The Dilemma of Corporate Social Responsibility in China

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Supervisor: Professor Johanna Kujala
JINGYING JU
ABSTRACT

University of Tampere, Department of Management Studies, Management and Organization
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The topic of this thesis is about CSR dilemmas, and the main objective of the study is to research the CSR dilemmas in China based on the analysis of data. The study adopts qualitative research methods and is constructed by qualitatively analyzing 40 data articles. The 40 data articles are the journal articles coming from the Database of Chinese Academic Journals from the year 2005 to 2008. This study is mainly constructed by two phases of literature review. The first phase of literature review presents the theoretical background of my study and the second phase of literature review is focused on analyzing 40 data articles to study the CSR dilemmas in China.

The results demonstrate that there are lots of CSR dilemmas existing in China. On the basis of data article analysis, the CSR dilemmas in China can be classified into four categories. They are the dilemmas coming from corporation themselves, the dilemmas coming from government side, the dilemmas rooted in the society and the other kinds of dilemmas. Under each category, there are several themes addressing the specific behavior of CSR dilemmas in China. Furthermore, the result also presents that some CSR dilemmas in China have their corresponding theoretical framework in first phase of literature review of my study, and some CSR dilemmas in China possess typical Chinese characteristics.
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1. INTRODUCTION

1.1 BACKGROUND

The exhibition of ethical behavior and moral management are not the news for today’s business organization. Concerns about corporate social responsibility (CSR) have grown significantly during the last two decades (Campbell 2005, 1). CSR concerns lots of issues both inside a corporation and with external stakeholders. CSR requires the business organizations to entail the obligation from the implicit “social contract” between business and society, to respond to long-run needs for society, as well as to optimize the positive effects and minimizing the negative effects of its action on society (Lantos 2001, 600). CSR has emerged as “an inescapable priority” due to public attractive rankings of companies’ performance of CSR (Porter & Kramer 2006, 1).

China’s growth has attracted the world’s attention. Global conferences and meetings, as well as corporate actions show an increased interest in the implications for doing business in China (Buhmann 2005, 62-63). China, characterized as “the world’s factory,”

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plays an important role in global supply chain, and the corporate social accountability standards unsurprisingly play a huge impact on manufacturers in China (Lin 2005, 6). The development of CSR implementation in China is notable. According to Yi (2005), the development of CSR in China is undeniable. The awareness of environmental and social problems has grown recently in China, along with the official objective to achieve a “harmonious society” (Yi 2005). Environmental responsibility is one of three dimensions of the concept of CSR promoted by EU. 2 Corporate environmental responsibility has become the subject of some legislation and regulations in China, and the environmental protection issue has become an issue of priority of

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2 See the information from website http://ec.europa.eu/enterprise/csr/index_en.htm.
Chinese government. The notion of CSR in China will not only stay on the level of general ideas, but become more and more concrete in accordance with official governmental policies and laws (Buhmann 2005, 71).

Although CSR has got development in China recently, there are still problems existing. Baskin’s (2006) study of 127 emerging-market companies’ CSR reporting behavior, only 19 companies based in China were included, and China was characterized by “especially low take-up” of CSR (Baskin 2006, 31). Welford (2005) stated that although there were a number of different sources placing pressures on companies in China to engage in voluntary CSR reporting and disclosure, the survey data revealed that the CSR reporting and disclosure was “still uncommon” in China (Welford 2005, 1). A survey in 2006 about CSR in China found that among 890 companies (state-owned, privately owned and multinationals) across China, most of them had mistaken ideas of CSR although they are aware of its importance. CSR is misunderstood as doing charitable activities and is seen as the business of bigger Chinese firms and multinationals and with little or nothing to do with SMCs. Furthermore, most companies, including the large ones, regard CSR as a burden (Qingfen 2006). Recently, a survey conducted by China Enterprise Survey System covering 4,586 companies showed that the reputation of the brand was considered as the main driver for being socially responsible and 70% of companies under the survey expected that CSR would lead to higher costs (Kolk, Hong & Dolen). Lots of factories in China lose business form multinational companies as a result from failing to meet corporate responsibility standards (Lin 2006, 6).

1.2 RESEARCH QUESTIONS

The proponents of CSR advocate that corporate is inherently a social institution as well as economic enterprise, so business should weight the social consequences of their activities. According to the requirements of CSR, firms have to be responsible to
society’s long-run needs and wants, optimize the positive effects and minimize the negative effects of its action on society. The obligation of firms stem from the implicit “social contracts” between business and society. (Lantos 2001, 600)

Much of the CSR research has focused on win-win situations when there are clear benefits to corporations and society. ³ What happens when there is a clash of objectives and interests and how companies deal with tradeoffs and dilemmas are worth for studying as well. Instead of focusing on win-win situations, it might be more interesting to reveal some theoretical and practical challenges by identifying and describing the problems, difficulties, and consequences of lose-lose or win-lose situations. Personally, I am quite interested in the CSR situation in China, especially the problems, difficulties and challenges with CSR. For these reasons, the research question for this study is as follows:

RQ: What are the CSR dilemmas in China?

There are two sub research questions for this study:

Sub-RQ1: What is the meaning of CSR in China?

Sub-RQ2: What are the elements (themes, ideas) of CSR dilemmas in China?

The purpose of the study is to increase the knowledge of CSR situation in China with regard to the problems, difficulties and challenges. The focus of this study is on the CSR dilemmas in China and to see if there any solutions for those dilemmas.

1.3 STRUCTURE OF THE TUDY

First, there will be a brief introduction of CSR situation in worldwide and in China as

well. By presenting some CSR problems in China from some surveys and studies (Baskin 2006, Welford 2005, Qingfen 2006, Kolk, Hong & Dolen 2008, & Lin 2006), explain the motivation and background of this study. Next, the concept of Corporate Social Responsibility (CSR), the concepts of dilemma and CSR dilemma will be defined with a short review of literature on them. Based on literature, the concept of CSR dilemma will be categorized and discussed in depth.

After the literature review chapter, the research methodology of the study will be described. The empirical study will be organized according to qualitative research method, by collecting and qualitative analyzing journal databases articles. In addition, multiple journal articles will be evaluated in this section. In the empirical section, a comprehensive understanding of CSR dilemmas in China will be provided. Finally, there will be the conclusions and discussion chapter for ending the study.
1. Introduction

2. The first phase of literature review
   - Concept of CSR
   - Concept of dilemma

3. Research design
   - Research methods
   - Data sources
   - Data collection
   - Data analysis

4. The second phase of literature review
   - The concept of CSR in China
   - The dilemma of CSR in China
   - Summary for the second phase of literature review

5. Conclusions and discussion

Figure1. Illustration of the structure of the study
2. THE FIRST PHASE OF LITERATURE REVIEW

2.1 THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

It is important to explore the definition of CSR if we are to understand and debate the concept involves (Thomas 2006, 3). The empirical research of this thesis should be based on the understanding of the CSR concept. The literature review is not an exhaustive list of definitions but aims to synthesize the common point of CSR concept and search or develop an appropriate CSR definition under the context of this research.

There seem to be a lot of definitions of CSR and a key point here is to note that CSR is an evolving concept that does not have a universally accepted definition currently. The infinite number of definitions associated with other terms and ideas of CSR, including corporate sustainability, corporate citizenship, corporate accountability, corporate ethics, and the triple bottom line, to name just a few.

There are lots of non-governmental organization working papers and CSR literature addressing the CSR definition issue. First, I present some CSR definition from non-governmental and supranational organizations. The World Business Council for Sustainable Development in the paper of “Making Good Business Sense gave the CSR definition as:

> Corporate social responsibility is the continuing commitment by business to behave ethically and contributed to economic development while improving the quality of life the workforce and their families as well as of the local communities and society at large.
World Business Council for Sustainable Development, 2000

The European Commission defines CSR as:

Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

Commissions of European Communities, 2006

The working group on social responsibility of ISO 26000 gave the working definition of CSR as:

Social responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that is consistent with sustainable development and the welfare society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and in integrated through the organization.

ISO 26000, 2007

Bowen (1953) was regarded as a pioneer of Corporate Social Responsibility by Carroll (1999) and Carroll viewed his work as the beginning of modern period in literature on CSR (Carroll 1999, 270). Bowen conceptualized CSR as social obligation and gave the definition of CSR as:

CSR refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.
The contribution of Bowen’s CSR definition is that he bordered the approach to business responsibility, including responsiveness, stewardship, social audit, corporate citizenship and rudimentary stakeholder theory (Windsor 2001, 230). McGuire (1963) attempted to construct a CSR definition focused on firm obligations and extended beyond the economic and legal obligations. It places social responsibility in context vis-à-vis economic and legal objectives (Carroll & Buchholtz 2006, 34).

The idea of social responsibility supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations.

McGuire 1963

The attractiveness of this statement is that it acknowledges the extended obligations encompassing a broader conception of the firm’s responsibility including employee and community welfare, and the political and educational needs of the society (McGuire 1963). Thomas M. Jones (1980) clarified two facets of the CSR conception. The first is the voluntarily adopted obligations and the not voluntarily behavior requirements influenced by the law and union contract. The second is the corporations’ extended obligations to other social groups (customers, employees, suppliers and neighboring communities) beyond the traditional duty to shareholders (Jones 1980, 59-60). He defined CSR as follows:

Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract

Jones 1980
Epstein (1987) related CSR to business management’s growing concern with stakeholders and ethics (Carroll & Buchholtz 2006, 34). He defined CSR as:

Corporate social responsibility relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effect upon pertinent corporate stakeholders. The normative correctness of the products of corporate action has been the main focus of corporate social responsibility.

Epstein 1987

This definition emphasizes the outcomes, products, or results of corporate actions which are only implicit in the other definitions (Carroll & Buchholtz 2006, 35).

There are literatures addressing the institutional theory of Corporate Responsibility and stating that the likelihood that firms will act in socially responsible ways is institutionally conditioned. That is, the way corporations treat their stakeholders depends on the institutions within which they operate (Campbell 2006). Campbell (2006) provided an unconventional definition compared with other literature of CSR, and identified the behavioral threshold below which corporations no longer behave in socially responsible ways (Campbell 2006, 927). Campbell (2006) viewed corporations as acting in socially responsible ways if they do two things: First, they must not knowingly do anything that could harm their stakeholders. Second, if they do harm to stakeholders, they must rectify it whenever it is discovered and brought to their attention. Campbell (2005) thought that this definition of CSR sets a “minimum behavioral standard” (Campbell 2005, 9) with respect to the corporation’s relationship to its stakeholders, and below this standard, corporation’s behavior becomes socially irresponsible. Compared with conventional definitions which draw attention to important issues of CSR, this definition articulates the minimum level of corporate
social responsible behavior (Campbell 2006, 929-934).

Carroll (1979) developed the four-part framework of corporate social responsibility which focuses on the types of social responsibilities it might be argued that business has. This four-part framework categorized four types of responsibilities under the total social responsibilities of a corporation that society assumes the business to have (Carroll 1979, 500). Carroll’s four-part definition of CSR contributes to understanding the components that make up CSR:

The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organization at a given point in time.

