Abstract: In the mid-2000s, China’s environmental crisis had become a major social and political ‘hot spot’. In the interest of civic conciliation, national stability, and performance legitimacy, the Chinese government responded by introducing the ‘Scientific Approach to Development’ as part of the 11th Five-Year Plan in 2005. It signaled a significant policy shift, in which the government reoriented China’s national goals away from ‘Growth First’ policies and toward a model of sustainable development. In this study, we explore how Chinese business leaders reacted to this significant policy change. Specifically, our aim is three-fold: (1) to identify how senior managers and CxOs (executives or owners of enterprises, including CEOs, CFOs, CSOs) of Chinese firms responded to the explicit and systemic introduction of environmental management in the 11th Five-Year Plan; (2) examine motivations and justifications associated with their responses; (3) and explore contexts in which different motivations connected to organizational change and its management. In our study, we examine the perspectives of 72 senior managers and CxOs in China. We find that the integration of environmental management and corporate responsibility policies was predominately driven by national, international, and market contexts, and motivated by instrumental, relational, and moral considerations. We identify complex strategies and implementation plans that transformed government directives into multiple and overlapping business strategies. The main contribution of our study is the identification of specific sets of strategies employed by firms to concurrently comply with government directives and seek profits. Broadly speaking, these environmental management strategies are divided into compliance, a pursuit of competitive advantage, and a structural integration of environmental management.

Keywords: environmental protection; environmental management; corporate responsibility; organizational change; business-society nexus; senior managers and CxOs; China; content configuration analysis

1. Introduction

China’s rapid socioeconomic development came at significant environmental costs [1–4] as decades of concentrated industrial and largely export-driven manufacturing polluted China’s water, air, and soil [1]. By 2007, China’s environmental crisis had become a major social and political ‘hot spot’, threatening social discontent [5]. In the interest of civic conciliation, national stability, and performance legitimacy, the Chinese government had to respond carefully and effectively. The response came in the form of the ‘Scientific Approach to Development’, introduced in the 11th Five-Year Plan (2006–2010). It signaled a significant policy shift in which the government reoriented China’s national
goals away from ‘Growth First’ policies and toward a model of sustainable development. It called for
the implementation of approaches that would introduce environmental management to a massive,
growth-centered focus, secure and protect resources, foster a circular and increasingly sustainable
national economic system, encourage environmentally friendly consumption, and reduce carbon
discharge. Concurrently, China remained focused on continued social and economic growth [6].

As part of this important policy shift, massive investments were made into environmental technologies,
‘bridging’ or transitional solutions in the form of gas imports to reduce emissions from coal and crude
oil, exporting manufacturing capacities of some of the most polluting and least profitable industries
to poorer countries, and a greater emphasis on self-reliance by promoting national consumption.
To support these ambitions, the Ministry of Environmental Protection was established in 2008 with the
mandate to oversee all environmental laws, regulations, and policies. In less than a decade, the Chinese
government became a powerful international player in environmental protection and sustainable
development [7–10], while its ecological efficiency also improved considerably [1,11].

In conjunction with the 11th Five-Year Plan, policy shifts during this period had profound
implications on the business sector. Industries were expected to develop and implement large-scale
reforms, and to redefine business models, resource acquisition, manufacturing, and distribution
strategies well beyond the pursuit of short-term economic gains. While the government’s agenda
undoubtedly shapes business strategy in China’s state-led economy, there exist significant differences
between state-owned enterprises, private firms, and the various hybrids operating in China.
Furthermore, decades of internationalization and experimentation with capitalist variants have
introduced substantial autonomy for businesses to pursue their own interests. It was thus not
altogether clear to what extent and based on what motivations beyond compliance Chinese enterprises
would adopt these new directives. How did these impact on governance structures to redefine the
business-society nexus?

According to Sun and Loh [1], governance drives sustainable development and shapes its
manifestation. In our study, we understand governance as twofold: governance as it is shaped by
government directives in general and the 11th Five-Year Plan in particular, and governance as it
is enacted by senior managers and executives or owners of enterprises, including Chief Executive
Officers, Chief Financial Officers, Chief Strategy Officers, etc. (i.e., CxOs; not to be confused with CXOs,
which refer to Chief Experience Officers), who align their firms’ corporate governance in accordance
to emergent environmental management (EM) and corporate responsibility (CR) contexts. In this
article, we explore why and how Chinese firms, previously accustomed to massive economic growth
and success, aligned their business strategies with the new environmental directives. Accordingly,
our study has three aims: (1) to identify how senior managers and CxOs of Chinese firms responded
to the explicit and systemic introduction of EM in the 11th Five-Year Plan; (2) examine motivations
and justifications associated with their responses to the government directive; (3) and explore contexts
in which different motivations connected to organizational change, specifically EM. Based on this
analysis, we identify the range of contexts and motivations, which form the basis of organizational
change as senior managers and CxOs integrated EM into their businesses.

2. Theoretical Background

Empirical studies have highlighted the importance of financial incentives, such as linking CxO
compensation to corporate responsibility milestones [12,13], the significance of inside debt holdings in
relation to future volatility of firm stock returns [14], the impact of industry pay gaps [15], or the role
of establishing a competitive advantage [16] as factors influencing decision-making strategies. These
studies show how multifaceted even a single factor, in this case financial incentives, can be in defining
the scope and nature of EM commitments. Depending on the context, there are indeed a variety of
motivations, which underpin the adoption of EM strategies by senior managers and CxOs. In order to
frame concepts that allow us to understand why firms adopt EM and CR strategies, we adapted the
multi-level framework developed by Aguilera, Rupp, Williams, and Ganapathi [17]. According to
Aguilera and her colleagues, firms are motivated to engage in CR activities because of instrumental, relational, or moral considerations.

