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Is this Sustainability Development Framework Motivation to a Multi-National Enterprise?: Attesting Corporate Governance in China

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Abstract

Background and Aim: The global economic crisis highlights the importance of corporate governance in large enterprises for profit protection and sustainable development. China faces challenges in implementing this framework, focusing on efficiency, effectiveness, and regulatory mechanisms.

Materials and Methods: This paper is an academic paper. The author has collated and analyzed the various aspects of the notion of corporate governance, ranking the most significant aspects in descending order.

Results: Sustainable business management in large enterprises in China involves corporate governance across five dimensions: structure, process, ethics, competence, wisdom, eco-efficiency, and sustainability report. This approach creates long-term added value for owners and shareholders by managing risk in economic, social, and environmental dimensions. Organizations must adapt strategies and work systems to maintain a competitive advantage and meet stakeholder needs.

Conclusion: Sustainable business management in China involves corporate governance across five dimensions, focusing on structure, process, ethics, competence, wisdom, eco-efficiency, and sustainability report, ensuring long-term value and meeting stakeholder needs. China's large enterprises provide high returns, contribute to society, and foster trust, transparency, and economic, social, and environmental dimensions, benefiting China's future.

Keywords: Corporate Governance; Sustainable Business Management; China

Introduction

The global economic and financial crisis has resulted in large enterprises giving importance to the role of the Board of Directors in protecting the profits of the company and pushing the company to move in the right direction (Dagnino, Minà A & Picon, 2013). Therefore, the corporate governance of large enterprises has become an important competitive factor for investors' trust (Oman, 2001; Allen, Gale & Wharton, 2002). Corporate governance is an important concept in managing current business organizations in organizations and countries' development sustainably on a basis based on economic society and environment balance under the righteousness and importance of stakeholder participation both inside and outside the organization (Chowdary, 2002). Therefore, business organizations should use corporate governance as a tool to manage and develop capability by promoting the role of operations and determining clear operational goals for resources to appropriately be allocated. That creates justice for stakeholders, the community, and overall society (Cochran & Wartick, 1988). Also, corporate governance attracts quality investors, which reflects that investors pay more attention to the level of good corporate governance of the company in which they will invest. The investor will use the level of corporate governance in the company as a factor for screening the stocks before investing and the factor used in analyzing the stocks of a company if those have the potential to generate higher returns than other companies (Feleaga et al., 2011)

China is one of the potential countries that are interesting for foreign investors based on national resources, both natural resources and the world's major electricity source (Nick, 2002). The government of China has a policy of promoting foreign direct investment, developing many special economic zones and exclusive economic zones. Besides, the capital market development strategy of 2016 - 2025 aims

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to have at least 25 listed companies in 2020 (IPD, 2018). Therefore, there are activities to promote investment both domestically and abroad, which affect China and have a high potential to support trade and investment activities that are expected to increase significantly in the future. However, according to the overall report of the business environment of The World Bank Group (2018), which has conducted measurement of the rules or management guidelines for business operations in each country, it is found that in 2018, China was ranked ten among 190 countries. It shows that China is still unable to demonstrate concrete and reflects the transparency of business operations in the country. Therefore, the lack of understanding of true corporate governance and the lack of links to demonstrate concrete benefits of compliance with corporate governance is the heart of the implementation of corporate governance in the management of private organizations, especially large enterprises in China. It is to have efficiency and effectiveness as well as various regulatory mechanisms that affect the confidence and trust of all stakeholders and related parties. It will create sustainable development for enterprises (Solomon & Solomon, 2004). This article aims to propose a sustainable development framework for the management of large enterprises in China based on corporate governance.

History of corporate governance concepts

Corporate Governance philosophy has been developed from good governance philosophy (Good Corporate Governance) 1990; Rothstein & Teorell, 2008). It also helps to restore the economy of the country, develop and solve problems that occur in the countries in America, South Africa, and Europe continents were having financial problems. Therefore, the World Bank uses good governance as an important condition in considering and approving loans. The goal is to improve the quality of government services and adhere to the rule of law, including the elimination of corruption in those countries. Also, the World Bank has defined "Good Governance" as a means of using power leading to resource management for the country's economic and social development (Bangura, 2018). Later, there are many other agencies, such as The United Nations Development Program (UNDP) and the Asian Development Bank (ADB) have, published such ideas since the years 1990-1995. The good governance concept has more important and becomes an important issue in the international development context (Berglof & Thadden, 1999).