Carroll 1979

Carroll’s (1979) four-part definition related economic and legal expectations of business to more socially-oriented concerns which include ethical responsibilities and philanthropic (voluntary/discretionary) responsibilities. (Carroll & Buchholtz 2006, 35)

“Economic responsibility” comes from the principal role of a business organization to produce goods and services that meet consumers’ needs and create an accepted profit at the same time. In other words, the profit motivation is the primary incentive for entrepreneurship and all other responsibilities are predicated upon this basis. “Legal responsibility” means that firms are expected to pursue the economic targets within the framework of law. It is a partial fulfillment of the “social contract” between business and society. “Ethical responsibility” states that the activities and practices of a business organization should follow the expectations or prohibitions from members of society regardless of whether they are codified into the law or not. In other words, ethical responsibility shows the concern for what consumers, employees, shareholders, and communities regard as fair. “Philanthropic responsibility” shows the obligations for a business organization to be a good corporate citizen, assuming all activities to promote
Based on the four-part definition of CSR, “The Pyramid of Corporate Social Responsibility” was developed (Carroll, 1991). The pyramid begins with the basic building block of economic performance, continued by obeying the law, to be ethical, and finally, ended to be a good corporate citizen. Although the components of the pyramid have been treated as separate concepts for discussion purposes, they are not mutually exclusive and are not intended to juxtapose a firm’s economic responsibilities with other responsibilities. (Carroll & Buchholtz 2006, 38-41)

Besides the intention to be useful for academics, the four-part definition of CSR is intended to be useful for management, too. It can assist managers in understanding social responsibility as a part of total responsibilities of business rather than separate and distinct from economic performance, and in addition, it can help managers to systematically think through major social issues they face, and assist the managers to identify categories within which the organization can be situated. (Carroll 1979, 502-504)

Over the past several decades, a general argument has generated much discussion about the term “corporate social responsibility”. The argument holds that the term “corporate social responsibility” is too suggestive of efforts to pinpoint accountability or obligation and it is not enough to fully describe business’s willingness and activity to respond to social demands (Carroll & Buchholtz 2006, 45-46). That is the reason for us to consider the idea of corporate social responsiveness—the action-oriented variant of CSR (Carroll & Buchholtz 2006, 45). Ackerman and Bauer (1976) criticize that the connotation of “responsibility” is that the process of assuming an obligation. The term of “responsibility” emphasizes motivation rather than performance, and the motivation is not enough. Ackerman and Bauer (1976) argued “responding to social demands is much more than deciding what to do. There remains the management task of doing what one has decided to do, and this task is far from trivial” (Ackerman & Bauer 1976, 6). The
conclusion of their argument is that the term “corporate social responsiveness” is a more apt description of what is essential in the social arena. The purpose of Ackerman & Bauer’s stress is to develop the internal management process to effectively implement social responsiveness and make organization more flexible in responding to external change in social environment (Ackerman & Bauer in Meehan, Meehan and Richards 2006, 389). Epstein (1987) claimed that although the concepts of “corporate social responsibility” and “corporate social responsiveness” are closely related, even overlapping, they are analytically discrete and make a distinction real conceptual difference. The main focus of corporate social responsibility is the normative correctness of the “procedures” of corporate action, and the concept of corporate social responsiveness is decidedly process oriented. (Epstein 1987, 104-105)

Finally in this section, I present my own understanding of the definition of CSR. Corporate Social Responsibility is understood in the way firms integrate economic, legal, ethical, and philanthropic responsibilities into their values, cultures, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within which the firm creates wealth and improve society. My understanding of CSR based on Carroll’s four-part definition of CSR and integrates the term “corporate social responsiveness” by emphasizing “integrate economic, legal, ethical, and philanthropic responsibilities into their values, cultures, decision making, strategy and operations…”. My own understanding of CSR shows my preference for the concept “corporate social responsiveness” in order to serve the research purpose of examining the CSR dilemma.

2.2 THE CONCEPT OF “DILEMMA” AND “CSR DILEMMA”

The “dilemma” is explained as “a state of uncertainty or perplexity especially as
requiring a choice between equally unfavorable options,”⁴ or defined as “a situation offering a choice between two equally undesirable alternatives” and the usage of the world “dilemma” is to “refer to a problem that seems incapable of a solution is considered by some people to be incorrect”.⁵ The synonyms for “dilemma” are “predicament, problem, difficult, mess, puzzle, embarrassment….”⁶ In rhetoric, a dilemma is “a form of argument involving an adversary in the choice of two (or, loosely, more) alternatives, either of which is (or appears) equally unfavorable to him.”⁷

Ethical values play an increasingly important role in business today, so, it is meaningfully to understand the word “dilemma” under the context of ethical. The Institution of Business Ethics (IBE) describes the ethical dilemmas as: an ethical dilemma involves a situation that makes a person question what is the “right” or “wrong” thing to do, and it makes individual think about their obligations, duties, or responsibilities. Some ethical dilemmas can be easy to resolve because they involve a “right” versus “wrong” answer while some ethical dilemmas can be highly complex and difficult to resolve as they involve a decision between right and right.⁸ Kidder (1995) claims that professionals and leaders face many ethical dilemmas which do not centre upon right versus wrong, but involve right versus right or wrong versus wrong (Kidder 1995, 16). Ethical dilemmas emerge when people find themselves in perplexing situations and necessitate choosing among competing sets of principles, values, ideals and beliefs (Cranston 2006, 107).

The business ethical dilemmas have been explored by presenting a model of rational behavior (Le Menestrel, Van den Hove, & De Bettignies 2002, 251). This model characterizes business ethical dilemmas as a trade-off between processes and consequences. Processes are treated as supporting ethical values and consequences are treated as the supporting economic interest. All the business actors are treated as

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⁴ Based on WordNet 3.0 Farlex clipart collection, 2003-2008, Princeton University, Farlex Inc.
⁷ Oxford English Dictionary.
⁸ See http://www.ibe.org.uk/faq.htm#csr.
motivated by searching for profits and be distinguished by the implemented process to make profits. This leads to the ethical trade-off when business faces complex situation opposing private interests and the common good. Based on this notion, the purpose for formulating ethical dilemmas as trade-offs between processes and consequences is to reflect the specificity the dilemma between economic interest and ethical values of business actors. (Le Menestrel, Van den Hove, & De Bettignies 2002, 251-253).

There was free-flowing debate over the relationship of corporations’ social responsibility and the corporations’ profitability of (Ackerman & Bauer 1976). The criticism argues that the dilemma for being socially responsible is that being socially responsible costs money which leads responsible companies to show a decrease in financial performance. Other arguments state that only profitable companies can afford social responsibility, and therefore, social responsibility is a by-product of profitability. (Ackerman & Bauer 1976, 17-18)

The most prevalent argument against business assumption of social responsibility is the classical economic doctrine of profit maximization (Davis 1973, 317), and the social involvement costs (Davis 1973, 318). Since many social goals do not pay their own way in an economic sense, someone must pay for them. Although business has very substantial economic resources, these resources will quickly dwindle into economic impotence unless they are self-renewing. If business commits major economic resources to social obligations in which these resources will not be renewed during the term of commitment, these additional costs will drive out marginal firms in various industries. This problem has already occurred with marginal mental foundries which could not meet the high cost of pollution equipment, as well as some chemical firms and others. (Davis 1973, 317-318)

Friedman (1970) claimed that the social responsibility of business is to increase its profits. He argued that “there is one and only one social responsibility of business--to use its resources and engage in activities designed to increase its profits so long as it
stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (Friedman 1970). According to Friedman (1970), the difficulty of exercising “social responsibility” is that it necessarily comes at the expense of the interest of employers or customers or shareholders. It is a metaphor of private taxation carried by corporate managers. It acknowledges the problem of managers exercising their discretion in a manner which is at odds with the interests of those constituencies which the manager represents. (Friedman 1970)

Today, managers continually meet demands from various stakeholder groups to devote resources to CSR (Siegel 2001, 117) and at the same time there is the competing pressure for improved financial performance from institutional investors (Lantos 2001, 601). This leads to a dilemma “led by the push and pull of forces arguing for strict profit maximization vs. those push for better social performance”, and according to Lantos (2001), this dilemma does not exist a good extent within privately-owned business (Lantos 2001, 601). But the controversy over CSR arises when publicly-held companies undertake socially responsible activities that might restrict profits. (Lantos 2001, 601-602)

Encouraging business to assume social responsible commitments might place business in a risky position in terms of global competition (Carroll & Buchholtz 2006, 42). Business must internalize costs from being socially responsible. The increase in the costs caused by including social considerations might necessitate raising the prices of products, which leads them to a less competitive position in international markets. (Carroll & Buchholtz 2006, 42)

There are conflicting pressures for CSR emerging form customers, employees, suppliers, community groups, governments, and some stockholders, especially institutional shareholders (Siegel 2001, 117). Lantos (2001) presented some examples of employee pressures, consumer pressures, community and environmental pressures. Employees exert pressure by requiring the recognition of certain employee rights in the workplace;
customers exert pressures by withholding price increases, requiring the production of safe products and greater amount of customer information; communities exert pressures by requiring the ensuring that business’s operations do not threat the safety of local community (Lantos 2001, p. 601), to name just a few. Besides the conflicting pressures form different stakeholders, CSR dilemma is considered a source of conflict between different shareholders (Amir & Amir 2006). An empirical study of the largest 3,000 US corporations regarding socially responsible or irresponsible behavior, showed that the insiders (corporate managers and large stock holders) gain unique benefits (reputation, identity, heritage) from a high CSR rating, so they have an interest in increasing CSR expenditures to a high level. The benefits of the insiders conflict with other shareholders (institutions or small individual investors) because high level of CSR expenditure reduces the firm’s value. That is to say the insiders gain unique benefits at the expense of other shareholders, including their degree of ownership. (Amir & Amir 2006, 1-32)

In the middle of the twentieth century, LeVitt (1958) described the dangers of social responsibility as “a new feudalism” (Levitt 1958, 44). He claimed that all the good intentions of business, for example, employee welfare programs, involvement in the community, government, charitable and educational affairs, and the prodigious of carrying political and public favor would increase the power of business. These activities go beyond the basic function of business to produce high-level profits consistent with its own survival as an economic system. The business with increased power entails the danger that “turn the corporation into a twentieth-century equivalent of the medieval Church” with all embracing duties, obligations and increased powers of corporations (Levitt 1958, 44-45). Davis (1973) stated that business already has enough power, and it is one of the two or three most powerful institutions in society (Davis 1973, 320). According to Davis (1973), the process of combining social activities with the established economic activities of business would give business an excessive concentration of power. This concentration of power would threaten the pluralistic division of power which has among institutions, increasing the probability to reduce the
viability of our free society (Davis 1973, 320). Davis (1973) claimed “this is too great a risk to take as long as there are other institutions available which might solve our social problems.” (Davis 1973, 320)

Ackerman and Bauer (1976) described the managerial dilemmas underlying the corporate social responsiveness (Ackerman and Bauer 1976). According to Ackerman and Bauer (1976), corporate social responsiveness does not fit the modus of the divisionalized corporation, and top management faces three dilemmas when it attempts to creatively respond to changing social demands (Ackerman & Bauer 1976, 121). The first dilemma is due to the threat of separation of corporate responsibility. Sharing the responsibility for social responsiveness may entail making traditional responsibility more ambiguous. The second dilemma emerges from the inadequacy of financial reporting system to monitor the performance of operating units. The creation of new measures of corporate social responsiveness for each area of concern will lead to an enormous increase in the complexity of managing the organization. The third dilemma is in part an outgrowth of the first two and perhaps the most difficult to resolve according to Ackerman and Bauer (1976). It can be described as the challenging of the executive performance, evaluation and reward process. (Ackerman & Bauer 1976, 119-122)

Reynolds (2008) maps out three central dilemmas of CSR. The first two are two widely accepted dilemmas of CSR, and the third dilemma emerges from the clear difficulties associated with the first two dilemmas (Reynolds 2008). According to Reynolds (2008), the first CSR dilemma is “to what might CSR be responsible”, in other words, it is to say how an organization might possibly take into account and be responsible for the infinite scope of complex interrelationship. The second dilemma is “to whom is CSR responsible and how is it enacted”. Because different stakeholders have different perspectives or views on the corporate enterprise in which they are involved, the second dilemma emerges from the multitude of perspectives in those interrelationships and the role of corporate activity. In short, this second dilemma raises the question of how
consideration might be given to multiple perspectives. Based on the first two dilemmas, the third dilemma therefore concerns legitimacy and rises the question “why CSR should be taken as a legitimacy activity?” (Reynolds 2008, 384)