Instrumental motivations are driven by self-interest, such as when CR activities create a competitive advantage or economic benefit. As a motivation to initiate CR policies, this approach utilizes instrumental benefits to encourage corporate buy-in. Chinese firms may seek international certification to increase their market share, or the proliferation of international regulations and standards may force the mainly export-oriented Chinese suppliers and vendors to adopt compliance regimes [18,19]. Compliance with the International Organization for Standardization (ISO), for example, facilitates internationalization, especially in a business environment that is increasingly sensitive to environmental and safety standards, benchmarks, and indexing. For greater access to global markets, but also to satisfy increasing demand from the domestic market, standards and benchmarks serve as an instrumental motivation for Chinese firms to incorporate EM and CR into their business strategies. This has proven successful: The certification of Chinese firms increased more than ten-fold between 2004 and 2012, from 8862 to 91,590 firms, making China the country with the highest number of certifications worldwide [20]. Other international standards, such as the Global Reporting Initiative, indicate similar successes as instrumental motivators to incorporate EM and CR practices [21].

Relational motivations concern the creation and maintenance of relations with and between significant stakeholders and how these relational dependencies function as antecedents to EM and CR strategies. With the 11th Five-Year Plan, the Chinese government introduced wide-ranging national policies and expectations toward its business sector. For example, the government stipulated emission targets, whereby major pollutants had to be reduced to 10% below 2005 levels by 2010 [6]. In practical terms, this meant that, regardless of growth, polluting industries had to reduce their annual emissions by 2% from 2006 onwards [22]. To clean up and restore China’s water, air, and soil, subsequent Five-Year Plans initiated even greater pollution restrictions by introducing strict environmental standards on emissions and hazardous substances. When firms were unable to meet these expectations, the relationship turned conflictual and, from 2006, the government often intervened by restricting or closing firms that failed to comply with government directives.

Moral motivations refer to instances where intrinsic values are used as the basis for adopting EM or CR strategies. In the Chinese context, moral motivations could be based on Confucian principles, which have guided family and business relations for thousands of years [23–27]. Many firms in China generally embrace Confucian values, often implicitly, as the foundation of EM or CR activities. Accordingly, balancing profit-seeking with societal needs and collectivistic norms are familiar schemas, at least in principle, since violating these principles may lead to a disruption of harmonious relations or a harmonious society with detrimental consequences for the firm. Recent studies provide evidence for this moral motivation by showing that the Chinese *yin-yang* perspective plays a significant role in shaping change processes [25]. Chinese business leaders often exhibit leadership behavior consistent with Confucian and other Traditional Chinese philosophies [28–30], also because norms and values aligned with Confucianism influence expectations toward the business sector by the government, its institutions, and China’s citizenry.

In this paper, we use the tripartite motivational framework based on moralistic, relational, or instrumental considerations [17,31] to trace the bases for adopting EM and CR initiatives in the Chinese business context. Specifically, we explore how perceived external forces impact on how firms, especially at the senior management and CxO level, develop and implement new business strategies.

### 3. Methods

This qualitative study is based on 41 individual and group interviews, which were conducted with senior managers and CxOs of firms in China in 12 cities over a period of 8 months. Due to the sensitivity and novelty of the topic in the Chinese context, as well as restricted access to informants, a snowball sampling strategy was used. Initially, key informants and contacts were interviewed who subsequently made referrals to other senior managers and CxOs. From the 72 senior managers and
CEOs who participated in our study, 67 provided demographic and occupational data. The median for company and industry tenure was 9 and 13 years, respectively. Table 1 provides an overview of our sample. Further details are withheld to allow for anonymity and confidentiality.

| Sample Characteristic | Description |
|-----------------------|-------------|
| Industries            | Beverage, chemicals, construction, electronics and household appliance, energy, hospitality, information technology, logistics, metal, pharmaceuticals, and textile. |
| Type of firms         | Multinational enterprises (MNEs), privately-owned enterprises, state-owned enterprises, and hybrid firms. |
| Size of firms         | 19 to 130,000 employees. |
| Location of interviews| Beijing, Guangzhou, Hefei, Hong Kong, Nanjing, Qingdao, Shanghai, Shenzhen, Suzhou, Wuxi, and Xian. |
| Language of interviews| Cantonese, English, or Mandarin. |

All interviews were analyzed using content configuration analysis (CCA) [32,33], which is a qualitative analysis related to qualitative content and thematic analysis. CCA is particularly suited for this theoretical approach and type of data because it can be adapted to most research foci and researcher needs. Here, we used CCA to conduct a three-step analysis: First, we started with an exploratory, inductive analysis that identified all dimensions that our interviewees take into considerations when they reflect on the association between their firms’ business activities and environmental considerations. When coding and sorting our interview data, we found that interviewees frequently framed their responses in line with their interpretation of environmental directives. Classifying these contexts further, we identified three reference frameworks relating to their EM and CR strategies: a national context, an international context, and a market context. Based on a second in-depth analysis of these contexts, we identified the range of responses senior managers and CxOs developed in association with the 11th Five-Year Plan. From these two analyses, we developed a conceptual grid that maps motivations as proposed by our theoretical framework with contexts that were associated with the different types of motivations. Based on this grid, we resorted our data deductively. Then, we systematically analyzed the interrelations between different contexts and the motivations underlying the EM strategies senior managers and CxOs used to respond to the new environmental policies. This final analysis enabled us to identify different mechanisms of organizational change. The findings from the three sets of analyses are presented in the following section.