Definition of corporate governance

Shleifer & Vishny (1997) explained that a corporation refers to a group of people who gather together to form a juristic person for one of the important matters or a limited company. It shows large organizations that run businesses for profit, stability, growth, and generosity, including private businesses, state enterprises, or multi-national companies that are not government organizations or NGOs. At the same time, governance means a rule that is full of generosity, like a father and mother's love towards their children. It is a rule that is full of the spirit of appreciation and dignity of humanity, which is different from the rule that uses power or weapons. It is also the rule that uses skills and arts, which allow the ruler to receive maximum benefits. Therefore, when it comes to the era of globalization, there is a rule that does not take into account common interests or stakeholders in other businesses (Levitt, 2005). From combining the meanings of these two words mentioned above, corporate governance means the organizational management which makes stakeholders gain confidence in the implementation of policies, good governance operations, the rights of shareholders, the equitable treatment of shareholders, information disclosure, and the responsibility of the Board of Directors that having quality, efficiency and effectiveness, fairness, transparency, responsibility, participation, ethics, and virtue, can be checked, saving and cost-effectively using resources as well as being responsible to the community and society.

In conclusion, corporate governance manages organizations for profit, stability, growth, and generosity, focusing on organizational management, stakeholder trust, good governance, shareholder rights, equitable treatment, information disclosure, and the Board of Directors' responsibility. It prioritizes quality, efficiency, effectiveness, fairness, transparency, responsibility, participation, ethics, and virtue while saving resources and being responsible to society.

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The sustainable development concept of business organizations

Sustainable development is considered a new international concept that replaces the traditional economic and social development that focuses only on growth and modernity from scientific progress until causing many problems so that the sustainable development guideline is developed to be the solution to the problems (Ester, 1993). However, in the early stages of the concept, there are still abstract features concentrated in the government and international organizations. It has the first starting point from the United Nations Conference on Humanity and the Environment in 1972, which argued and acknowledged that economic development and environmental issues are interconnected and found that protecting the environment and economic development which is more important (Blackburn, 2008)—followed by the establishment of the United Nations Environmental Program (UNEP), which acts as the environmental representative of the United Nations in stimulating, disseminating knowledge, facilitating, and promoting the efficient use of resources that result in sustainable development at the national, regional, and global levels. The concept of sustainable development originated from trying to find a solution to the conflict due to having different perspectives on future developments. The factors of economic needs, resource limitation, and environmental problems are the main reasons for driving sustainable development, especially when every business organization brings that to be the main point for creating business sustainability.

In conclusion, sustainable development, an international concept, replaces traditional economic and social development, focusing on growth and modernity. Originating from the 1972 United Nations Conference, it addresses economic needs, resource limitations, and environmental problems for business sustainability.

A Framework Sustainability Development of Corporate Governance for the Management of Large Enterprises in China

From analyzing and synthesizing the relevant concepts and theories, the researcher proposed a sustainability development framework on corporate governance for the management of large enterprises in China with five dimensions as follows; Blackburn (2008) Hart & Milstein (1999) GRI (2013) Andrew & Karl (2006) Ho (2005) Schmalensee (2012) World Business Council Sustainability Development (2000) Dalbol & Dalbod (2011) Lubin & Esty, (2010) Dyllick & Hockerts (2002).

Dimension 1: Structure and Process. The structure of large enterprises in China must be supervised to ensure good management in the organization, which is the board of directors, audit committee, senior executive selection committee, risk management committee, and corporate governance committee. Next are the government sectors, which are the government and government agencies that control the promotion of business organizations for the process of corporate governance that consist of; 1. Acquisition and establishment of corporate governance. 2. Management under the rules of corporate governance. 3. Support of incentives for corporate governance to be effective. 4. Personnel and corporate governance process evaluation. 5. Checking the quality level or reliability of the corporate governance process by independent people or institutions.

Dimension 2: Ethics and Integrity. Large enterprises in China must have a clear ethical guideline that is recognized by all personnel in the organization; senior executives from the board of directors, presidents, general managers, and executives of various levels must behave as role models. It is for employees to follow in the same direction, and it will affect the morale of employees, ethics, and morals of senior executives, which should be consisted of 1. Responsibility, 2. Fairness, 3. Honesty, 4. Ashamedness from doing wrong.