2.3 DISCUSSION AND CONCLUSION FROM LITERATURE REVIEW

By reviewing the literature of corporate social responsibility (CSR) and CSR dilemma, I find that the dilemma of CSR exists in the real world. The CSR dilemma mainly refers to the following aspects: the costs of CSR activities bring the trade-off between the profit maximization and achieving the common good; the various kinds of pressures lead to the pull and push forces for strict profit maximization and better social performance; assuming CSR activities places the business in a weak position in global competition; the business taking CSR activities leads to the concentration of power of business which will threaten the viability of our free society; and top business management faces many kinds of CSR dilemmas.
Table 1: Conclusion form first phase of literature review

<table>
<thead>
<tr>
<th>Theoretical framework of CSR dilemmas</th>
<th>Explanations</th>
<th>Key references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classical economic doctrine of profit maximization</td>
<td>a trade-off between processes and consequences, debate over the relationship of corporations’ social responsibility and the corporations’ profitability, the social responsibility of business is to increase its profits, a dilemma “led by the push and pull of forces arguing for strict profit maximization vs. those push better social performance”</td>
<td>Friedman 1970, Keith Davis 1973, Ackerman &amp; Bauer 1976, Lantos 2001, Marc Le Menestrel, Sybille van den Hove, &amp; Henri-Claude de Bettignies 2002.</td>
</tr>
<tr>
<td>Place business in a risky position in terms of global competition</td>
<td>the increase in the costs caused by including social considerations might necessitate raising the prices of products, which leads them to a less competitive position in international markets</td>
<td>Carroll $ Buchholtz 2006</td>
</tr>
<tr>
<td>CSR is considered as a source of conflict between different stakeholders and shareholders</td>
<td>for example, the employee pressures, consumer pressures and community and environmental pressures, the insider gain unique benefits at the expense of other shareholders</td>
<td>Siegel 2001, Lantos 2001, Amir &amp; Amir 2006</td>
</tr>
<tr>
<td>Give business an excessive concentration of power</td>
<td>all the good intentions of business, for example, employee welfare program, involvement in the community, government, charitable and education affairs…would increase the power of business</td>
<td>Levitt 1958, Davis 1973</td>
</tr>
<tr>
<td>The managerial dilemmas underlying the corporate social responsiveness</td>
<td>making traditional responsibilities more ambiguous, increase the complexity of managing the organization, challenge the executive performance evaluation and reward process</td>
<td>Ackerman &amp; Bauer 1976</td>
</tr>
<tr>
<td>Three central dilemmas of CSR</td>
<td>“to what might CSR be responsible” “to whom is CSR responsible and how is it enacted” “why CSR should be taken as a legitimacy activity”</td>
<td>Reynolds 2008</td>
</tr>
</tbody>
</table>
Above are the implications from the literature review. However in the real world in China, there are lots of CSR problems. For example, there is the resistance to implementing corporate social accountability standards in the global supply chain in China (Lin 2006). The Corporate social accountability standard is one of the CSR standards, and Lin (2006) summarizes the arguments against corporate social accountability standards implemented in the global supply chain and the causes of resistance in China (Lin 2006, 10). According to Lin (2006), there are four reasons leading to the resistance. First, incorporation of corporate social standards into the global supply chain has been stigmatized as protectionism for the developed countries to undercut the competitiveness of developing countries. Second, the high certification and consulting fees of corporate accountability standards create an impression of commercialization of CSR in China. Third, it is said that the main reason for the supplier companies in China to implement social accountability standards of CSR is that they are forced by their buyers to do so. In other words, this kind of implementation of social accountability standards is the by-product of imbalanced bargaining power. Fourth, in order to cater to the consumers’ concern or interest in developed countries, multinational companies adopt social accountability standards of CSR and put pressure on their suppliers in China. This leads the CSR in China to a lack of localization because the interest of consumers in developed countries does not always dovetail with the needs and reality in China. (Lin 2006, 10017)

In addition, the environment can be ranked as the top problem among all other problems in the area of CSR in China, and the protection of environment tends to be seen as a cost for companies to develop. This leads to a CSR dilemma in China of how to combine economic growth and environmental protection. (Kolk, Hong, & Van Dolen 2008, 5).

Here I named just a few CSR problems in China. Based on the first phase of literature review, I will examine the CSR dilemmas in China and the details of those dilemmas as well in my study of in the second phase of literature review.
3. RESEARCH DESIGN

3.1 RESEARCH METHOD

This chapter discusses the research methodology. After the first phase of literature review, the study uses the qualitative research method to guide the second phase of literature review.

Qualitative research emphasizes words rather than quantification in the collection and analysis of data. Besides this, qualitative research has other further features which are particularly noteworthy: qualitative research stresses the understanding of the social world through an examination of the interpretation of the world by participants rather than the adoption of a natural scientific model in quantitative research; qualitative research holds an ontological position and views the social properties as the outcomes of the interaction between individuals; and what’s more, qualitative research has an inductive view of the relationship between theory and research. (Bryman & Bell 2003)

One of the main preoccupations of qualitative research which is worth to mention is its description and the emphasis on context. Qualitative research provides a great deal of description details which are concerned with explanation. Many qualitative researches provide the detailed description of what goes on in the setting being investigated, and these detailed descriptions provide an account of the context within which people’s behavior takes place. That’s why qualitative studies are often full of detailed information about social world being examined, in other words, the behavior, values, or whatever must be understood in context. We cannot understand the behavior of members of a social group other than in terms of the specific environment in which they operate. (Bryman & Bell 2003)

The adoption of qualitative research method for guiding my study of second phase of
literature review is based on the understanding of nature, features and preoccupations of qualitative research. The research phenomenon—the CSR dilemmas in China will be examined under the context of Chinese social, economic and culture environment, and will be taken consideration of Chinese tradition and current situation at the same time. The research question of this study will be answered descriptively, and as detailed as possible.

Qualitative research subsumes the following several diverse research methods that differ from each other, and they are:

- Ethnography/participant observation
- Qualitative interviewing
- Focus groups
- Language-based approaches to the collection of qualitative data, such as discourse and conversation analysis
- The collection and qualitative analysis of texts and documents

(Bryman & Bell 2003)

This study adopts “the collection and qualitative analysis of texts and documents” research methods to conduct the empirical research. Adopting the qualitative research method to carry out empirical research, it is very important to address the question of how to interpret documents qualitatively.

3.2 THE DATA SOURCE—JOURNAL DATABASE

Using journal databases as resources is critical to any research and journal databases are
key tools commonly used to guide research studies in previous research, for example, conducting literature reviews, developing theoretical frameworks and providing general support for arguments, cases and opinions. The commonly knowing difficulties by using journal databases is how to pose the most appropriate and meaningful questions to data. (Swanson & Holton 2005).

Journal databases can be described as collections of written resources pertaining to certain areas of interest (Swanson & Holton 2005). The literature analysis of journal articles constitutes the second phase of literature review of my study. The aim of using journal databases to conduct my second literature review part is to summarize the currently body of literature related to my research phenomenon. The structure of the second phase of literature review is determined by the content and key themes that reveal with a goal of providing a comprehensive summary.

3.3 DATA COLLECTION

This section will now introduce the data collection process of using journal databases as research resources conducting my second literature review phase. The data collection process of my research should follow a series of steps.

First, begin with the perceived problem. Clear problems drive clear research projects and journal databases can be used for searchig relevant articles under the precondition of the selected topic (Swanson & Holton 2005). I have defined my research questions in the Chapter 1, so the perceived problem of my study is CSR dilemmas in China.

Second, select the appropriate journal databases. To conduct my empirical part, I want to choose the journal databases that generally contain business and management related journals. Besides this requirement, I want these journals are typically academic in content as I mean to study the CSR dilemmas in China in the academic field. Based on
these, I choose the databases of Chinese Academic Journals as my target data sources. Chinese Academic Journals Databases is the largest dynamic updated fulltext Chinese academic journal databases in the world. It contains approximately 7,400 kinds of important academic journals in China, and it covers the fields of nature science, engineering and technology, agriculture, philosophy, medicine, humanities and social sciences and other fields. I define my target academic journals within the field of economic and management science which contains 992 kinds of different academic journals. The reason for me to choose Chinese Academic Journals as my database is that this database can provide abundant data. In the target research area of economic and management science and searching within the target research period of 01,01,2005 to 31,12,2008, I found that there are 2625 articles address the issue of CSR. Be more specifically, within these 2625 articles, there are 1571 articles related to the these of CSR problems, 49 articles related to the theme of CSR dilemmas, 79 articles related to the theme of CSR difficulties and 227 articles related to the theme of CSR challenges. For the reason of getting sufficient and abundant data, I think Chinese Academic Journals is the ideal database for conducting my research.

Third, perform keyword searches. Performing keyword searches should be based on defining keywords themselves and the definition of keywords is generally driven by the topic and content (Swanson & Holton 2005). In this step, I want to use the combinations of topic words with the words which have the similar meanings to the topic word to perform keyword searches. So, I define the target articles by combing the keyword “Corporate Social Responsibility” with other keywords like “dilemmas”, “difficulties”, “problems”, and “challenges”.

Fourth, select the relevant articles. Selecting the relevant articles is again driven by the content I am trying to study and the precision of my research problem statement. I can quickly review the abstracts of multiple articles online to select most relevant articles.

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9 See the information from the website http://www.global.cnki.net/.
As the keywords I use determine the results, thus sometimes, I need to refine, specify or make the keywords more general to provide fewer, different or great number of articles.

Based on the four-step data collection process, I selected 40 journal articles which are most related to the research phenomenon. These 40 journal articles are the top related articles from keywords searching process, and I took the consideration of each target research year at the same time when selecting journal articles. These 40 articles are from 37 different journals, and only 3 different journals provide 2 articles from each. The total pages will be analyzed from chosen articles are 140 pages. Below is the table for the description of the selected journal articles.

Table 2: The description of selected articles

<table>
<thead>
<tr>
<th>Year</th>
<th>The No. of journal articles</th>
<th>The No. of pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>2006</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>2007</td>
<td>11</td>
<td>46</td>
</tr>
<tr>
<td>2008</td>
<td>13</td>
<td>37</td>
</tr>
</tbody>
</table>

The No. of journal articles in total 40

The No. of pages in total 140
3.4 DATA ANALYSIS

Data analysis is an essential stepping-stone of linking one’s findings with higher order concepts and it is an integral part of qualitative research (Given ed 2008, 215). To be able to analyze multiple articles from data collection process, the data analysis process of the study follows some stages.

First, reviewing, familiarization and interpreting collected data. In collecting the data, I have already begun the process of familiarization. In this stage of data analysis, I immerse in the data much more deeply. By carefully reviewing and interpreting the content of each article, I can make jotting notes and memos about what I have summarized from the article. The notes and memos mainly contain the CSR dilemmas (difficulties, problems, and challenges) addressed in the article. After familiarization and interpreting data, the data analysis process turns to the stage of developing themes and ideas from the literature. The themes and ideas are the CSR dilemmas which are addressed or implied in the literature. The last stage of data analysis process is to classify the developed themes and ideas to several categories and categorize every article to the developed themes and ideas. It is the stage of data simplification in the way that breaks up and categorizes data into simpler, more general categories.

Figure 2. Data analysis process
4. THE SECOND PHASE OF LITERATURE REVIEW

4.1 THE CONCEPT OF CSR IN CHINA

Since 1990s, CSR began to enter to the research area of Chinese academic world. One reason for this might be that the research and business practice on CSR introduced abroad drive Chinese academia. Moreover, since the reform and opening up along with sustained and rapid economic development, a number of social problems caused by Chinese enterprises have arisen and this arouses Chinese scholars’ concern for CSR issues. In this section in order to discuss the concept of CSR understood in China, I will first present/introduce some CSR studies abroad which give significant influence on CSR study in China that has been discussed in 40 data articles. After that, I will present recent CSR researches by summarizing Chinese scholars’ notion from 40 data articles also. (See appendix, 40 data articles)

4.1.1 The Definition of CSR

Among 40 data articles addressing CSR dilemmas in China, almost each article gives its own explanation and implication of CSR in China. By analyzing data articles, there is no doubt that if I want to examine Chinese understanding of the CSR definition, it cannot afford to neglect CSR studies worldwide for the reason that the CSR study in China is deeply influenced by the CSR study worldwide. So in this section for defining CSR in China, I will start with my findings of some CSR studies worldwide which have been presented in the data articles.