4. Results

4.1. The Business Context and Motivations of EM

An initial exploratory analysis identified the dimensionality in which senior managers and CxOs embed environmental issues. Here, we were particularly interested in sorting and classifying environmental dimensions according to business activities, and in systematizing what motivates senior managers and CxOs to adopt new business strategies and policies in light of EM.

According to the first set of analyses, senior managers and CxOs responded to stakeholders and environmental issues in three specific contexts, namely the national, international, and market context. From the perspectives of our interviewees, the Chinese government is an important driving force for EM and CR in the national context. This is unsurprising, given the powerful state and the purposeful and extensive policy ambitions set out in the 11th Five-Year Plan. According to our respondents, government advocacy of EM led to more stringent environmental laws and regulations, which significantly redefined business behavior by shaping where, how, and under what conditions firms are to operate. The new national EM agenda outlined in the 11th Five-Year Plan, the non-negotiability and detrimental consequences for non-compliance, and the confidence in government directives in that they are expected to be enforced rigorously well beyond a single five-year period meant that interviewees
were required to align their business agendas and practices with these new EM expectations. Given that the Chinese government may not only sanction non-compliance but also reward compliance, conforming to but especially surpassing directives was believed to also yield a strategic advantage in the long run, a point we will return to in more detail below.

The international context includes EM and CR considerations associated with partnerships and collaborative relations with stakeholder groups in transnational settings. In this context, our respondents referred to international standards, such as ISO and SA (Social Accountability), but also to a range of EM stipulations from global contractual or financial agreements and exchanges. Interestingly, the influence of the international context is not limited to multinational enterprises (MNEs) but, given the expansive internationalization of Chinese business in recent decades, EM and CR expectations have become defining factors for smaller or low volume and highly specialized enterprises. Consequently, international EM and CR expectations shape business strategies and agendas by dictating terms of agreement, which are furthermore expected to foster international business opportunities and partnerships in the future.

The market context relates to the force exerted by buyers, vendors, consumers, or clients. As a consequence of environmental expectations and demands tied to market contexts, elements associated with extraction, transport, operations, production, and distribution are aligned with EM and CR initiatives according to market sensitivities. Interestingly, responses in this category ranged from a careful attenuation of products and services according to changes in demand to a complete restructuring of corporate visions and product lines in line with EP- and CR-driven goods and services. The latter was driven by an anticipation of future demands and markets, or by visions of actively shaping demands and markets in the future. In these cases, respondents envisioned the firm to become not only an EM-sensitive product and service provider but an EM-driven product and service creator.

Collectively, senior managers and CxOs reflected on EM expectations, obligations, contradictions, tensions, risks, and opportunities. According to our respondents, different stakeholder groups shape a firm’s EM and CR strategies as much as the specific sector or context within which the business operates. By exerting various push and pull dynamics, national, international, and market contexts act as force fields, which underlie business behavior and its association to EM and CR integration. Accordingly, firms adapt EM measures in different ways, to different degrees, and for different reasons.

The aim of the second part of this analysis was to systematize the EM motivations of senior managers and CxOs. By using the tripartite set of motivations as proposed by Aguilera and her colleagues [17], we coded our respondents’ explicit or implied motivations in accordance with our theoretical framework.

Instrumental motivations for EM predominately occurred when firms viewed EM as an opportunity to increase their market share or to develop new markets. Strategies associated with this motivation included investing in research, technology, and infrastructure, or developing new products or services with the aim to enhance EM capacities of the firm in order to reduce costs, improve efficiency, increase market share or access, even develop new markets.

Relational motivations for EM derived from a desire to maintain or foster existing local, national, global, or industry-specific relationships. They tended to manifest in association with EM regulations, and the primary motivation here was to comply with EM rules, regulations, or standards set out or valued by significant stakeholders. In this cluster, firms were mainly motivated to identify established or emerging standards in order to either comply with existing expectations or to gain a competitive advantage by exceeding current standards.

Moral motivations are prevalent when firms incorporate EM into their core business. This should not be misinterpreted as a philosophical or philanthropic slant of a business model but, instead, a moral commitment underpinned by a government directive and rapidly changing social and EM expectations. EM was associated with extraction, production, product quality, and marketing, but it was also used in a diffuse way, where EM permeated a global vision of the organization and its products and services. While moral motivations were underpinned by individual, social, or societal wellbeing and business
ethics, this category also included strong strategic elements, for instance, anticipating that a moral EM base will lead to multidimensional successes in the long run.

Table 2 illustrates the analytic grid as formed by our senior managers and CxOs’ considerations on EM and CR strategies in relation to the tripartite theoretical framework as proposed by Aguilera and her colleagues [17], and the bottom-up analysis of the national, international, and market contexts.

**Table 2.** Context-motivation grid of EM and corporate responsibility (CR) integration among Chinese senior managers and CxOs.

| Motivation based on Aguilera et al. [17] | Relational | Instrumental | Moral |
|-----------------------------------------|------------|--------------|-------|
| National                                | 1          | 2            | 3     |
| International                           | 4          | 5            | 6     |
| Market                                  | 7          | 8            | 9     |

4.2. Mechanisms of Change

The second set of analyses consisted of sorting and classifying our interview data according to the analytic grid (Table 2). The purpose of this step was to analyze systematically the links between motivations and their contexts in which firms in China adopt EM and CR measures. Based on this analysis, we were able to categorize change mechanisms as described in the following sections, and as depicted in Table 3 below.