Dimension 3: Competence and Wisdom. Large enterprises in China must be aware of the ability of people in organizations that the capability applies knowledge to create skills until they have enough proficiency and lead expertise in the production of products and services. Therefore, personnel selection must focus on quality, knowledge, and ability as important. In particular, the executives must have the same knowledge and ability as that wisdom. In other words, it is an advanced ability to invent, choose

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and act wisely that is suitable for the environment of the organization and must be driven dynamically and evolutionarily.

Dimension 4: Eco-Efficiency. Large enterprises in China must not cause pollution and contamination to the environment. There is a guideline development of greening and eco-efficiency to be used as an important way to create balance and sustainability between business growth and environmental impact reduction. Greening means an attempt to improve existing products or production to prevent or reduce environmental impacts. It makes the company being able to operate and follow the law, reduce social pressure, represent social responsibility, and have a character as a continuous improvement based on cooperation in the industry rather than the change from innovation only.

Dimension 5: Sustainability Report. Large enterprises in China must prepare a sustainability report as a process of the organization to build understanding and link issues related to the sustainable development approach to the organization's plans and strategies by determining the goals, performance measurement, and managing changes for sustainable growth. The report is an important result of the organization, which is like the audit report from external agencies. It is similar and important to a financial report. For an enterprise that has readiness, there should be a social and environmental report along with a financial report.

The five dimensions in Table 1, which are structure and process, ethics and integrity, competence and wisdom, eco-efficiency, and sustainability report, affect the large enterprises in China and must consider that good corporate governance can shape the three dimensions of sustainable development together. It will enable enterprises to create competitive competency and stability in the organization, with profitability, stability, growth, and contribution to society.

In conclusion, the sustainable development framework for large enterprises in China includes five dimensions: structure and process, ethics and integrity, competence and wisdom, eco-efficiency, and sustainability report. Supervision of structure, audit, senior executive selection, risk management, and corporate governance is crucial for good management. Ethics, competence, and eco-efficiency are essential for employees to apply knowledge and skills effectively. A sustainability report is crucial for determining goals, performance measurement, and managing changes for sustainable growth.

Table 1 shows the corporate governance model for large enterprises in China

Corporate governance dimension	Sub-dimension of corporate governance
Structure and Process	• Establishing and managing corporate governance
	• Supporting incentives
	• Evaluating personnel
	• Ensuring quality
	• Reliability through independent evaluations
Ethics and Integrity	• Responsibility.
	• Fairness
	• Honesty
	• Ashamedness for doing wrong
Competence and Wisdom	• Personnel selection based on quality
	• Knowledge and ability.
	• adapting to the organization's environment
	• Driving dynamic and evolutionarily driven decisions
Eco-Efficiency	• Implement greening and eco-efficiency
	• Reduce pollution
	• Improve production

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Corporate governance dimension	Sub-dimension of corporate governance
	• Promote social responsibility
Sustainability Report	• Create a sustainability report.
	• Linking development issues to plans,
	• Strategies measurement for sustainable growth
	• Performance measurement for sustainable growth

Conclusion

Sustainable management of business with corporate governance within large enterprises in China from 5 dimensions which are structure and process, ethics and integrity, competence and wisdom, eco-efficiency and sustainability report, is a business approach that will create long-term added value for the owner or shareholder by managing the risk management opportunities in the economic, social and environmental dimensions. It is considered a major trend that is important to business operations at this moment and in the future. Business organizations must adapt and change strategy and work systems to be consistent with changes to maintain a competitive advantage. Large enterprises in China can maintain growth targets both in the short term and long term to meet the needs of stakeholders who relate to the business directly and indirectly. Large enterprises in China can make the shareholders confident that the company always has sufficient cash flow in running the business and provide higher returns to shareholders than the average of other businesses in the same industry. Large enterprises in China can increase value to the community, both in terms of personal human capital and social capital of the community, to create understanding and motivation that allow the company to be a part of society. In environmental aspects, the company must use natural resources at a rate that is less than the ability to produce or find others to replace. The waste is not allowed to be released at a rate that exceeds the self-management capability of the environmental system. Ultimately, it will lead to sustainable business management under global changes and a competitive environment, as well as create trust for business partners in terms of transparency and fairness, which is the basis of sustainable development in the economic, social, and environmental dimensions for China sustainably in the future.

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