As Chinese understands, the definition of CSR is influenced by the CSR study

27
worldwide. Based on the study of 40 data articles, the global influence of CSR study on China can be mainly found in three dimensions. The first dimension refers to the relevant theories of CSR discussed in the world; the second dimension relates to the key persons and their contributions of CSR studies; and the third dimension which is found in data articles is the summary of CSR meanings recognized in the world.

4.1.1.1 The Related Theories of CSR

The global influence of CSR studies on China can be identified by the related CSR theories at first. There are two CSR theories which are most frequently mentioned in data articles. The first hotly mentioned theory is the stakeholder theory. On the basis of explanations and the descriptions of stakeholder theory, the data articles stress that the business owners should be responsible to all the interest groups or all interest-related people of the business’ stockholders. The stakeholders are defined as any groups or people that can make impact on the achievement of business goals. Stakeholder theory holds that there are certain interest relationships existing between corporations and employees, suppliers, communities, government, customers, investors and so on. That is why the corporations should thoroughly consider the mutual interests between them when making decisions. The data articles clearly point out the objectives and related responsibilities of CSR management on the basis of the perspectives of stakeholder theory, and provide a new analytical framework for the CSR implementation by breaking through the traditional views of the supreme of shareholders’ interests.

The second influential reference to CSR theory is the social contract theory. The data articles which discuss the social contract theory begin with its original founder and history. Under the domain of social contract theory, CSR is a basic agreement between corporate and society, which examines various relationships between business and society, and these relationships partly presented by the form of legislation and law in the real world. In order to clearly address CSR issue, the discussion of the social contract
theory is divided into internal social contract and external social contract by data articles. The internal social contract posits the responsibilities and commitments to staff and managers and so forth the other internal stakeholders, while the responsibilities and commitments to customers, other business organizations, governments and so forth the other external stakeholders are brought into the external social contract. In one of the data article, the influence of social contract theory on the CSR movement is: “from the beginning of 80s 20\textsuperscript{th} century, the social contract theory got widely used, and it got continuing improvement and enrichment along with the CSR movement worldwide. The social contract theory made a significant impact on business activities and management practices, and provided theoretical basis for the flourished CSR movement at the same time.” (See appendix, data article 21).

4.1.1.2 The Key Persons and Their Contributions

In order to clearly elaborate CSR concept, it is cannot afford to ignore the key persons and their contributions in the CSR study area. In the part of presenting exploring process of CSR definition, data articles discuss several key persons and their contributions which are the extensive discussion of the CSR concept relied on, and the key persons and their contributions are also well known in the world.

Beyond all doubt, R. Edward Freeman’s contribution to CSR (1984) viewed as the milestone of data articles is attributed to the application of stakeholder concept and theory. In the data article 4, it is said that there are two important research schools of CSR concept, and one of the research schools discusses for whom the corporation should be responsible based on the perspective of business operations. R. Edward Freeman is the main advocator of this research school. He holds that the so-called corporate social responsibility is mainly referred to the social responsibilities to stakeholders in addition to those economic and legal responsibilities to stakeholders. The main contribution of R. Edward Freeman is he made the development of
stakeholder concept. The stakeholder concept clearly sets the specific groups or individuals when considering the corporate activities of fulfilling corporate social responsibilities, and in this way, the content of CSR is stated specifically and distinctly.

It is also said that the other significant research school of CSR concept is from the society’s perspective to define the meaning of corporate social responsibility (see appendix, data article 4). Carroll is viewed as a key reference of this research school. Carroll (1979, 1983, and 2003) built the linkage between the requirements that the society places on enterprises’ economic and legal and some expectations with more society orientations. Carroll pointed that the CSR includes the four aspects containing economic responsibility, legal responsibility, ethical responsibility and philanthropy responsibility, and the four aspects constructed a more comprehensive definition of CSR. Carroll’s CSR definition revealed the basic requirements of CSR and made the meaningful contribution to comprehensively understand of CSR concept. What is more, Carroll (1991) integrated the two perspectives which are the basis of the two research schools discussed above, and based on this, Carroll (1991) posed the “CSR Pyramid”. The “CSR Pyramid” provided a useful conceptual framework for understanding and discussing corporate social responsibility. (See appendix, data article 4)

In addition to the two key persons above, the data articles also make some references to the other contributor of Stephen P. Robbins. Stephen P. Robbins is a management and organization behavior scientist. Although he is not as significant as the above two key contributors when considering the CSR definition issue, his contribution of “the four-stage of corporate social responsibility expansion” still makes a lot of sense when considering the CSR issue in accordance with different economic market development stages. Stephen P. Robbins divided the corporate social responsibility expansion process into four stages, and he believes that along with the development and maturity of modern economic market, corporations will undertake more wide-ranging social responsibilities gradually. The reason for why I summarized Stephen P. Robbins as a key person in this section of discussing the influence of CSR study worldwide on China
is that his contribution gives some hints and theoretical origins for discussion the CSR dilemmas in China in latter sections. The content of Stephen P. Robbins’s “four-stages of corporate social responsibility expansion is showed in the following table.

Table3. Stephen P. Robbins’s “four-stages of corporate social responsibility expansion

<table>
<thead>
<tr>
<th>Stages</th>
<th>First</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
</tr>
</thead>
<tbody>
<tr>
<td>The degree of market economy development</td>
<td>initial development of market economy initial emergence of forms of enterprise organization</td>
<td>The development of market economy The continuing improvement of market legislation Effectively guarantee the rights and interests of investors</td>
<td>The further development of market economy Intensive market competition A sound legislation for customer protection</td>
<td>The maturity of modern market economy Perfect legal system</td>
</tr>
<tr>
<td>The objects of corporate social responsibility</td>
<td>Owners and managers</td>
<td>Staff</td>
<td>Stakeholders</td>
<td>The more broad society</td>
</tr>
<tr>
<td>The performance of corporate social responsibility</td>
<td>The maximization of stockholders’ interests</td>
<td>Improve work condition; expand employees’ rights; increase job security</td>
<td>Enterprises undertake the responsibilities to stakeholders</td>
<td>A wider range of corporate social responsibility</td>
</tr>
<tr>
<td>The measurement of corporate social responsibility</td>
<td>Smallest</td>
<td>Small</td>
<td>Large</td>
<td>Largest</td>
</tr>
</tbody>
</table>

(See appendix, Stephen P. Robbins in data article 23)
4.1.1.3 The Meaning of CSR Adopted Worldwide

Among 40 data articles, 28 data articles discuss the CSR definition by referring to CSR studies of foreign scholars, theories and other contributions, for example, the CSR definition given by some international organizations. The common perspective summarized from data articles is that: Concerning the definition of CSR, many foreign scholars and international organizations give their own understandings and explanations. Although there has no worldly accepted CSR definition currently and the different interpretation existing, the connotation and extension of each understanding and explanation are the same. So, the generally accepted idea of CSR definition worldwide can be interpreted like this: When the corporate makes profits and fulfills responsibilities to its stockholders, it should undertake the social responsibilities to its employees, the society and environment, and the content of these responsibilities should include the compliance with business ethics, production safety and occupational health, and the protection of legitimate rights and interest of workers, and resources savings as well. Based on data articles and interpretations by Chinese scholars, this is the CSR definition adopted worldwide from Chinese academic’s point of view.

4.1.2 The CSR Study in China

Enterprise as one of the social organizations, it cannot take interest pursuing as its only goal. Besides focus on the production quality improvement, market share expanding and economic efficiency enhancing, enterprise should take assuming certain social responsibilities as its mission. (See appendix, data article 10, 11, 29, 35 and 39)

4.1.2.1 The Aspects and Levels of CSR

The so-called “corporate social responsibility” is the enterprise’s corresponding ethical
behavior to society under the economic market system. The popular understanding is: Together with the pursuit of profit, business has to take the initiative to undertake the responsibilities to environment, society, and other stakeholders, including the compliance with business ethics, safeguarding the employees’ legitimate rights and interests, environmental protection, resources savings, supporting charitable activities and so on. In the eyes of some Chinese scholars, the content of CSR is composed by six aspects: they are responsibility for production and operation (economic responsibility), responsibility for compliance with laws and regulations (legal responsibility), responsibility for maintenance workers’ legitimate rights and interests (right-safeguarding responsibility), responsibility for protection ecological environment (environmental responsibility), responsibility for participation community building (community responsibility) and responsibility for supporting charitable activities (philanthropy responsibility). These six aspects of “social responsibility” can be further classified to two levels. The first to fourth aspects constitutes the first level of “legislation responsibility”, which is the foundation of business conduct and the basis of the business survival and development; the fifth to sixth aspects constitutes the second level of “moral responsibility” or viewed as “volunteer responsibility”, which is the image tree of business and an important vehicles for upgrading the corporate social values. An excellent business has to not only achieve the goal of cost-effective, but also has to be conscious of giving things back to society.
4.1.2.2 The Understanding of CSR by Chinese Scholars

In the Chinese academic world, there are several different understandings of CSR given by different Chinese scholars. Daifu Lu from the angle of economics and jurisprudence emphasizes the enterprises' social responsibility to stakeholders. It is said that “CSR includes responsibilities based on moral sense and legal sense. It takes non-stockholders as the objectives of responsibility, so it is different from enterprises’ responsibilities to stockholders; it pursues community-based standard of society, so it is also different from enterprises’ responsibilities to the state.” Junhai Liu defines CSR as “The meaning of so-called CSR is that business cannot take profit maximization for its shareholders as its only purpose of being, but should maximize all the other related interests other than
stockholders’ interests”. Lianyi Liu adopts the definition supported by the majority scholars of United States, and he though the definition of CSR should take the regulations which corporation should comply with, the practice of business ethics and the so-called discretion as the major connotation. From the angle of jurisprudence, Lianyi Liu holds that legislation should locate the role of business and business managers and corresponding adjust the structure of corporate governance. He stresses that the important role of CSR should be highlighted. Jingyi Ye and Jing Xiao analyzed Carroll’s (1991) “CSR Pyramid” and they thought that CSR has its own classification and should not all be enforced by legislation. Bingfu Chen and Zhucheng Zhou divide CSR into the broad sense of social responsibility and the narrow sense of social responsibility. The broad sense of CSR is a kind of comprehensive responsibility that the business should afford, and takes stakeholders as objects. It includes economic responsibility, legal responsibility and ethical responsibility. The narrow sense of CSR is mainly referred to ethical responsibility. Although the Chinese scholars give the various understanding of CSR, they still hold the common sense that CSR is a definition that includes broad areas for studying, like economics, jurisprudence, ethics, sociology and so on. All these areas have their own significant worth for studying, so the concept of CSR should not be defined too narrow.

4.1.2.3 The Content of CSR in China

In addition to the aspects and levels of CSR and the understanding of CSR by Chinese scholars, the CSR studying in China also includes the major CSR contents in China, which also be presented in data articles. Generally, all the data articles hold the view that CSR is so important that China must pay serious attention to it, and in order to attach importance to CSR issue in China, the content of CSR in China should at least focus on the following aspects.

First, the development of business has to take the protection and improvement the
ecological environment as precondition, and must not use the price of environment sacrifice for short-term development. The detailed measures to follow this requirement could be: highlight environment protection, improve the utilization of materials and energies, reduce the use of toxic materials and devote to research the replacement materials at the same time. For those highly polluting enterprises which have already made pollution to environment, follow the principle of “who pollutes, who pays” and take their responsibilities of after pollution treatment.

Second, the development of business should in parallel with the improvement of workers’ working and living conditions. In today’s the high-tech era, human factor is increasingly important. Only those enterprises providing their employees with good working environment, emphasizing on staff development and treating their staff well could be recognized by the society. Furthermore, due to the improvement of living standards, employees have more demands for good living condition, and that is why enterprises have to establish corresponding policies and measures to meet employees’ life and career demands. Only in this way, enterprises can fight with the problem of brain drain and fulfill its social responsibility and settle its human resources issues simultaneously.