**Table 3.** Mechanisms of organizational change.

| Mechanism                              | Description                                                                                                                                 |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Compliance as change                   | **Legal/normative compliance structures** Management strategies aim to meet standards and social expectations in order to minimize risks and costs. |
|                                        | **Multiple overlapping compliance structures** When firms are confronted with contrasting local, national, transnational, and trade- and industry-specific standards and regulations, management strategies either adopt the highest standard available or develop their own ‘golden standard’. |
|                                        | **Model compliance** Purposely seeking out opportunities and incentives associated with EM regulation compliance, such as the benefits derived from political support and endorsement as a ‘model company’. |
| EM as competitive advantage            | **Competitive market advantage** EM strategies which invest in the development of client- and market-initiated EM products and streamline production to focus exclusively on ecological products. |
|                                        | **International cooperation and exchange** Increasing EM-related productivity and efficiency via international collaborations, as well as knowledge and technology development and exchange. |
|                                        | **Technological innovation** EM strategies investing into technological innovation to lower costs and increase corporate image. |
| Value setting                          | The identification and implementation of sustainability goals and priorities by top management. Implemented top-down via a visionary CEO or senior manager who sets the EM agenda and aligns the firms’ philosophy and corporate practice accordingly. |
| EM as value-orientation                 | **Value transmission** The transmission of EM values to employees or between different units of the same company via incentives, awareness programs, behavior change initiatives, positive reinforcement, and other nudging strategies. |
|                                        | **Value attraction** The process whereby firms make public their EM values in order to attract and retain talented employees. |
|                                        | **Value synchronization** The process whereby firms sync their products and business practices to the EM preferences of their customers and society at large. |
4.2.1. EM as Compliance

The primary mechanisms of change relate to how firms seek to comply with or exceed EM regulations or expectations across all three contexts. In these instances, compliance mechanisms are based primarily on relational dependencies and shaped by international and national contexts. The first type consists of established legalistic and normative notions of compliance associated with relational motivations. It relates to adjustments to new procurement, production, and marketing laws and regulations in order to conform to or exceed national or international standards, including ISOs or other benchmarks to obtain or maintain certification. In Table 2 this mechanism occupies mainly cells 1 and 4, and, to a lesser extent, cell 7. Normative or legalistic compliance is a dominant motivator in our data. It is largely driven by risk management, such as avoiding lawsuits, sanctions, fines, public embarrassment, or damage to brand image or reputation. Many of our respondents expressed their relational motivations, referring to concerns associated with fines, penalties, customer complaints, negative brand image, and straightforward corporate survival. Compliance-related management strategies aim to meet standards and social expectations of key stakeholders to minimize risks and costs, as the following quotes illustrate:

So you know that, in China, the government is now very conscious of the environment. Therefore, we become aware of it too. The government itself is concerned about it, and naturally the environment and atmosphere will require you to do something. And we are responsive to the government’s policy (1.14:5; Each interview was assigned a unique identifier, denoted by a letter, followed by the page number of the transcript from which the quote was taken).

Environmental protection is a popular concept these days, and companies are more aware of it. … Also, the EU releases many regulations, including EUP [Eco-Design Directive] ecological designs, which forbids the use of hazardous substances, and requires recycling. These regulations are the threshold we fulfil before we enter the market (1.9:1).

We see that the Chinese government has strongly committed to doing better on the environment. … At the most recent conference on energy and emission reduction, [the government] also required local governments to take action and punish those who do not strictly follow the policy. You can see that they will invest a lot of money in environmental projects and, on the other hand, they will punish those who misbehave (1.14:3).

In the printing and dyeing process, the chemical paint materials create a little bit of pollution. This is the easiest process, which can create pollution, just like the Green Algae Incident that happened in Tai Lake two years ago. All of this happened and it pushed the government to close down lots of manufacturing sites close to the water, as well as some small printing and dyeing factories, which did not meet the standard. This finally leads to an increase in our production costs and a rise in prices (2.10:2–3).

An interesting compliance mechanism is activated when firms have to deal with multiple, overlapping compliance structures resulting from intersecting national, international, and market contexts. This often occurs when firms operate in multiple settings and find themselves confronted with contrasting local, national, transnational, as well as trade- and industry-specific standards and regulations. In these situations, senior managers and CxOs report that they tend to adopt the highest standard available or develop their own ‘golden standard’, which ostensibly surpasses all others. Here is an example:

Last year we acquired a [new] chemical company. And once we acquired it, we had to audit all the plants and bring them up to our standard. And then, since our [company] is based on the highest standard of every country, we end up being more stringent than any one country. … If you take a look at the environmental compliance standard, when the global audit teams...
We find that compliance is not limited to responding to externally set standards and regulations, but that firms also develop and implement compliance standards internally. In such cases, organizational change is focused on developing a global and consistent EM standard, which can be applied efficiently across the board, instead of identifying and applying situation- and context-specific legal minima. According to our respondents, this approach has the added long-term benefit of enabling firms to set EM benchmarks that will protect them from further legislative restrictions in the future.

Finally, we identified unique compliance mechanisms in the national context that are not limited to top-down EM regulations (i.e., where government instigates more stringent EM measures). Instead, EM standards are viewed in this category as a business opportunity, and corporate responses aim to identify advantages inherent in adopting high internal EM standards. Some advantages mentioned by our study participants include product innovation and increased profitability by less wasteful or more cost-effective production methods, greater competitive advantage, and enhanced reputation and customer satisfaction. Most importantly, developing high internal EM standards garners political support. In some cases, this led to government contracts or endorsements as ‘model companies’, which has been linked by our respondents to a positive corporate and brand image, increased profits, and enhanced attractiveness for employees, customers, and Chinese society. Here are some examples:

For the stable development of the firm in the long term, we must fulfil these [EM] requirements in order to get recognition from our clients, employees, and the government. In return, the government and customers will support us, and our employees will have a sense of safety (2.7: 9).

