: For instance, sharing information or sharing resources.

I: Mm, can you be any more specific?

R: For example, a line worker does not have the quality data that quality controllers have. They should share the information with the operator as well so that the worker can use it when needed.

25. Medical insurance has improved. The efficiency to solve emergency accidents or issues has also improved.

26. R: I think its better to have more training if the situation as a worker is to be improved.

I: Training as in factory floor training or education or...?

R: For example, we need to learn more English. Also, I would like to have more practical training, and get working skills, especially for new technology.

27. There are several points where the company can improve. For example, the (factory) environment. There are always loud noises – it would be better if it could be controlled. And also, for long time employees, there might be some kind of disease that we get by working here for such a long time. Some sort of control for that would be good.

28. No, I don't have any questions.

*End of interview.*

**Reflections:** This female worker was at first very shy and and chose to not answer some of the questions, but spoke more freely up as the interview progressed. She was a bit older and knowledgeable and held, as older people seem to do, a bigger perspective on some issues – such as contracting illness due to long term exposure of certain unhealthy substances, or sustaining loss of hearing due to loud factory environment.

#### **Transcription and reflections of interview number 5.**

1. I'm 23 years old.

2. I work on the Hub 2 assembly line.

3. I have worked here for four and a half years.

4. I am getting an education equal to a high school education and I was sent to another factory, by SKF, to received training earlier.

5. I am a full-time worker.

6. Generally speaking, I think its OK, but it being affected by the economic crisis, the management level is not so... um... (pause – respondent searching for words)...

I: Concerned?

R: Not concerned but... um... you know, before, everyone worked as a group, but now the group spirit is not as high as before.

I: Due to the economic crisis?

R: Yes, because of the economical crisis, people have been quitting [laid off].

7. It depends, if a person makes a mistake that is not so serious, I will talk to this person directly, but if I found it [the mistake] seriously and could affect other people, then I would speak out to management.

8. I don't have a clear opinion on what the unions are doing. I also think that, after moving here from the old address [factory], the management of the union is not as clear as before.

9. I'm not very clear about it. Each month each worker has to pay 5 RMB for the union fee, but its unclear how this money is being used.

10. I: Hub 2, which I work with, has just being moved here last year, so I think that after the channel [Hub 2 channel] has moved here, the activities of the union is not clear for the hub 2 workers.

I: Do you mean specifically for Hub 2 workers?

R: Yes, I don't know how the other channels are related to the union, but at our channel, the union should stand for the workers.

I: So you think that the union doesn't stand for the workers?

R: Yes, the union stand for the workers, but it is a bit unclear what exactly they do.

11. Its OK. According to [the average of wage at] all the factories in China, our wage at SKF is good.

12. Not exactly right. I think the basic wage is OK, but I am more satisfied with the wage we receive when working overtime, and here, if I want a higher wage, I have to work a lot of overtime.

13. Its when you look upon and treat someone different than the rest.

14. No. Because I am studying as well, I have not so much leisure time. And also, since the production is going up, that means I have even less leisure time.

I: So you have to work more hours when production goes up?

R: Um, often, its still 8 hours, but the workload is higher and sometimes we have to work overtime.

15. Without working overtime, its OK to work the 8 hours.

16. According to the production plan, if its needed, then I have to work overtime.

I: Do you feel positive or negative about overtime?

R: Negative.

17. If everything is according to standard, then it will look very clean and tidy. And regarding safety, if I use the proper safety equipment, I feel safe.

18. Safety is OK, but I feel that air quality could be improved and the noise could be more controlled.

19. I live in my own house.

I: Have you ever lived in a worker dormitory?

R: No.

20. [Skipped due to previous statement.]

21. Here, if you have personal stuff or similar to take care of, you apply for leave with the supervisor.

22. Yes, I have sometimes applies for leave due to some personal or family stuff.

23. Yes, our company follows [the codes of conduct], but sometimes the operators are not very clear.

I: Would you mind describing it more?

R: We [the workers] have discussed it previously with our operators, but I cant remember anything specific.

24. Yes, there is always room for improvement, but I cant think of anything specific.

25. No, nothing I can think of.

26. They [management] could improve the environment... and the food. (Laughter)

27. I think that there is need for better communication between the factory floor operators and our managers.

28. R: What kind of program are you studying that makes you need to do these interviews?

I: The program I'm studying is Business Administration and I chose to make these interviews to gather empirical material for my thesis.

R: Is your paper in English?

I: Yes.

R: Did you have to do this study abroad? Is it a requirement?

I: No, its not a requirement, but I chose to do it abroad.

R: Hmm... (nodding approvingly)

I: Might I ask you what you were studying?

R: Almost the same as you, administration and computer science.

I: Aha, very good, I wish you luck with your studies.

R: Thank you, and good luck with your thesis. I:

Thank you.

*End of interview.*

**Reflections:** This female worker was very confident, honest and gave – according to me - sincere answers from her own perspective. The fact that she was both a student as well as a worker was very interesting and she appeared to be very knowledgeable.

**Note:** With using a semi-structured design of the interview, I felt free to drop questions that had already been answered through previous questions and also adding questions that I though was of importance for my thesis.



## Appendix 5 - Questions to factory manager at SKF (Shanghai) Automotive Technologies Co. Ltd.

1. How many factory workers does company X have?

220 workers. 128 registered workers, 92 agency workers.

2. What is the average employment length (in years) at company X?

5 years.

3. Are the workers entitled to bargain collectively, for instance, in regards to wage?

Not yet.

4. Does company X workers have a collective contract that stipulates wage and working standards?

We used to have in ABC and will will have soon in ATC.

5. Is the workers wage above or below minimum wage standards posted by the China Employment Law?

Above.

6. How does the situation for workers of company X involvement in trade unions look?

All workers are the member of union and they elected the chairman.

7. Is the workers involvement of trade unions promoted by company X?

Yes. The company provides the place and gives time to support union activities.

8. On average, how many hours per day do one worker work?

Around 9 hours.

9. On average, how many days per week do one worker work?

5.5 days.

10. On average, if and how many hours of overtime per day do one worker work?

Maximum 2 hours.

11. In what way are the workers compensated when working overtime?

The company pay the overtime salary to compensate. 150% for working day; 200% for weekend and 300 for National holiday.

12. Do the workers received necessary instructions/formal training in handling harmful and/or dangerous substances and/or procedures?

Yes.

13. Are the workers provided with personal protection equipment when necessary?

Yes.

14. Do all workers have access to bathrooms and clean water?

Yes.

15. Do the worker dormitories at company X ensure basic human dignity standards (i.e. 1 person per bed, gender separation, cleanliness, well ventilated and lit, access to bathrooms and drinkable water, etc.)?

The company don't have dormitories yet.

16. Are the workers granted leave in accordance to law (e.g. vacation, sick leave, pregnancy, maternity, etc.) when requested?

Yes.

17. What does company X believe that the future development of 'Corporate Social Responsibility' (CSR) will look like?

Since SKF care for the environment, society and employees, we believe the company will take more Social responsibility.