Third, business is required to actively participate in public and social welfare activities. Chinese enterprise have to recognize that along with the development of society, the business practices which only pursue economic interests will not work any more. The enterprises should recognize the philosophy of using what is taken form community as the benefits give back to community. In the modern society, public and social welfare activities are no longer only the business of the state, but also the obligations of every enterprise.

Fourth, business is required to make contribution to the local communities within which it operates. The development of a particular enterprise cannot live without the support of local community. The theories of social responsibility thought that the local community
within which business operates has the right to share the gains of business, and business has the obligations to make corresponding contributes to local community. Although in short-term view, business making contributions to local communities increases costs of the business, in the long run, business will get benefits definitely.

4.2 THE DILEMMA OF CSR IN CHINA

The main purpose of studying the 40 data articles is to research the CSR dilemmas in China. Currently, the problem of social responsibility of Chinese enterprises gets a growing concern of Chinese whole society. Although more and more Chinese enterprises start to attach importance to corporate social responsibility issue, the situation of social responsibility fulfilling of most Chinese enterprises is still disconcerting.

4.2.1 The Dilemmas Coming From Corporate Themselves

4.2.1.1 The Misunderstanding of CSR

Both in the theory and practice areas of CSR in China, there are misunderstanding of CSR existing. These misunderstandings yield serious attack to enterprises’ management and decision-making, leading to the CSR dilemmas in China. Based on the analysis and categorizing of 40 data articles addressing CSR dilemmas in China, the dilemma of misunderstanding CSR is discovered and has its exhibitions in several aspects.

In the data article 1, it is mentioned a CSR related survey conducted in Zhejiang province, one of the most dynamic economic market areas in China. In this survey, it is discovered that although 75% of entrepreneurs fulfill or is fulfilling CSR,
approximately 50% of entrepreneurs though fulfill CSR will increase the operating costs of enterprises. Besides this, in the data articles 3, 8, and 10 which discuss the dilemma of the misunderstandings of CSR, they all classified “the increase of costs” as one of the aspects of misunderstandings. It is known that the available evidence cannot well prove that elevation the expenditures of CSR will bring the elevation enterprises operating performance as a result, and cannot well prove what kinds of CSR activities could enhance the corporate CSR image in what aspects and bring what kinds of return to corporation neither (Griffin & Mahon 1997). There are misgivings for Chinese corporations to fulfill CSR because there is no clear lever to refer when evaluating the inputs and outputs for CSR fulfilling at present. (See appendix, data article 1, 3, 8, and 10)

Some Chinese enterprises misunderstand CSR as the corporate social responsibility activities equal to the engagement in some public welfare activities, and could/should get respects in turn. However in actually, this is far from enough. There is no doubt that participation in public welfare activities is one of the forms to implement CSR, but weather or not it could be counted as undertaking CSR should be determined by checking the motivations for doing this. If only for propaganda purposes and takes participation in public welfare activities as a tool for displaying corporate image, then, it is putting the cart before the horse and is running to the opposite direction of CSR spirit. There is no necessarily connection between public welfare activities and CSR, in other words, participation in public welfare activities is neither the sufficient condition nor necessary condition of CSR fulfillment. (See appendix, data article 1, 8, 10, 18, and 36).

The other kind of misunderstanding of CSR by Chinese enterprises is taking CSR equal to lawful business operations and SA8000 requirements. Lawful business operation is the precondition for each enterprise to conduct its business operations and it is also the due responsibilities for every corporate citizen, but it is not the whole of CSR. Taking CSR equal to SA8000 is another form of CSR misunderstanding because of the following three reasons: First, SA8000 certification is just a standard of CSR and cannot
present CSR itself; second, SA8000 certification is a mandatory certification system while CSR stresses enterprises voluntarily undertake some social obligations outside the law and places extra emphasis on enterprises’ self-awareness; third, SA8000 does not possess representative quality as there are more than 200 of CSR standards existing in the world currently, and some developed countries like Britain, Germany and so on all have their own CSR standards. For the enterprises in different regions and industries, there should be characterized CSR standards. (See appendix, data article 18 and 38)

The last aspect of CSR misunderstanding by Chinese enterprises is taking CSR equal to “enterprises burdened with social responsibilities”. This misunderstanding of CSR is presented in the most typical Chinese way. The so-called “enterprises burdened with social responsibilities” was developed under the planned economic system that the state-owned enterprises undertake lots of social welfare and social security responsibilities, for example, solving the employment problem, running the hospitals and schools, providing for the aged. Implementation CSR needs to take practical actions which resembles with “enterprises burdened with social responsibilities” in form, however in actually, these two concepts are different. From the perspective concerning objects, “enterprises burdened with social responsibilities” mainly targets at the enterprises’ staff while CSR mainly targets at the stakeholders and staff is just one of them; from the perspective concerning results, the former leads to resources scattering, inefficiency and surviving difficulty for business organizations, while the later achieves harmonious relationship between enterprises and society. (See appendix, data article 18, 36 and 39)

4.2.1.2 The Lack of Abilities and Awareness for Chinese Enterprises to Fulfill CSR

The lack of abilities and awareness for Chinese enterprises to fulfill CSR restricts the
implementation of CSR in China. Carrying out CSR standards expands the scope of corporate responsibility, and it will increase the operation costs as a result. As far as concerning the abilities of Chinese enterprises to undertake CSR, except a small part of large enterprises who possess the substance material basis, for SMEs, they basically cannot afford the high cost for meeting CSR standards pursued by some large international companies. Many Chinese enterprises have the problem of lack CSR fulfillment abilities.

The other problem of CSR undertaking in China is weak awareness of responsibility of Chinese enterprises. Social responsibility is a new requirement for enterprises in era of economic globalization, and it can only be propelled by enhancing the ethical standards and social awareness of enterprises. Chinese Corporate Social Responsibility and Development Centre investigated 1,500 enterprises in China and it proved that only 8% of surveyed companies set the social responsibility department; 8% of surveyed companies set the sustainable development department; 16% of surveyed companies set the environmental management division; and 37% of surveyed companies set the public relationship department (see appendix, data article 30). These data shows that most of enterprises in China have not set specialized department for CSR management yet, and they have not treated CSR as a specialized work yet.

The external driving forces rather than the internal driving forces for Chinese enterprises to fulfill CSR causes the CSR fulfillment limitations in China. One of the external driving force is profit making. Some enterprises are very sensitive to business opportunities and they undertake CSR initiative ly as they believe CSR fulfillment will bring huge economic and social benefits to enterprises. The other main external driving force is the pressure of public opinions. Because of the vigorous propaganda and supervision by government and the situation that CSR has been highly valued by the public, some enterprises undertake CSR in order to avoid negative impacts which are aroused by negative public emotions and public opinions to them. In the eyes of some Chinese enterprises, CSR undertaking is a mean to keep their nose clear. There are other
external driving forces existing, but in actually, the internal driving forces are really count for CSR undertaking and are pivotal for enhancing CSR awareness of Chinese enterprises. (See appendix, data article 4, 7, 12, 30, 38 and 39)

4.2.1.3 The CSR Fulfillment Conflict with Profit Making

Based on the perspective of society, it expects that enterprises carry out more social responsible activities, and it even emerges the corporate social responsibility unlimited trend. However, enterprises undertaking CSR have to comprehensively balance the cost and profit of themselves, and invest in CSR projects based on the purpose of interests gaining. Debora (2005) said that enterprises have to make profits ultimately, and their goals in the society and environment dimensions are not always consistent with the cruel market competition reality (see appendix, Debora 2005 in data article 3).

The traditional theory thought that the ultimate goal of a business is to pursue profit maximization. Friedman (1970) also holds that the corporate social responsibility is to increase profits by employing its resources participating in economic activities and take the compliance with the laws as a precondition (see appendix, Friedman 1970 in data article 14.). The mutual antagonism between CSR undertaking and profit making is existing in China, and it seems there is an unbridgeable gap existing between the profit making and CSR fulfilling in China. Lots of enterprises complain that undertaking CSR makes negative impact on profit making, and therefore, it is contrary to the purpose of enterprise itself. Because of this, enterprises neglect the stakeholders’ interests when they pursue the interest maximization of shareholders frequently, which triggers a series of social problems, such as labor issues, environment pollution issues.

In actually, the relations between CSR undertaking and financial performance is complicated. If it can be convinced that the financial performance will be improved by adding expenditures and activities of CSR, then all the enterprises would like to
increase the proportion of CSR costing. However in actually, the real world is not like this, and sometimes the undertaking of CSR conflict with financial performances. (See appendix, data article 3, 8, 10, 14, 17, 23, and 34)

4.2.1.4 The Constraints to Chinese Foreign Trade

China is a large trading country and it has the relative high foreign trade dependence. Under the background that Chinese enterprises have closed ties to international markets and China is becoming the world’s manufacturing center gradually, once the developed countries enforce CSR standards compulsively, for example, SA8000, some Chinese enterprises will get cruel strike because they get the entrance to international markets relying on the advantage of cheap products while the compulsively enforcement of SA8000 will increase some Chinese enterprises’ production costs definitely. Then in turn, Chinese foreign trade development will endure serious attack.

The most obvious behavior of the constraints to Chinese foreign trade is the increased production cost leading to the weak competitiveness in international market. Products of “China Made” sweep through global markets relying on low-price advantage, and “abundant and cheap labor” is always the key factor for Chinese enterprises to retain theirs international competitive advantages. These advantages are mainly obtained by paying lower wages, extending working hours and providing poor working conditions. In order to meet the requirements of SA8000, keep international market share and set a good public image, the Chinese enterprises have to spend huge amount of time, energy and money to improve labor treatment, working environment and safety and management measures. This will directly lead to cost increasing of export products and weaken the price advantage and international competitiveness of some Chinese enterprises as a result.

Because of the requirements of CSR standards, especially SA8000 in China, export
market shares for Chinese enterprises are shrinking. Under the current economic development situation in China, Chinese export enterprises, especially the Chinese private exporters, are hard to meet the requirements of SA8000. If the developed countries set the demand that all the manufactures for imported products have to meet SA8000 requirements, or no imports, then such kind of CSR standards will be the important threshold for those Chinese enterprises who want to enter multinational corporation supply chain or product chain. This means Chinese enterprises failing to meet the CSR requirements will be kept distance and cannot enter the target market or will be forced to withdraw from the already occupied market.

China is a huge country with abundant labor resources, and that is why labor-intensive industry plays a decisive role in promoting Chinese economic growth and solving unemployment issues. China in recent years keeps fast pace to attract foreign investments partly determined by the potential economic growth and market growth, and the cheap labor force is the one of the motivations for foreign investment also. If heighten labor treatment standards to meet CSR standard requirements, the original labor force advantages of China might disappear, leading to low attractiveness for foreign investments and the shrinking funding for Chinese economic development. (See appendix, data article 2 and 16)

4.2.1.5 The CSR Problems in Chinese Labor-intensive Industry

The identification and implementation of CSR standards make the severe attack to Chinese labor-intensive industry, especially those labor-intensive exporters in leather, garment, footwear and toy industry. At present, the most influential CSR standard in China is SA8000. Experts estimated that because of the implementation of CSR standard, 85% of Chinese manufacturing industry will be suffered by the direct or indirect negative impact (see appendix, data article 16). According to U.S. investigation by relevant trade associations, currently more than 50% multinational companies and
foreign-founded enterprises state that they will re-sign the procurement contracts with Chinese enterprises, leading the comparative advantage of Chinese labor-intensive industry no longer existing. The comparative advantage of Chinese labor-intensive industry is its cheap labor forces, and what behind the cheap labor forces are the extreme lacking of CSR, serious ignorance of labor rights protection and the wanton violation of social equity.