There is an incentive policy that customers are given a 10% government subsidy for buying green products with the relevant label. Once the customers hands in their receipt and the label to the mall, the government will give back the 10% redemption to the mall every month. The government will provide the subsidy to the mall according to their monthly sales. In this way, producers are encouraged to produce those products, which have labels in order to increase their competitiveness.

Interviewer: Is this effective?

Interviewee: It is very effective. Our selling price has been reduced by 10% because the government pays out money (1.9:3–4).

If we are perceived as a sustainable company by, for example, regulators, then this will help remove obstacles (3.11:6).

Based on the above, we find that compliance as a mechanism of organizational change from a relational perspective is more nuanced than merely aiming for a legal minimum. Instead, we find that firms respond to varying national, international, and market contexts by initiating different business and management strategies to comply with, exceed, or develop their own EM standards and regulations in a way that minimizes risk, maximize profits, and garners support or favor. This is accomplished by maintaining or fostering positive relations with existing stakeholder groups that either present or expect elevated EM standards.

4.2.2. EM as a Competitive Advantage

In contrast to compliance in the service of maintaining or fostering positive relational links with significant stakeholder groups, instrumental mechanisms of change focus on cost-benefit analyses with the explicit aim of securing greater profits or market share. Instrumental motivations in this category are primarily associated with market and international contexts, which correspond to cells 5 and 8 in Table 2. One of the primary mechanisms through which firms aim to achieve a competitive advantage is by streamlining their production or services with an explicit focus on ecological sensitivities.
section already underscored the role government support and subsidies play in making EM products more profitable. Additional reasons for investing in environmentally friendly products and services include anticipated positive impacts on downstream producers, vendors, clients, customers, and market share. As a mechanism of change, it is the market context from Table 2 that seems to be the primary driver of this mechanism. The following excerpts illustrate this category:

Yes, the government actually is trying to subsidize or finance, and to create investment and encourage spending. They encourage companies to build up new plants that are more environmentally friendly. Gross domestic product (GDP) increases, and the environment improves (1.14:8).

If we can have the ability to develop new products that meet the standards of new laws and regulations, then we will win the competition by weeding out some of the other companies. It will be an opportunity for our company to develop (4.1:6).

Average people are concerned about the quality of water, so they are very eager to buy this kind of product to protect their family. Those products are quite popular. For us, the more the price of electricity increases, the more sensitive our customers become towards energy efficiency and environmental protection. We can only meet their demand and compete with others through the development of new technology (1.9:6).

The most noteworthy dimension associated with strategies to secure competitive advantage from an instrumental motivation, however, relates to how firms instrumentalize the international context to increase their own EM-related productivity and efficiency. Developing new EM technology in collaboration with international partners, or importing or buying existing technologies or firms that own such technologies are commonly reported strategies. Also included in the international context is the hiring of international EM and CR experts and consultants. Finally, international trends are tracked by our respondents because they are considered indicators of future benchmarks for domestic trends. Here are three examples:

We have simplified the design with the same amount of functions. We have consulted 10 Korean experts this year.

Interviewer: Why Koreans?

Interviewee: They are well-experienced technicians from [company x]. We got the technology through acquisition and we need experts to enhance the production (1.9:3).

Our Italian clients have advanced techniques in water-solvable paints. Therefore, we can introduce the formula and the techniques from Italy to produce it in our country. This is our advantage (4.1:6–7).

Our advantage is that we are an export business trading with international markets, compared to domestic companies. Therefore, we know [EM] trends better and earlier from our foreign clients. For the international market, we also have an advantage by understanding their situation and requirements (2.10:6).

An emphasis on EM innovation was also considered beneficial because it was believed to advance technology that would lower production costs and improve the image of the firm, brand, or products, as indicated by the following excerpt:

The third source of pressure comes from costs. The difference in costs between producing green and non-green products have become very small. In the past, companies did not want to develop green products because of the high costs. With advanced technology, we can produce green products without such high costs, and it can also be a selling point for the sales and persuade consumers to buy our products. We can also have a better reputation (1.9:2).
There are various push and pull factors that instrumentally motivate firms to engage in EM strategies. Evolving client tastes and markets, in addition to government incentives, provide short- and long-term business opportunities. From an instrumental perspective, firms actively seek out EM opportunities to increase their competitive advantage. Our interviewees confirm that they engage in strategies that include consulting, collaboratively developing, or buying and integrating strategies, technologies, and products. Especially interesting is how such investments often result in the integration of EM in ways that make products or services more affordable, enhance the image of the product or firm, and garner the support of important stakeholders. In this way, pursuing EM based on instrumental motivations initiates organizational change that not only adjusts to government regulations and expectations but, more importantly, enhances competitive advantage in national and international markets.

4.2.3. EM as Value-Orientation

The notion of the ‘green company’, a firm that integrates, even realigns, its business model to embrace EM, is a common talking point among our respondents. Many claimed that they already are or aim to become such a company, while others explained that it is not possible in their current context or business sector to be one. Some senior managers and CxOs in our sample considered their firm as a green company. When we inquired about how their company achieved this status, our respondents identified four mechanisms of organizational change: value setting, value transmission, value attraction, and value synchronization.

Value setting entails the identification and implementation of EM goals and priorities by top management. Here, EM is imposed top-down via a strong and visionary CEO who sets the EM and CR agenda. In this case, the CEO imposes the new vision and strategy onto corporate practice. We also found that, in this category, the aim was not limited to being a ‘green company’ but to contribute to a ‘green society’. Beyond economic benefits, our respondents justified their EM strategies in terms of social and societal benefits. Accordingly, pursuing EM is also aspirational in that it ostensibly forms part of their responsibility toward building a ‘harmonious society’, a clear and frequently occurring indication of how businesses are sensitive to the government’s long-term ambition of socioeconomic development of China. Here are some examples:

[EM] is not driven by any authorities who want us to do this. It is driven by the company philosophy or company strategy. So overall, [this company], in its vision, wants to contribute to a better society, and if you say in your company vision that you want to contribute to a better society, then it is natural that the underlying actions and underlying initiatives should have to do with the environment, with the people, with all these things we have talked about. And then, if you can say below this vision that there a lot of initiatives, then these initiatives are driven of course by the roll-out to the different units. If I am the director of [this company] and say I want to contribute to a green society, then I cannot simply say this. But then I have to say to my company in that place, what does this mean for you, or leaders in this company have to ask what this means for us, and with what we have to do to respond to this action. And this is a process which is continuous and ongoing (4.12:4).

Our CEO emphasized that we act not only for our social responsibility, like protecting the environment, or making contributions to the society, but just according to the values we have, and we can do many good things under the guidance of our values (1.5:2).

It is a core value. For example, any projects that take the environment into account, which align with our core values, will receive an “OK” from our leaders (4.8:2).

While value setting relies on the top-down institutionalization of values, value transmission relates to the transfer of EM values to and among employees or units of a firm. It is mostly presented by our respondents as a socialization tool used by middle and lower management to convey EM values,
visions, and priorities to all employees of a firm, usually via incentives, awareness programs, behavior change initiatives, positive reinforcement, and other nudging strategies. Here are some examples:

Basically, how should I say, my deep-rooted understanding of life, of the company: that I do the same things in the company as I do in my private life. I separate the garbage, and I put the paper into the paper box because later someone takes it. I put the green in some place, and I put the glass in some place. And this doesn’t bother me. It is something I do, it has become ingrained. It is embedded in our genes. If you want me to say, of course, these genes have been influenced by working for this company for a long time that has a great ambition in this matter. To be green, to be orderly, to be sustainable, and to do something good. And, as I said before, sometimes these things cost very little, but have great effects (4.12:8).

We hired two car cleaners to provide free car washing for our employees (they use a bucket of water, a piece of cloth, etc., for simple car washing every day. Not to use commercial car washing, which wastes a lot of unnecessary water.) On the kick-off day, department managers (more senior managers) washed cars for employees (about 60 cars, 30 h). The idea came from one of our operations directors. The key is to influence the mindsets of our employees (4.2:1).

And at last we have an environmental committee, which is composed of representatives from different departments, for example from engineering, commercial, operation team and also from finance. It is a working team. Based on the direction of the steering committee, we developed and implemented initiatives. For example, every year we have an environmental week, when we organize activities for our staff. Our duty is to promote environmental thinking at [our company]. We also try to educate people and our staff to adopt greener thinking at [our company]. Actually, we also joined some outside activities. For example, we have had ‘beach cleaning day’, where we worked with the local government, trying to have some environmental activities with external parties. The purpose of the environmental committee is to help promote and create an environmental culture at [the company]. Basically, [the company’s] environmental committee in South China and its sister company in Hong Kong want to share experiences, practices, and knowledge. It promotes and organizes activities for all the general staff. We purposely include some general staff, so the idea of the environment penetrates into their working practices. We want to get everybody sharing and involved, rather than a few key top managers who would only talk to them (1.14:3).

In contrast to value clusters that are internally focused, the remaining two are externally oriented. As a mechanism of organizational change, value attraction refers to the communication of a firm’s commitment to EM values and their embeddedness in the organizational structures, often to attract or retain employees and customers. Here, the idea that EM represents an important value for younger employees or a growing middle class of consumers with increasing disposable incomes represented a recurring theme in our interviews. Firms aim to attract or retain talented employees, and they want to commit an increasingly affluent customer base to their brands. Here are some examples:

A few years ago, it was not quite so strong a motivation [to be a member of the best company in the industry] but now it is more so. This is just my own impression, but you can look it up elsewhere too. Some years back, new recruits were not so concerned about the company’s environmental record. Now it is something they are interested in, sustainability, especially the younger generation (3.11:5).

In [an industrial park in China], there are 3500 companies, almost one new company per day. We have difficulties in keeping our people. Four or five years ago, we had about 20% employee turnover, especially young people. We brainstormed to see why these people left. Now, we use new small projects, like solar and recycling, to keep them excited (4.8:3).
Yes, for example, I saw a survey about why they want to work for this company. Are they only interested in money, compensation, a benefits package, or are they interested in whatever, yes, career opportunities? Sustainability is on that list in a way that it has not been several years back. That is more like an upcoming one (3.11:5).

Value synchronization refers to the alignment of a firm’s manufacturing processes, products, and services to the real or anticipated EM preferences of customers. Interviewees associated this with rapidly changing value sets in China and how firms scramble to respond to changing tastes and expectations. Here is an example:

To give you an example: 40 years ago, nobody would be thinking about climate protection. Nobody wanted to know how much carbon dioxide I can save if I am using this insulation or whatever. When the oil price was cheap, nobody was wondering: “How can I replace the metal parts in my car with plastics? How can I save weight in my car?” But once they start to appreciate the value of reducing the weight of the car, making it more lightweight but still as strong as metal, that is when our R&D teams are really working very closely with our customers to figure out: “OK, how can you make an engine block that is lighter than the old one but still strong enough to withstand the heat from the engine? How can we make a lower bumper stiffer so that it is strong enough to withstand accidents but still protects the person who got hit and is still going to reduce the overall weight of cars?” This is the kind of external drive (3.11:4).

When EM value-orientation is considered successful, it increased production, capacity, and efficiency, and it reduced employee turnover. Accordingly, EM value-orientation only indirectly connects to cells 3, 6, and 9 because it is mainly driven internally (e.g., CEOs, senior management, employees) or externally (e.g., vendors, customers). However, all three contexts—national, international, and market - are implicated. Here are some final excerpts:

Basically, HSE (health, safety, and environment) is one of the key pillars of [this company’s] philosophy here. We think that HSE is profitable business. If a company wants to be successful in the future, they have to address this issue very seriously. . . This gives us a good link to the people, this gives us good communication with the people, this gives us an engaged workforce. And the system finally leads to better productivity, to better quality, to higher speed, response speed. This is basically what you can break down or you can build up (4.12:1,7).

But you can also say that when it comes to innovation and sustainability, they really go hand in hand. You can think about how you can manage to get a sustainable company, there are many strategies. One of our main strategies is to innovate sustainably. In other words, coming up with a new way to do the same you have been doing. Only it is a more efficient way, or it is whether it can save you costs and time and energy. And therefore, of course, emissions, and therefore, greenhouse gas, this kind of thing. So, when I mentioned earlier these four strategic pillars, one is to help our customers be successful. It is really quite important in that sense because they are living in the same world we are (3.11:5).

These mechanisms of EM value-integration illustrate how many of the key drivers underlying organizational change are associated with what our respondents call “doing the right thing”, “ethics”, “social responsibility”, “corporate citizenship”, “social development”, and “leader awareness”. Although our senior managers and CxOs used different mechanisms and motivations to respond to different contexts, we found a common theme that connected all four: value change toward EM.

Accounting for mechanisms of compliance, competition, and value-integration, three additional findings do not fit into Table 1. The first we briefly mentioned earlier, which is the importance of profitability, and it underpins all mechanisms covered so far. Second and, to our surprise, our senior managers and CxOs rarely conceptualized the relationship between EM and economic development...
in antagonistic terms, or the necessity to choose between either EM or profits. Instead, we were struck by the adoption of EM directives associated with the 11th Five-Year Plan well beyond mere compliance. Instead, our interviewees were constantly and creatively seeking opportunities to increase profits, market share, brand image, reputation, or favor from key stakeholders by adopting, co-creating, or anticipating future EM regulations. Here are some illustrations:

We have developed new technology and new products to gain more market share. We also have a big customer base and we have successfully built our reputation through engaging in these activities. Being green mainly helps improve our image and brand … We have developed and applied several technologies related to environmental protection, which can also help us gain profit. That is mostly it. We think about it commercially, not morally (1.9.6–7).

The benefit of environmental production is that we are free from government regulation violations, and we also improve our company’s image and our product sales (1.3.9).

Our profits will increase when we develop cleaner resources because there are only two companies [in this particular industry] who have monopolized the market (1.5.2).

Besides, I think we have to do it for future sustainable development, as environmental protection and governance will be a popular trend in the coming future, and we cannot pursue money by being against this trend (2.7.9).

Finally, firms rarely respond to a single context using a single EM strategy. Rather, different contexts exert different pressures, often simultaneously, and in response firms apply and combine different strategies. Thus, the line of demarcation between cost, risk, and opportunity, or between the current regulatory context and the (co-)creation of future opportunities was rarely clear. Far beyond mere compliance, our interviewees defined, redefined, adjusted, invented, imagined, and molded EM and CR to serve their purpose in ways that adapted government directives and perceived market trends to their specific context, sector, and opportunity structures.

5. Conclusion

5.1. Theoretical Contributions

The purpose of our study was three-fold: (1) identify how senior managers and CxOs of Chinese firms responded to the explicit and systemic introduction of EM in the 11th Five-Year Plan; (2) examine their motivations beyond mere compliance to government directives; (3) and explore contexts in which different motivations connect to organizational change relating to EM and CR. Three contexts - national, international, and markets - shaped the environmental agendas of firms in China. The framework to conceptualize motivations to engage in EM and CR was derived from Aguilera and her colleagues [17]. While we expected the central government to dominate the narratives by our respondents, given the power of the local and national government in China and given the significant environmental policy shift formulated in the 11th Five-Year Plan, we were surprised by the extent to which environmental policies were reflected on and integrated into visions, business strategies, and practices well beyond compliance. The policy directives should have resulted in disruption, criticism, and conflict. What we mainly found, however, were complex strategies and implementation plans that, almost without exception, were turning a government directive into multiple avenues for exploring new business opportunities, marked by complex interactions between motivations and contexts. Our findings also illustrate the remarkable mix of carrot and stick approaches by the Chinese government as it regulates, incentivizes, corrects, and disciplines as part of its environmental policy ambitions.

Our respondents were mainly engaged in identifying specific sets of strategies to concurrently comply with government directives and seek profits. Broadly speaking, EM strategies can be divided into approaches that aim to comply with EM, pursue a competitive advantage, or attempt to structurally integrate EM and CR into the core business of the enterprise. These strategies can be subdivided into nine mechanisms of organizational change. While multiple models of change allow firms to find the best
fit in a given situation [34], the variety is also indicative of the strong contextual influences that shape EM and CR strategies. Indeed, our interviewees engaged in a number of different, interwoven strategies simultaneously. Our study supports the findings by Sun and Loh [1] and Giroud and Mueller [16] that governance, in our case that of the local and national government as well as governance of the enterprise, is a significant driver of sustainable development. Other studies have also identified the importance of various financial incentives, such as linking CxO compensation packages to CR milestones [12,13], the significance of inside debt holdings in relation to future volatility of firm stock return [14], or the impact of industry pay gaps [15] as additional factors influencing decision-making strategies. While our study is unable to confirm the effectiveness of this type of incentive, future research could examine these influences more systematically, especially relating to EM in China.

Overall, our findings need to be understood in the context of a non-representative, qualitative, and exploratory study. It forms a good basis from which hypotheses can be derived and tested on a larger and representative sample. In addition, an interesting direction for future research in this vein would include the extent to which the motivations to integrate EM and CR measures are as sensitive to senior manager and CxO compensation packages as they have been shown to effect organizational change in the Western context. While we are not arguing here that individual compensation is less important in China, we suspect that government directives in the Chinese context may occupy a different category of significance. Nevertheless, our findings contribute to a growing body of literature that highlights the importance of contextual and cultural variations, and how they shape the business-society nexus by redefining the meaning and implications of CR agendas [31,35–40].

Unlike the Western literature, which conceives of change as episodic [41], and which seeks to understand the sequential process whereby individuals and their organizations move through distinct stages, our Chinese respondents seem to view change as a continuous, dynamic, and inevitable process. Interestingly, it was also difficult for us to clearly separate the influence of government directive and business strategy in that the permanence of change and adaptation precluded simple cause (e.g., regulation) and effect (e.g., adaptation) analyses. While the policy shift announced by the government shortly before these interviews were conducted may, at least by Western standards, be considered a monumental and disruptive event associated with significant uncertainty and cost, we did not find evidence in our data in this vein. The culture-bound understanding of the word crisis (weijí, 危機) in Mandarin is revealing in that it encompasses two dialectic meanings: danger (weí) and opportunity (jí). Instead of seeing the government’s regulatory mandate as a disruptive force, business leaders strategically redefined and recalibrated, found ways to adapt, and developed and leveraged new opportunities. Whatever strategies and solutions were identified at the time of the interview, they were considered temporary, to be replaced by new strategies and solutions, always aiming to adapt to an ever-changing policy and business environment. This culture-bound dialectical thinking fits well with the Chinese yin-yang duality, where threats and opportunities can co-exist and co-evolve [25,42,43]. Policy shifts or changing contexts are not singular events but form part of a continuous, dynamic process. Our findings are consistent with Jing and van de Ven’s zao-shi and ying-shi, which suggest a mutual transformation between jin and yang entities that can create favorable shi through building and leveraging business momentum [25]. Across different justifications and contexts, we found that senior managers and CxOs are motivated to implement EM measures well beyond compliance. Regardless of the EM strategies firms pursue, profitability is almost always a dominant motive, which is indicative of the creative and opportunistic nature of our respondents as they seek to capitalize on any and all opportunities.

5.2. Theoretical Contributions

The implications of this study for management are most aptly described from a Western perspective. Managers involved in business in China must adopt a mindset to government directives that is entirely different to what is dominant in Western economies. On the one hand, government directives, especially as they apply to Five-Year Plans, cannot be circumvented, undermined, renegotiated,
opposed, or waited out. Indeed, it would be quite risky in the long run to merely seek the legal minimum of compliance in a Chinese context. Especially considering the availability and complexity of options to deal with directives, it is furthermore difficult to imagine operating effectively in the Chinese business environment without experienced insiders and local partners.

In the Chinese context, directives, especially those relating to Five-Year Plans, create a new and complex environment that affords firms an entirely new roadmap of ways to seek greater market shares and profits. The omnipresence of government and the relative coherence of most Five-Year Plans create a fairly reliable and stable business environment, at least for Chinese firms or system-relevant non-Chinese firms. In contrast, the constant change inherent in an extremely dynamic Chinese business environment and the thus arising opportunities appear to contradict the stability that Five-Year Plans aim to maintain. More generally, the two dyads that are usually considered oppositional in the Western business logic need to be understood as complementary: change and stability, and regulation and profit. In China, change is omnipresent but carefully planned, while regulation, creatively integrated into a business model, may become a source of considerable market share and profit. These apparently contradictory poles find their logic and justification in China’s absolute commitment to socioeconomic development, which is embodied in long-term strategies and plans that transcend the careers of leading business magnates and politicians. Consequently, long-term national policies and directives in China are relatively independent of short-term economic and election cycles, which, in Western economies, tend to dominate regulation and business strategies. Furthermore, firms in the Western business context are largely driven by their allegiance to shareholders, and shareholder value maximization is often tied to personal compensation packages of senior managers and CxOs. Yet, a business approach defined by quarterly earnings and shareholder value creation will have limited success in the Chinese context for the foreseeable future because CR agendas are intrinsically long-term, multidimensional, and forward-looking. Senior managers and CxOs focus not only on maximizing profits but on maximizing China. This means that, as the engines of economic growth, firms will (be compelled to) do whatever is necessary to be successful and to concurrently fulfill their social responsibility toward socioeconomic improvement of the Chinese people. This is the basis of popular support for China’s political system.

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