During a long period of time, there are serious CSR problems existing in Chinese labor-intensive industry. These problems themselves are the behavior of CSR dilemmas in Chinese labor-intensive industry, and they are the root causes for Chinese labor-intensive receiving serious attack as long as the worldwide acceptance of CSR standards. The behavior of CSR problems in Chinese labor-intensive industry can be found as follows: In the area of protection basic rights and interests of their workers, lots of enterprises did not sign employment contract with their workers, leading the workers find no evidence can be used to complain when they confronted with the problem of occupational diseases, arrears of wages, dismissal and so on. When concerning about labor disputes and on the basis of investigation, a lot of labor disputes exist in Chinese labor-intensive industries and most of these disputes are not be well settled. In the aspect of ensuring production safety, and occupational health, if Chinese labor-intensive enterprises cannot improve the labor situation fundamentally, it is hard for them to keep long-term competitiveness and cannot access to equal rights as other countries’ enterprises neither. The Chinese labor-intensive industry also has the problems of working hour extension, lacking of social insurance and weak protection of women’s rights. All these problems yield negative impact on obtaining export orders and creating environmental foreign investment. (See appendix, data article 2, 11, 19, 27 and 29).
4.2.1.6 The Limits based on the Scale of Enterprises’ Development

Stephen P. Robins (1997) proposed “the four-stages for corporate social responsibility expansion”. It states that enterprises fulfill CSR along the four-stages on the basis of their development scale and profitability (Stephen P. Robins 1997). Through studying the measurement results of corporate social responsibility performance of 227 different size British PLCS companies, Stephen Brammer and Stephen Pavelin found that large enterprises are easy to get high score on the all aspects of corporate social responsibility performance, in other words, large enterprises demonstrate better social responsibility performance in general (Stephen Brammer & Stephen Pavelin 2004, 707-708). This is because large enterprises might be more easily to receive stakeholder scrutiny, and be more sensitive on negative feedback of their social responsibility performance (Roberts R. W. 1992, 605).

Large enterprises are given better capacity to devote to social responsibility investment because large enterprises have better financial situation than small enterprises. What’s more, the large enterprises can improve the threshold of industry entrance, leading the operation costs increase for those SMEs and lessening the competition by forcing some “low-cost, low-profit” SMEs out of the market. An investigation result from QingHua University proved that: there is obviously positive correlation existing between the size of plant and the degree of managers’ recognition on SA8000 standards (see appendix, data article 3). When the enterprise has less than 1,000 employees, it is on the primitive accumulation stage and the enterprise’s managers find the SA8000 unacceptable; when the enterprise has employees between 1,000 to 1,500, it is on the stage of capital expansion, and the enterprise’s managers consider accepting SA8000 if the expansion costs can be compensated by profits; when the enterprise has more than 1,500 employees, it is already has the capacity to assume corresponding social responsibilities, so the enterprise’s managers show a more positive attitude to SA8000 to get stable customers. This also gives explanation to why abundant Chinese SMEs lack CSR
fulfillment. (See appendix, data article 3, 6, 16, 24 and 32)

4.2.2 The Dilemmas Coming From Government Side

4.2.2.1 The Ineffective Governmental Guidance

CSR is an entity integrated with economic responsibility, legal responsibility and moral responsibility, and it is not a simple market activity. The nature of business determines that it is impossible for business to fulfill social responsibilities spontaneously, but it is possible for business to realize the economic benefits by sacrificing social interests. Government as the administrator of society, in order to regulate corporate behavior, it has to get involved in CSR activities of business and implements certain constraints and controls over the CSR activities of business.

Chinese government has issued related laws addressing mandatory responsibilities, for example, Tax Collection and Administration Law, Labor Law and Environmental Protection Act. But in the reality of social practice, lots of enterprises do not well implementation them. Although “Labor Law of the People Republic of China” has been issued for 12 years, in lots of enterprises, there is common appeared phenomenon of not signing the labor contract, non-payment of pension insurance, overtime work and other phenomenon of damaging labor rights. The phenomenon not only makes a negative impact on outside world and weaken the international competitiveness of Chinese export products, but also reflects the problems of Chinese government’s guidance to CSR activities. This also reflects that although the Chinese legislation sets the high standard, the laws are inadequately executed. Taking Chinese environmental pollution control for instance, many enterprises only take corresponding measures temporarily to handle interim inspections rather than take environmental protection as a long-term goal and implement effectively. Moreover, many aspects of CSR are not belong to matters
within the scope of law, but are the matters of morality, which makes the legislation in vain.

The other behavior of ineffective government guidance can be found as imperfect relevant laws and legislations. The relevant content of CSR in China is scattered in more than one code of law, although they supply the fundamental legal basis for CSR implementation, it is neither systematic, nor comprehensive. Because there is no specifically bound for CSR in legislation, it gives a handle to those enterprises that are unwilling to carry out CSR. Chinese government has not yet promulgated CSR standards which are in line with national condition of China and conform with the international standards at the same time, leading the existing of blindness and fluke mind when some enterprises fulfill social responsibilities. In addition, it also gives the excuse to some Chinese enterprises which did not fulfill CSR in balance.

The Chinese government also has the problem of lacking incentive mechanism. The lack of incentive mechanism makes some CSR well-behaved enterprises fail to get corresponding incentives, leading them lack of the motivation for continuing to maintain good CSR behavior but turn to the more vicious results finally. (See appendix, data article 30, 36, 37, 38, 39 and 40)

4.2.2.2 The Dilemma from Chinese Local Government

In China, there is a reality that local official performance appraisal is based on the GDP performance of that area. This reality makes some local governments give lenient treatment to those enterprises’ activities which take sacrificing environmental protection and employees’ income as the price to reduce the cost of doing business. If taking the corruption factor into consideration, this kind of reality in China has been an “unspoken rules” under the specific norms and regulations. Because some Chinese local governments attach great importance to economic growth, in order to increase tax
receiving and expand revenues, they turn a blind eye to some activities which go against CSR spirit, thereby they play a role to connive and even add fuel to the flames toward the phenomenon of some enterprises avoiding undertaking their social responsibilities. These Chinese local governments reached an agreement indicating compromise and collusion with employers, and the CSR requirements become the part that can be sacrificed. Although some Chinese local governments do not have such cases existing, confronted with the grievous reality of employment pressure, there is possibility for them to give lenient treatment to activities violating social responsibility requirements of some labor-intensive enterprises. This situation described above form another CSR dilemma which is caused by the alliance between Chinese local government and enterprises to release GDP and employment pressure.

On the other hand, some Chinese local governments have very limited awareness and understanding of CSR, and they cannot give adequate supervision and guidance, leading that some enterprises neglect other aspects of CSR when they fulfill one or some aspects of CSR. (See appendix, data article 9, 30, 38 and 40)

4.2.2.3 The Imperfect Audit Mechanism of CSR in China

For this kind of CSR dilemma in China, both corporation and government should be responsible for it. I classified it to the category of “dilemmas coming from government side” tentatively because such kind of dilemma is caused by imperfect audit mechanism for CSR of Chinese government based on the analysis of data articles.

Doing the audit on corporate social responsibility has been reached an agreed account among government, enterprises and academic world at present. The earliest corporate social responsibility information disclosure in China began at late 80s in 20th century. Chinese enterprises prepared and submitted statistics revealing the enterprises’ the basic situation to Chinese National Bureau of Statistics and Chinese National Bureau of
Environmental Protection. The laws and regulations on social responsibility in Chinese existing legislation system are still mainly about the environmental management regulations, and Chinese government has not enacted rules, criteria, and guidance regulating social responsibility information disclosure yet. The lack of restriction from mandatory regulations and the lack of enterprises’ own awareness of social responsibility lead the negative attitude of enterprises on social responsibility information disclosure.

Lots of multinational companies publish the social responsibility reports signed by CEOs every year, and these reports disclose the companies’ information about environment problem, social problem and other problems. Many companies publish the CSR report as a part of annual report, and let more people acknowledge the development of enterprise and its impact on society. In contrast, most of enterprises in China do not have the mechanism to publish CSR report. Chinese Corporate Social Responsibility and Development Center investigated numbers of enterprises in China and it proved that most of Chinese enterprises never released CSR report, and only 2% of the investigated enterprises published CSR report frequently (see appendix, data article 30, 25).

In addition, because of the audit mechanism of CSR is still on the stage of exploration and theoretical study in China, the audit information cannot objectively reflects the efforts that enterprises have made on the aspects of environmental protection and social responsibility fulfillment. For those enterprises undertake environmental protection and social responsibilities, the audit mechanism sometimes underestimates their performance while for those enterprises fail to undertake environmental protection and social responsibilities, the audit mechanism sometimes overestimates their performance, and this leads the enterprises have no motivations to fulfill CSR requirements. (See appendix, data article 30, 35 and 37)
4.2.3. The Dilemmas Rooted in the Society

4.2.3.1 The Low Public Consciousness of CSR

Based on the view of Chinese status quo, China entered the market economy for a short term and the civil society is immature, making NGOs in China are difficult to become the leading force in building CSR mechanism. Due to the historical and cultural reasons, Chinese public shows an indifferent attitude to CSR issue currently. This reality on some degree makes enterprises seem do not need to consider the CSR issue, then leads Chinese society fail to form a competitive business environment which highlights CSR requirements.

During the year 2005 to 2006, a questionnaire survey relating to CSR carried out in Zhejiang province in China indicated that: The public’s attention and recognition of CSR are more based on public’s personal interests. Considering the public in different social roles, they show higher attention to those CSR activities which are most closely related to the personal interests than other CSR activities, and they show a low acceptance to the CSR activities referring to making contributions to communities and society. In addition, the low public consciousness is also due to the weak understanding of CSR content which leads to low public attention of CSR as well. Therefore, there has not yet formed enough pressure to propel CSR in Chinese public side. (See appendix, data article 4, 49-55)

The low public consciousness of CSR is especially presented in Chinese labor-intensive industries. In China, most of workers of labor-intensive enterprises are the so-called “migrant workers” who come from rural area of China. In one side, their wages are usually the main income source for their families; in other side, they possess low personal qualities, especially low legal awareness and environmental awareness. These make it hard for them to recognize the importance of their own rights’ protection and
the importance of environmental protection. They might take the initiative to request the extension for working hours to obtain overtime pay; they might cooperate with enterprises’ false activities because they worry about losing their working opportunity; and they also might be callous to enterprises’ environmental pollution activities.

To sum up, when the beneficiaries of CSR show an indifferent attitude to social responsibilities, the implementation of CSR will lack the internal support and the external pressure and supervision are difficult to take real effective under this situation. (See appendix, data article 4, 9, 12, 37 and 39)

4.2.3.2 The Weakness of Public Supervision

There are two extremes existing when discuss the CSR in China. One extreme advocate taking the international CSR standard as the CSR requirements in China, neglecting Chinese reality and seriously losing touch with the Chinese reality; the other extreme is totally opposed to international CSR standards, over stressing the particularity of China and rejecting globalization. The emergence of the two extremes is because Chinese public and mass media do not clearly understand the concept and content of CSR. The existing of the two extremes also determines that it is difficult for Chinese public to take an effective role of supervision of CSR. (See appendix, data article 39, 185)

Based on the summarization of data articles, the weak public supervision of CSR is introduced in three aspects. First, due to the CSR is still an unintelligible concept to social public together with the public has no comprehensive understanding of its connotation, specific content and evaluation system, civilians most concern about the product quality, public health and safety, and environmental protection, however, these just contain one or two aspects pf CSR, not the whole. There are no higher requirements for corporate social responsibility from Chinese public determines the public’s supervision for CSR fulfillment is very limited. Second, the weakness of public’s legal
awareness and rights protection awareness connive the enterprises’ CSR-aversion attitude. When customers confront with fake and shoddy goods, they will embark on the road of rights protection only when they face deep victims. Moreover, most of people are suffered form red tape of rights protection procedures and high cost of rights protection. This also leads to the ineffective public supervision of CSR fulfillment. Third, because of the low information transparency of enterprises, there is information asymmetry between public and enterprises, which easily cause the misunderstanding between public and enterprises and forming ineffective supervision finally. Besides the weak Chinese public supervision described above, the labor unions cannot play its normal role because the public lack civic awareness, which makes the situation even worse. (See appendix, data article 38, 39 and 40)

4.2.4 Other Kinds of Dilemmas

4.2.4.1 Some Western Countries Dissimilate CSR as Political Tools and Trade Barriers

The promotion of CSR of western countries contains the awareness of human rights protection on the one hand, and it makes the implementation of trade protectionism as a by-product of CSR. Behind the CSR promotion of some western countries, it has the possibility of western countries setting up trade barriers and together with the regardless of actual situation of developing countries. Actually, because some western countries greatly request to link trade to human rights, the South-North contradiction in the field of international labor is exacerbated.

Owing to the abundant of labor-intensive products with international competitiveness from developing countries entering to the markets of developed countries, there are
more and more assaults toward to the domestic markets of developed countries. In order to protect the domestic markets and ease the political pressure, the criticism from United States and other developed countries on the labor conditions and labor environment of developing countries grows stronger everyday. There is an ancient quarrel relating to labor standards and international trade relations within WTO. As early as in the Uruguay Round negotiations, some representatives of western countries proposed the issue of labor standards. They held the general perspective that because of the differences in wage levels, working hours, safety and health situation and so on between different countries, it would inevitably cause the “social dumping” from developing countries to developed countries for the reason that the developing countries have relative price advantage in international trade by using the low labor standards (see appendix, data article 9, 47-48). Western countries advocate making the uniform international labor standards together with propelling the liberalization of international trade, and limit the trade for the countries which cannot meet the international standards. If this, then the problem of social responsibility is not only the problem of beyond the affordability of developing countries, but also has the possibility that no longer be limited to purely economic field, but a social and political issue. Viewing the Chinese CSR issues to the expansion of Chinese human rights issue and taking the economic and business issues as the political issues will make a negative impact on the international trade and international relations of China.

The development levels between developing countries and developed countries lead to the unequal status for implementing international CSR standards. On some degree, the international CSR standards have the characteristics of competition limitation. The promotion of international CSR standards, to some degree, is the measure for limiting competitions by some developed countries. The mandatory implementation of CSR standards worldwide increases the costs of Chinese enterprise and safeguards the dominant position of industries and enterprises in developed countries. The CSR partly becomes the “trade barriers” by improving the threshold for developing countries.
entering the international markets. (See appendix, data article 5, 9, 12, 16, 20, 23, 32 and 34)

4.2.4.2 The Insufficient Historical Development of Chinese Enterprises to Fulfill CSR

For western developed countries, CSR is progressively developed in the long-term interaction between the corporation and the society. The low CSR status of early western firms led to serious problems as unemployment, pollution, polarization between rich and poor and so on, which caused a large number of social movements targeting at western firms, such as labor movement, human rights movement, customer movement, environmental movement and women’s movement. These movements force the western firms to assume more social responsibilities. Today, CSR has been clearly included in the agenda of almost all large enterprises in western countries. Many enterprises have adopted the performance reporting model which combines economic, environment and social responsibility, and release the enterprises’ performance to society transparently.

Compared with the centuries-old history of industrialized western countries, lots of Chinese enterprises have just embarked on the road to market economy, and they lack the congenital awareness and prevention of the drawbacks of the industrial age. Many Chinese enterprises are in the conversion period, or on capital accumulation and expansion stage. The congenital deficiencies plus the brutal market environment lead many Chinese enterprises to put the survival and development at the first place and to put the CSR fulfillment at the second place, making the CSR still remains on the stage of media and experts called for in China.

Taking the background of Chinese society as a whole, after experiencing the development of more than two decades of reform and opening up, Chinese society is in the overall transition period now. The boundary among enterprise, market and
government is blurred, so the phenomenon of offside, dislocation and absent of social responsibility for Chinese government and enterprises is very critical. There is almost non-existence of mature and stereotyped norms of CSR in China. How to define the breadth and depth of CSR is not only the problem of business and society, but also still in exploratory phase of government and academic world.

A comprehensive look is needed for evaluation the CSR situation in China. Only when had developed to a certain extent, the enterprises in developed countries began to assume greater social responsibility. However, Chinese enterprises have to assume CSR after experiencing a short course of development. Compared with developed countries, Chinese enterprises are obviously in a disadvantage position for fulfilling CSR. (See appendix, data article 3, 19, 26 and 33)

4.2.4.3 The Uncertainty of Stakeholder Theory

The most general sense of the concept of stakeholders contains stockholders, labor unions, employees, customers, society, and political groups, competitors, trade and industry associations, governments, media, suppliers and communities. Stockholders request to maximize returns on investments; employees and labor unions request to raise wages and benefits and participation in enterprises’ decision-making; the social and political groups fight for the interests of the presented interest groups; governments expect enterprises to provide more tax revenues; suppliers expect the steady growth of their supply chains; and communities request to build harmonious social relationships. All the benefit appeals above are not always consistent and compatible, and sometimes they are antagonistic. The decision makers have to determine their weights and balance all the aspects of these relationships.

Under certain circumstance, stakeholder theory has its own uncertainty. There are several uncertainty factor of stakeholder theory. For example, how to define the scope
of stakeholders in legislation? If the stakeholders include consumers, employees, communities, environment, and the whole society, then how to further determine the scope of each specific interest group? For instance, should the employee stakeholder contain “migrant workers” in China? If yes, what is the connotation for the concept of “migrant workers” in China? How to reasonably limit the border of stakeholders’ protection is another uncertainty factor of stakeholder theory. The question of to what extent should enterprises take responsibility to stakeholders directly determines the scope of CSR. However, the stakeholder theory does not give us an accurate interpretation. The uncertainty of stakeholder theory leads to three main defects of CSR fulfillment in China: First, it may increase the burden on enterprises and cause the inefficient of enterprises. As the social responsibility of enterprises should have its boundary, the unilateral over-emphasis of CSR is not enough, and we should objectively check that whether the commitment to social responsibility will result in inefficient. In other words, the enterprises should maintain a balance between CSR fulfillment and enterprises’ development. The over exaggerated CSR will discourage the investors’ enthusiasm. Second, the stakeholder theory cannot clearly define the specific rights for stakeholders. So, if enterprises fail to fulfill their social responsibilities in accordance with the requirements, it is difficult for stakeholders to protect their rights through litigation. Third, the objects for rights and obligations of CSR are not explicitly targeted in judicial practice of China. (See appendix, data article 13, 21 and 36).

### 4.2.5 Summary of the Second Phase of Literature Review

Based on the analysis of data articles about the concept of CSR in China, it is found that although the CSR movement appeared in the mid 1990s and the awareness of CSR is increasing, the concept of CSR is still a foreign concept in China. The CSR concept in China is greatly influenced by the CSR study worldwide. The worldwide influence of CSR study to China can be summarized to three parts introduced in data articles. The
first part is the related theories of CSR discussed in data article; the second part is the key persons and their contributions to CSR studies hotly mentioned in data articles; and the third is the commonly accepted definition of CSR in the world. Since the CSR concept was introduced to China in 1990s, it has become more and more accepted and the Chinese are attempting to localize this concept. In the Chinese academic world, it is believed that CSR can play a part in solving some social and environmental problems in China, so the studying, discussing and development of the concept in China is certainly inevitable. In data articles, the Chinese scholars present their understanding of CSR. in some articles, the understanding of CSR are expounded by presenting the meaning and definition of CSR; in some article, the understanding of CSR are formulated into the aspects and levels of CSR in China; and in some articles, the understanding of CSR are focused on the main content of CSR in China. The summarization of the CSR study in China based on researching the data articles can be found in the following table:

Table4. The summarization of the CSR concept in China based on data article research

<table>
<thead>
<tr>
<th>The concept of CSR in China</th>
<th>The CSR study in China</th>
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<tr>
<td>The influence from the worldwide</td>
<td>The related theories of CSR</td>
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<td>The Stakeholder Theory</td>
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<td>The Social Contract Theory</td>
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<tr>
<td>The key persons and their contributions</td>
<td>R. Edward Freeman</td>
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<td></td>
<td>Carroll</td>
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<td></td>
<td>Stephen P. Robbins</td>
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<tr>
<td>The meaning of CSR adopted worldwide</td>
<td>See pp.31-32</td>
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<tr>
<td>The aspects and levels of CSR</td>
<td>Economic aspect</td>
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<td>Legal aspect</td>
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<td></td>
<td>Right-safeguarding aspect</td>
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<td>Environmental aspect</td>
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<td>Community aspect</td>
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<td>Philanthropy aspect</td>
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<tr>
<td>The understanding of CSR by Chinese scholars</td>
<td>See pp.43</td>
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<tr>
<td>The content of CSR in China</td>
<td>See pp.35-36</td>
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</table>
Among the 40 data articles, there are 36 articles addressing the topic of CSR dilemmas in China. Based on data analysis, I classified the CSR dilemmas discussed in these 36 articles into four categories. They are the categories of “the dilemmas coming from corporation themselves”, “the dilemmas coming from government side”, “the dilemmas rooted in the society”, and “other kinds of dilemmas”. Under each of the categories, there are several themes or ideas of specific CSR dilemmas in China presented. Among the four categories, the category of “the dilemmas coming from corporation themselves” contains the most specific CSR dilemma themes. Through the second phase of literature review, 14 themes of CSR dilemmas in China are found. In the 14 themes of CSR dilemmas in China, there are two themes got the most hotly discussed in data articles, and they are the dilemma of “the misunderstandings of CSR” and the dilemma of “some western countries dissimilate CSR as political tools and trade barriers”, and 8 articles discuss the two kinds of dilemmas respectively. The four dilemmas categories and the 14 dilemma themes of CSR in China are summarized in following tables:
Table 5. The summarization of CSR dilemmas in China based on data article research

<table>
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<tr>
<th>Dilemma categories</th>
<th>Dilemma themes</th>
<th>The data article number</th>
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<tr>
<td><strong>The dilemma of CSR in China</strong></td>
<td><strong>The misunderstanding of CSR</strong></td>
<td>Data article 1, 3, 8, 10, 18, 36, 38, 39</td>
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<td></td>
<td><strong>The lack of abilities and awareness of Chinese enterprises to fulfill CSR</strong></td>
<td>Data article 4, 7, 12, 30, 38, 39</td>
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<td></td>
<td><strong>The CSR fulfillment conflict with profit making</strong></td>
<td>Data article 3, 8, 10, 14, 17, 23, 34</td>
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<td><strong>The constraints to Chinese foreign trade</strong></td>
<td>Data article 2, 16</td>
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<td><strong>The CSR problems in Chinese labor-intensive industry</strong></td>
<td>Data article 2, 11, 19, 27, 29</td>
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<td><strong>The limits based on the scale of enterprises’ development</strong></td>
<td>Data article 3, 6, 16, 24, 32</td>
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<td><strong>The ineffective governmental guidance</strong></td>
<td>Data article 30, 36, 37, 38, 39, 40</td>
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<td><strong>The dilemma form Chinese local government</strong></td>
<td>Data article 9, 30, 38, 40</td>
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<td><strong>The imperfect audit mechanism of CSR in China</strong></td>
<td>Data article 30, 35, 37</td>
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<td><strong>The low public consciousness of CSR</strong></td>
<td>Data article 4, 9, 12, 37, 39</td>
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<td><strong>The weakness of public supervision</strong></td>
<td>Data article 38, 39, 40</td>
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<td></td>
<td><strong>Some western countries dissimilate CSR as political tools and trade barriers</strong></td>
<td>Data article 5, 9, 12, 16, 20, 23, 32, 34</td>
</tr>
<tr>
<td><strong>Other kinds of dilemmas</strong></td>
<td><strong>The insufficient historical development of Chinese enterprises to fulfill CSR</strong></td>
<td>Data article 3, 19, 26, 33</td>
</tr>
<tr>
<td></td>
<td><strong>The uncertainty of stakeholder theory</strong></td>
<td>Data article 13, 21, 36</td>
</tr>
</tbody>
</table>
Table 6. The summarization of “the dilemmas coming from corporation themselves” and explanations

<table>
<thead>
<tr>
<th>The dilemmas coming from corporation themselves</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>The misunderstanding of CSR</td>
<td>CSR fulfillment cause cost increase definitely</td>
</tr>
<tr>
<td></td>
<td>CSR=engage in some public welfare activities</td>
</tr>
<tr>
<td></td>
<td>CSR=lawful business operations and SA8000</td>
</tr>
<tr>
<td></td>
<td>CSR=“enterprises burdened with social responsibilities”</td>
</tr>
<tr>
<td>The lack of abilities and awareness of Chinese enterprises to fulfill CSR</td>
<td>Lack CSR fulfillment abilities for many Chinese enterprises</td>
</tr>
<tr>
<td></td>
<td>Have not treated CSR fulfillment as a specialized work yet</td>
</tr>
<tr>
<td></td>
<td>The external rather than internal driving forces for CSR fulfillment</td>
</tr>
<tr>
<td>The CSR fulfillment conflict with profit making</td>
<td>The complains about CSR fulfillment makes negative impact on profit making</td>
</tr>
<tr>
<td>The constraints to Chinese foreign trade</td>
<td>Weak competitiveness in international markets</td>
</tr>
<tr>
<td></td>
<td>Improved threshold for entering international market</td>
</tr>
<tr>
<td></td>
<td>The disappearance of cheap labor force advantage</td>
</tr>
<tr>
<td>The CSR problems in Chinese labor-intensive industry</td>
<td>Weak protection of basic rights and interests for workers</td>
</tr>
<tr>
<td></td>
<td>Commonly occurrence of labor disputes</td>
</tr>
<tr>
<td></td>
<td>Problems in obtaining export orders and creating foreign investment environment</td>
</tr>
<tr>
<td>The limits based on the scale of enterprises’ development</td>
<td>Abundant Chinese SMEs lack CSR fulfillment</td>
</tr>
</tbody>
</table>
Table 7. The summarization of “the dilemmas coming from government side” and explanations

<table>
<thead>
<tr>
<th>The dilemmas coming from government side</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>The ineffective governmental guidance</td>
<td>The inadequately execution of law</td>
</tr>
<tr>
<td></td>
<td>The imperfect laws and legislations</td>
</tr>
<tr>
<td></td>
<td>The lack of incentive mechanism</td>
</tr>
<tr>
<td>The dilemma form Chinese local government</td>
<td>The alliance between Chinese local government and enterprises to release GDP and employment pressures</td>
</tr>
<tr>
<td></td>
<td>Inadequate supervision and guidance</td>
</tr>
<tr>
<td>The imperfect audit mechanism of CSR in China</td>
<td>Lack CSR information disclosure mechanism</td>
</tr>
<tr>
<td></td>
<td>Very few enterprises publish CSR report frequently</td>
</tr>
<tr>
<td></td>
<td>The immature of audit mechanism</td>
</tr>
</tbody>
</table>

Table 8. The summarization of “the dilemmas rooted in the society” and explanations

<table>
<thead>
<tr>
<th>The dilemmas rooted in the society</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>The low public consciousness of CSR</td>
<td>Chinese public shows an indifferent attitude to CSR issue currently</td>
</tr>
<tr>
<td></td>
<td>The public’s attention and recognition of CSR are more based on public’s personal interests</td>
</tr>
<tr>
<td></td>
<td>Weak understanding of CSR contents</td>
</tr>
<tr>
<td></td>
<td>Low legal awareness and environmental awareness</td>
</tr>
<tr>
<td>The weakness of public supervision</td>
<td>No higher requirements for CSR from Chinese public</td>
</tr>
<tr>
<td></td>
<td>Weakness of public’s legal awareness and rights protection awareness connive the enterprises’ CSR-aversion attitude</td>
</tr>
<tr>
<td></td>
<td>Information asymmetry between public and enterprises</td>
</tr>
</tbody>
</table>
Table 9. The summarization of “other kinds of dilemmas” and explanations

<table>
<thead>
<tr>
<th>Other kinds of dilemmas</th>
<th>Explanations</th>
</tr>
</thead>
</table>
| Some western countries dissimilate CSR as political tools and trade barriers | Western countries build linkage between trade and human rights  
Western countries limit the trade for the counties which cannot meet international CSR standards  
Western countries view Chinese CSR issue equal to Chinese human rights issue  
Western countries improve the threshold of international market entrance |
| The insufficient historical development of Chinese enterprises to fulfill CSR | Chinese enterprises lack congenital awareness and protection of the drawbacks of industrial age  
Chinese enterprise have to assume CSR after experiencing a short course of development |
| The uncertainty of stakeholder theory | The conflicts between different stakeholders  
“How to define the scope of stakeholders in legislation?”  
“How to further determine the scope of each specific interest group?” for example, the concept of “migrant workers” in China  
“How to reasonably limit the border of stakeholders’ protection” |
5. CONCLUSIONS AND DISCUSSIONS

5.1 CONCLUSIONS

My main point of departure in this thesis is the CSR dilemmas in China. In the first phase of literature review, I presented some theoretical origins of the concept of “CSR dilemma” to give some hint and guidance for carrying out my research in the second phase of literature. The main purpose of second phase of literature review is to study the CSR dilemmas in China based on 40 data articles analysis. Compared with the first phase of literature review, some themes about the CSR dilemma in China have their corresponding theoretical framework in the first phase of literature review, some do not. In other words, parts of the CSR dilemmas in China have the typical Chinese characteristics, and the emergence of these dilemmas is determined by social, cultural, and political background of China.

One of the theoretical frameworks of CSR dilemmas come from the classical economic doctrine of profit making. It is said that CSR undertaking is conflict with corporation’s profitability. In 40 data articles, 7 articles discuss the dilemmas that CSR fulfillment runs counter to profit making. For the theoretical framework of CSR dilemma concerning the risky position in terms of global competition, it has finds the corresponding behavior in China. One of the CSR dilemmas in China is described as the requirement of CSR worldwide creates constraints to Chinese foreign trade because the CSR undertaking weakens the competitiveness of Chinese foreign trade enterprises in global market. CSR is also considered as a source of conflict between different stakeholders in the first phase of literature review, while in the theme of “the uncertainty of stakeholder theory”, many Chinese scholars hold the same idea that the conflict between different stakeholders is one of the causes of CSR dilemmas in China. In addition, the raised issues “to what night CSR be responsible” and “to whom is CSR
responsible and how is it enacted” also have the corresponding discussion about CSR dilemma in China under the theme of “the uncertainty of stakeholder theory”.

Figure 4. The relationship between theoretical framework of CSR dilemmas and the CSR dilemmas in China

Besides the CSR dilemmas in China described above which have the corresponding theoretical framework in the first phase of literature review, there are a lot of CSR dilemmas in China possessing their own Chinese characteristics and have no theoretical origins in the first phase of literature review in my study.
One of CSR dilemmas in China coming from the corporation themselves is the misunderstanding of CSR by Chinese enterprises, and 8 data articles discuss this theme of CSR dilemma in China. It is found that the understanding of the CSR concept is problematic in China, especially among Chinese enterprise. Even though CSR gets a lot of attention in academic world, the meaning and impact is still unclear for many Chinese entrepreneurs. The hotly discussing about the misunderstanding of CSR in data articles proves that the development for a Chinese terminology to enhance the understanding, indigenization, and acceptability of CSR in China among Chinese enterprises is necessarily.

In data articles, lots of articles discuss the dilemma that the incorporation CSR standards in global supply chain have been stigmatized as the developed countries’ protectionism to undercut competitiveness of developing countries. Several themes about CSR dilemmas in China found in data articles show the concerning of that problem by the Chinese. 8 data articles address that western countries use CSR as a political tool and trade barriers to protect them form developing countries in global market. The problem of CSR requirement making constraints to Chinese foreign trade and making attacks to Chinese labor-intensive industry reflects limitations for some Chinese enterprises to undertake CSR from one side, and indicate the complaints on developed countries’ protectionism from the other side. These themes about CSR dilemmas in China indicate the imbalance of bargaining power between western countries and China as well.

There is a common claim found in data articles that the requirements of Chinese enterprise to comply with CSR standards neglects the reality that many indigenous Chinese enterprises are in their early stage of development and accumulation capital. 4 data articles discuss the insufficient historical development of Chinese enterprise to fulfill CSR. They claim that Chinese enterprise lack the resources and compatibilities to comply with CSR standard required worldwide currently and this makes some Chinese enterprises to hold a resistant attitude for CSR fulfilling.
The 40 data articles also discuss lots of subjective roots for CSR dilemmas in China, and the subjective roots for CSR dilemmas in China are mainly rooted in Chinese government and Chinese society and public. It is found that the CSR dilemmas in China on some degree are performed as ineffective governmental guidance, including the local government supervision, imperfect current legislation and imperfect current audit mechanism. Besides the Chinese government, the Chinese public has the low awareness of CSR and lead to weak social supervision of CSR fulfillment.

5.2 ASSESSMENT OF THE STUDY

There are three key issues should be concerned by qualitative researches with regard to the quality of study. The first issue is internal validity or credibility of findings. The second issue is consistency of findings and the third issue is external validity or transferability of findings. (Swanson & Holton 2005)

Internal validity or credibility refers to the question of how research findings match reality, in other word, the congruence between findings and reality. Consistency of findings focus on “dependability” (Lincoln & Guba 1985, 288) and consistency of results obtained form data. External validity or transferability pertains to issues of generalizability to other settings, problems and so on. (Swanson & Holton 2005)

There are several limitations regarding this study. First, the data used in this study is incomplete. There are a lot of data sources describing CSR dilemmas in China, and Chinese Academic Journal Database is just one of them. Besides it, a lot of articles about CSR dilemmas in China can be found in newspapers and academic thesis, and a lot of themes and ideas about CSR dilemmas in China can be found in other academic works. The objective conditions determine that it is impossible for me to exhaust all the potential data, therefore, the findings of this study may present some unbalanced views. Second, some of the chosen data articles are personal opinion articles and it is possible
that the ideas and themes found in these articles are non-objective and they are blend into the authors’ personal preferences. So, the most potential problem of this study is its internal validity and there are possibilities that the findings of my study are not consistent with the reality in China.

5.3 FURTHER RESEARCH

Understanding the CSR dilemmas in China is only one part of the picture of CSR studying in China. First, the theoretical basis of my study is the concept of CSR dilemma and this concept needs further development. Second, the CSR dilemmas in China of my study do not exhaust all the CSR problems, difficulties, challenges and confusions in China, so the CSR dilemmas studying field in China can be propelled deeply. Putting all the CSR dilemmas in China presented in my study together, these views give a quite negative image of CSR and the current situation, so the positive aspects hiding behind the CSR dilemmas are also worth to study in further studies.

The next step for this study could be the exploration for the reasons for CSR dilemmas in China. Furthermore, more research is needed to examine the solutions for CSR dilemmas in China. However, all these further studies should be based on the understanding of the concept itself. What is also needed is a discussion about CSR concept itself in further studies. As the Chinese government is aiming to construct a harmonious society where CSR is included, the CSR concept is likely to remain “in fashion” in China for a while. Further research is needed to discuss the concept in accordance with the Chinese economic and society realities, addressing the CSR concept under the background of conditions of China and together with the concept itself as well.

There are a lot of CSR dilemmas listed in my study, and the further studies also can be focused on one of those dilemmas by digging out the backgrounds and reasons for it and
discuss the solutions at the same time. For example, one of the CSR dilemmas in China is the imperfect or conflict legislation and bad compliance with the laws, so one of the further studies can be focused on the current CSR issues and their relevance for implementation of law.
REFERENCES:


Rubin A & Barnea A, 2006. Corporate Social Responsibility as a Conflict Between


APPENDIX:


