# State Mediation in Market Emergence: Socially Responsible Investing in China

**Chapter** · December 2016

DOI: 10.1108/S0733-558X201600048B005

# STATE MEDIATION IN MARKET EMERGENCE: SOCIALLY RESPONSIBLE INVESTING IN CHINA

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## ABSTRACT

*Socially responsible investing (SRI) funds depart from mainstream finance by incorporating environmental, social, and governance considerations, but their success varies across regions. By using a historical comparative case design, we identify an empirically puzzling phenomenon in China: despite an initially favorable resource environment and the presence of socially skilled institutional entrepreneurs, SRI wanes over time in Hong Kong but survives in Mainland China where initial resource endowments and actors' social skills were inferior. By comparing four periods of SRI development, we reveal how state sustainable development policies, a change in the institutional context, led unintentionally to a shared orientation and a public pool of resources, which sustained the SRI niche. Our paper contributes to research on market emergence, institutional change, and cultural entrepreneurship.*

**Keywords:** Socially responsible investing; institutional change; niche emergence; historical case study

**How Institutions Matter!**
**Research in the Sociology of Organizations, Volume 48B, 173–206**

**ISSN: 0733-558X/doi:10.1108/S0733-558X201600048 B005**

Amid a global rise of sustainability in business (Lim & Tsutsui, 2012; Margolis & Walsh, 2003), socially responsible investing (SRI, hereafter) has emerged as a novel practice in the financial sector (GSI-Alliance, 2015; Sparkes, 2003). SRI differs from mainstream finance in that it also takes into account non-financial elements, such as environmental, social and governance factors, when making investment decisions. Due to the way it deviates from the profit-maximizing principles and individualist ethos of mainstream financial logic (Friedman, 1970; Jensen, 2002), SRI faces a significant legitimacy gap and hence remain so far a niche in the financial sector (Jonsson, 2009).

This is true also for China, where SRI emerged at the turn of the millennium but has remained largely a niche market (Chow, 2014; Guo, 2008; Park, 2009; Sjöström & Welford, 2009). However, we do not have a good knowledge of how broader institutional contexts, such as the State, influence SRI in the infancy stage of its development. Whilst all markets begin as niches, most studies overlook this stage. Indeed, "there is not much theory on what happens in the earliest moments of new niches" (Forbes & Kirsch, 2011; Kennedy, 2008, p. 280; Lounsbury & Crumley, 2007). Studies on industry cycles consider the entire period between inception and the peak of industry growth to be the emerging stage of industry (Klepper & Graddy, 1990). Research on entrepreneurial identities has studied industries after they have reached a collective identity and legitimacy (Navis & Glynn, 2010). However, many novel markets never reach maturity and some disappear early on. Why do some markets successfully stay as "novelties," whereas others become "noises"? Failure to address this question will only prevent us from gaining a fuller understanding of market emergence (Forbes & Kirsch, 2011).

Our study addresses the infancy stage of market development by taking a historical case approach, comparing SRI developments in two regions of China: Hong Kong and the Mainland. While the early stages of SRI emergence in the two regions confirm the predictions of existing theories, the subsequent evolutions provide revealing contradictions (Yin, 2009). SRI emerged earlier in Hong Kong where social actors were more skilled and resource endowments richer. However, such advantageous initial resources became depleted over time, with the upshot being that the SRI sector stagnated in Hong Kong but survived as a niche in the Mainland.

We suggest that the State unintentionally brought about the difference in shared orientations and public pools of resources, and that this accounted for the divergence between Hong Kong and the Mainland. While shared orientation, defined as shared understandings of "what is going on" and "what to do" (Fligstein & McAdam, 2012), provides a focal point for collective action among actors in the field, the development of a public pool of resources, defined as a set of resources accessible to all actors in the field in a non-exclusive way (Ostrom, 1999; Van de Ven, 1993), reduces entry barriers for new actors. Shared orientation arose in Mainland China as State ubiquity generated the expectation that opportunities could emerge as national development policies shifted, thus motivating otherwise disconnected individual SRI entrepreneurs to coordinate and act collectively. Furthermore, these policy shifts generated a public pool of resources, specifically ESG data availability that reduced the hurdle of SRI entrepreneurship. In Hong Kong, despite initial concerted efforts and favorable environmental opportunities, the growth of SRI funds stagnated after 2005, due to actors' diverse interests, conflicting perceptions, and a failure to collectively generate public resource.

Our paper contributes to contemporary emerging scholarship emphasizing the complexity and uncertainty of institutional challenges, and calling for a robust action approach to complex problems such as market emergence (Ferraro, Etzion, & Gehman, 2015; Lounsbury & Crumley, 2007; Padgett & Ansell, 1993; Padgett & Powell, 2012). First, we start from the premise that the State is part of a wider institutional environment that "provides constitutional materials for organizations" (Lounsbury & Ventresca, 2002, p. 14). Second, we highlight the limits of individual purposeful actions and the surprising capacity that collective beliefs, naivety, and chance have to impact entrepreneurial outcomes (see also Powell & Sandholtz, 2012). Third, we emphasize that entrepreneurship is an ongoing process (Garud, Schildt, & Lant, 2014; Van de Ven, 1993; Van de Ven & Garud, 1989) in which a sustained survival of novel markets requires more than skilled social actors and resource endowments.

## THEORETICAL CONTEXT

### *Challenges of Novel Market Development*

By definition, all markets begin as a niche. Population ecologists define a "niche" as a variation in resource environments within a larger community (Baum & Singh, 1994; Carroll & Swaminathan, 2000; Hannan & Freeman, 1977). Strategy and entrepreneurship scholars regard a niche as a novel segment within an existing market where incumbents have to innovate to enter (e.g., Greve, 2000; King & Tucci, 2002). In our study, we focus on the emergence of new niches, variants of existing markets with unique product offerings, to examine the infancy stage of market development.

SRI in China is one such market niche within the fund-management industry, as it differs from the mainstream by incorporating environmental, social, and governance considerations in its investment decisions. These novel features, however, contradict those taken-for-granted values, assumptions, and norms that define the fund-management industry, such as individualistic ethos, self-interested assumptions, and profit-maximizing principles (Friedman, 1970; Jensen, 2002).

Incumbent actors in the field of finance tend to adopt a self-serving view of their environment, and oppose these novel niches (Fligstein & McAdam, 2012). For example, Jonsson (2009) found that Swedish finance professionals resist adopting SRI in their own firms. In a similar vein, Lounsbury and Crumley (2007, p. 1005) found that up until the 1960s the United States' most established mutual fund firms tried to marginalize or even destroy new money management practices.

Given this field dynamic, SRI change agents need to engage in an institutional project in which the theory and value underpinning the new categories are legitimated (DiMaggio, 1988; Rao, 1998). Extant literature suggests that the success of this institutional project hinges upon two conditions: change agents' social skills and the allocation of resources in a given content.

By "social skills," we refer to how well actors are able to provide common meanings and identities, in order to bring about co-operation from other actors (Fligstein, 1997; Fligstein & McAdam, 2012), including incumbents. Skilled social actors must produce new cultural frames (Lounsbury, Ventresca, & Hirsch, 2003), narratives (Garud, Gehman, & Giuliani, 2014), and stories (Garud, Schildt, et al., 2014; Lounsbury & Glynn, 2001) that unite and transform many groups' identities and interests in the field. Since SRI lacks legitimacy in the institutional context, skillfully crafted stories that emphasize similarities in entrepreneurial identities help attract favorable interpretations (Etzion & Ferraro, 2010; Lounsbury & Glynn, 2001). For example, in their study on the global reporting initiative (GRI), Etzion and Ferraro (2010) reveal how the GRI emphasized their similarities with conventional reporting at the emerging stage to gain support and legitimacy and went on to highlight divergences once survival was ensured.

"Resource endowments" are cultural and material enablers that change agents utilize for institutional change and market emergence (Lounsbury et al., 2003; Van de Ven, 1993). For example, Lounsbury et al. (2003)

illustrated how familiarity with recycling practices and a cultural acceptance of recycling laid the foundations for a for-profit recycling industry. Resources also include the structural positions of the actors in the field. Greenwood and Suddaby (2006) explain how accounting firms' central positions in the field allowed them to become immune to the influence of professional norms and constraints. Likewise, the heterogeneity of the field serves as a structural resource for change (Battilana, Leca, & Boxenbaum, 2009; Oliver, 1991), because actors are more likely to be exposed to contradictions and problems inherent among multiple institutional orders (Seo & Creed, 2002) and leverage multiple logics as resources for their own purposes (Durand, Szostak, Jourdan, & Thornton, 2013; McPherson & Sauder, 2013).

Taken together, change projects that facilitate the emergence of novel niches are more likely to succeed with skilled social actors who are endowed with richer cultural and material resources in the field.

### *Market Emergence from Scratch*

And yet, much of the literature just discussed tends to neglect the early stage of niche development. Market emergence is a dynamic and on-going process (Garud, Schildt, et al., 2014), which requires a longitudinal examination, and as population ecologists convincingly argued (Hannan & Carroll, 1992, p. 145), left-censoring distort our understanding of these processes. While social skills and resource endowments are helpful predictors of the likely success of more mature institutional projects, it is unclear how well these factors play out in the initial stage of market development. The infancy stage of SRI markets is a field where multiple orders exist (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011) and no stable rules of the game have emerged to regulate interactions among actors (Fligstein & McAdam, 2012). For example, skillfully crafted entrepreneurial stories ought to create high expectations so as to attract attention and resources, yet the paradox is that high expectations may turn into a legitimacy loss if the change projects repeatedly fail to meet prior expectations (Garud, Schildt, et al., 2014).

Developing a market at its early stage thus might be better explained from a robust action perspective (Etzion, Gehman, Ferraro, & Avidan, 2017; Ferraro et al., 2015). Robust action consists of non-commital steps that keep future options open, and prior studies have articulated how this form of actions translate into more specific mechanims and strategies

(Ferraro et al., 2015; Padgett & Powell, 2012). Our paper shows how the action of the State enabled one such mechanism, multivocal inscription, during the infancy stage of market emergence. Extant research from an institutional theory perspective has extensively examined how the State may generate normative pressures on organizations (Dobbin & Sutton, 1998; Edelman, 1992; Fligstein, 1996). In our context, for example, the Norwegian sovereign wealth fund has applied SRI in order to change the investment behavior of business firms, as an alternative to direct legal sanctions (Vasudeva, 2013). It is therefore not surprising that the State would affect the development of SRI, but there are few studies on whether and how this may happen.

Studying SRI in China also provides an opportunity to shed light on how the State can influence niche development in general. Prior studies on categories have examined a considerable range of factors that can contribute to niche development, such as the media (Kennedy, 2008), shared producer initiatives (Navis & Glynn, 2010; Rosa, Porac, Runser-Spanjol, & Saxon, 1999), and market structure (Carroll & Swaminathan, 2000), but not the role of the State.

Our paper addresses this gap using a comparative and longitudinal approach that compares success and failure over time. As Aldrich and Fiol (1994) note, studies on industry creation would be merely speculative if failed instances were not sufficiently examined. Navis and Glynn (2010, p. 465) also suggest that studying failed entrepreneurship and legitimation efforts holds promise for illuminating the dynamics of the market emergence. Indeed, few studies have examined the failed instances of market emergence (see Vermeulen, Ansari, & Lounsbury, 2016 for an exception). We compare SRI emergence histories in two regions of China: Hong Kong and the Mainland, both at the field level, with a focus on the initial stages. Since Hong Kong and the Mainland are under the unique arrangement of "One Country Two Systems," the various cultural and historical links provide a useful basis for comparing locations, and also reduce the number of alternative explanations.

## METHOD

### *Empirical Setting*

SRI has its modern roots in 1970s United States, diffusing globally thereafter (Sparkes, 2003). At the start of 2014, 30.2% of global assets were professionally managed under sustainability considerations (GSI-Alliance, 2015). Whilst SRI is yet to become mainstream, it is growing at a steady rate. SRI has emerged in China, but its developments vary between Hong Kong and Mainland China. Such variations pose a great research opportunity, for understanding the enabling conditions of niche development.

In 2000, the Hong Kong SRI market was considered "far from mature" [South China Morning Post, 2000/6/11]. Since then, there have repeatedly been attempts to introduce SRI funds to Hong Kong. Despite some initial progress, locally domiciled SRI funds started to disappear over time. More than 10 years after, the conclusion was strikingly similar: "it's still very early days for Hong Kong [South China Morning Post, 2011/6/20]" (with the same press and the same interviewee).

However, at the end of 2013, there were nine SRI funds in the Mainland, representing 2.8 billion USD of assets under management, or about 1% of the entire fund-management industry. The first SRI fund in the Mainland originated in 2006, only seven years before. The amount of them was negligible, but SRI still survived in the Mainland as a legitimate niche in an extremely competitive fund-management industry. As Figs. 1 and 2 show, the proportion of SRI funds remained small both in the Mainland and in Hong Kong throughout our observation window, but the dynamics were divergent. The SRI movement waned with time in Hong Kong but survived in the Mainland (Fig. 3).

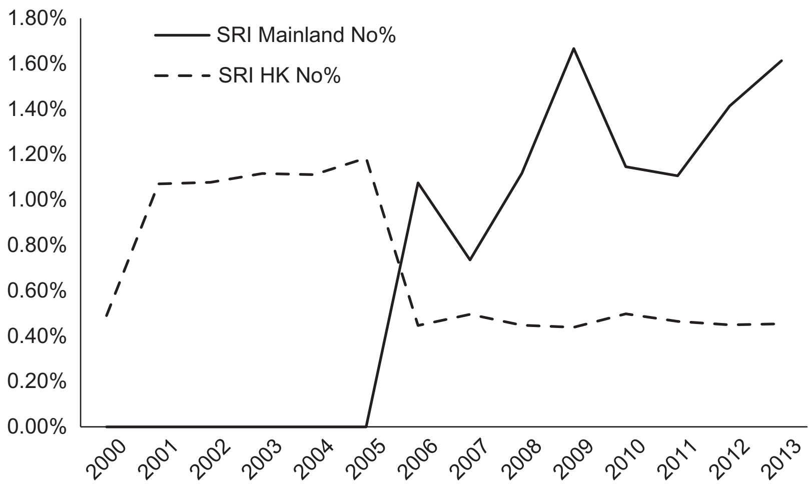


*Fig. 1.* Percentage SRI Funds (in Number) between Mainland and Hong Kong. *Sources*: Hand-collected data triangulated with Bloomberg and Factiva.

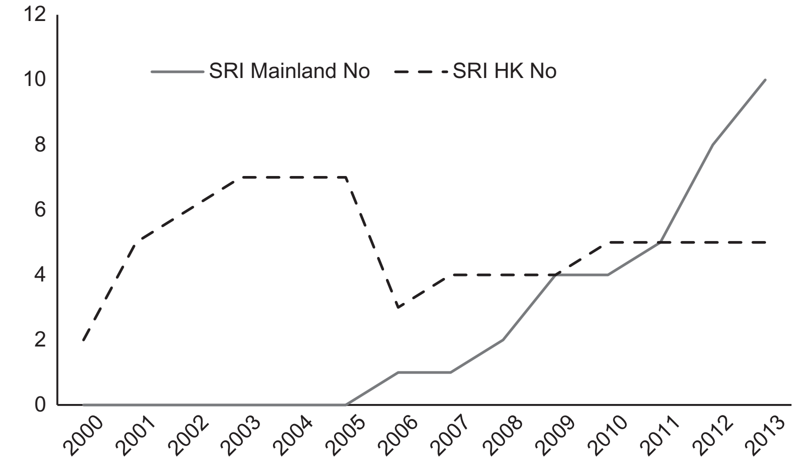


*Fig. 2.* Absolute Number of SRI Funds between Mainland and Hong Kong. *Sources*: Hand-collected data triangulated with Bloomberg and Factiva.

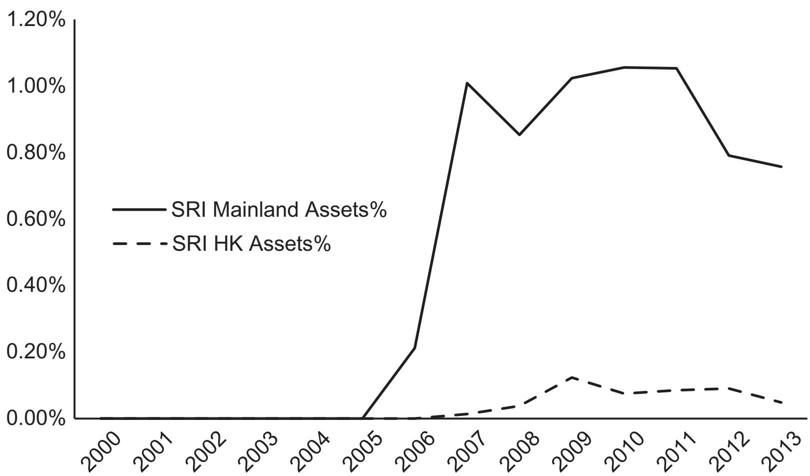


*Fig. 3.* Percentage of SRI Funds (in assets) between Mainland and Hong Kong. *Sources*: Hand-collected data triangulated with Bloomberg and Factiva.

Unpublished internal reports from a major SRI industry association in Asia support this comparison. Describing the state of SRI in Hong Kong in 2012, the document read: "[T]here was no regulatory structure for SR investing and ESG disclosure; Hong Kong's stock exchange played little part in promoting SRI or encouraging ESG disclosure; and there were very few domestic SRI funds [proprietary document, 2012/7/12]." Regarding the Mainland, however, the report said: "The environment in mainland China for sustainable and responsible investment has changed greatly since October 2003. […] [F]rom virtually no activity then, we now have an expanding regulatory structure for SRI and ESG disclosure, and a growing number of investment funds and participants [proprietary document, 2013/1/16]."

## *Research Design*

We utilize a field analytic approach to explore the evolutions of SRI in Hong Kong and the Mainland (Lounsbury & Crumley, 2007; Lounsbury et al., 2003), taking into account both the institutional context and actor positions (Battilana et al., 2009; Garud, Gehman, et al., 2014). The qualitative nature of our investigation is particularly apt for studying emerging phenomena and problematizing intermediately mature theories (Edmondson & McManus, 2007).

We compare and contrast both success and failure instances over time (Aldrich & Fiol, 1994, p. 646; Bartley, 2007, p. 314). Comparative historical analysis is particularly useful for showing how well-accepted theories may fail to explain variations across time and space, leading to the generation of novel theories (Skocpol & Somers, 1980).

## *Data Sources*

We map out the field of SRI in China and construct the evolution of the field by identifying diverse actors and their involvements in the industry. To do so, we follow purposeful sampling in structuring our data collection strategies (Lincoln & Guba, 1985; Patton, 2002). We base our theory development on three data sources: observations, interviews, and archives (see Table 1).

*Observations*: Our observations of the rise of SRI comprise three sets. The first set aims to broadly understand the culture, norm, and language of the SRI field in China (Spradley, 1980). This first set includes a full year of

***Table 1.*** Data Table.

Interviews

| No. | Date | Organization Type | Position Type | Duration |
|---|---|---|---|---|
| 1 | 2012/8/15 | Global data provider | ESG Analyst | 1h03 |
| 2 | 2012/11/12 | Global asset manager | Head of SRI | 1h07 |
| 3 | 2013/1/10 | Regional Asset manager | CEO | 2h05 |
| 4 | 2013/1/16 | Regulator | Associate director | 0h56 |
| 5 | 2013/1/17 | Global Investment consultancy | Regional head | 1h00 |
| 6 | 2013/1/22 | Global financial institution | Regional head | 1h33 |
| 7 | 2013/1/29 | Global Investment consultancy | Senior Consultant | 0h31 |
| 8 | 2013/1/30 | Local fund | Director | 1h09 |
| 9 | 2013/1/31 | ESG research and data provider | Head of SRI | 1h00 |
| 10 | 2013/2/1 | Regional Asset manager | Portfolio manager | 1h00 |
| 11 | 2013/2/1 | Local fund | Director | 1h15 |
| 12 | 2013/2/21 | ESG research and data provider | CEO | 0h59 |
| 13 | 2013/3/13 | ESG research and data provider | CEO | 0h47 |
| 14 | 2013/3/15 | ESG research and data provider | CEO | 1h17 |
| 15 | 2013/4/25 | Global data provider | Senior Analyst | 1h04 |
| 16 | 2013/4/29 | Global financial institution | Regional head | 1h00 |
| 17 | 2013/5/11 | ESG research and data provider | CEO | 1h30 |
| 18 | 2013/5/16 | Local fund | Portfolio manager | 1h20 |
| 19 | 2013/2/21 | Regional Asset manager | Portfolio manager | 0h44 |
| 20 | 2013/4/18 | local fund | Portfolio manager | 1h40 |
| 21 | 2013/4/11 | Regulator | Division head | 1h20 |

Observations

SRI Association: Full-year participant observation from July 2012 to July 2013.
Chinese SRI fund: Two-week intensive participation in August 2013.
Four SRI industry conferences from January 2013 to April 2013.

Archives

221 published and proprietary documents on SRI in China, with 3,219 pages

participant observations at an SRI industry association, between July 2012 and July 2013. This industry association is located in China, and aims to promote, facilitate, and develop SRI in Asia. The first author had access to weekly team meetings at the office of the association and participated in all China-related research projects.

The second set of observations was made at a flourishing Mainland-based asset management firm, which was in the process of launching a series of SRI funds. The first author spent an intensive two weeks on site, as a participating observer within the core business of the firm, specifically in the research and investment division, where SRI practices took place. He had access to daily team meetings that shared proprietary research findings and investment recommendations and worked closely with the firm's SRI analysts and fund managers.

The third set of observations involved participation in industry conferences. Conferences provide great opportunities to examine field-configuring events (Garud, 2008; Zilber, 2011). Because of the diversity and density of the relevant participants, SRI conferences are useful strategic sites where cultural meanings and understandings of SRI are exchanged, contested, and disseminated. As Garud (2008) argued, conferences are valuable for understanding how new fields are assembled.

While in the field, we made quick notes on the spot in a mixture of English and Chinese. Later the same day, we wrote up the field notes in English (Van Maanen, 2011). We also preserved and then analyzed the original Chinese terms, since these terms may hold important native meanings that are likely to be lost in translation (Spradley, 1980).

*Interviews*: Based on a list of informants generated through snowball sampling, we have conducted a total of 21 in-depth, semi-structured interviews with individuals whose social and organizational identities are useful for theoretical replications and extensions (Small, 2009). Previous research has documented a resistance to recording devices during interviews in China, such as voice recording (Guthrie, 1999). Our experience has partially confirmed this pattern. Anticipating a clear refusal of voice recording, we also relied on note taking, or memory recall if necessary. To encourage the interviewees to speak candidly, they were kept anonymous. Interviewees were also encouraged to criticize or doubt a line of questioning (Lofland & Lofland, 1995). The interviews were conducted in the interviewees' native languages whenever possible (variously English, Mandarin Chinese, and Cantonese), in order to encourage a fuller and more relaxed response. The interviews ranged from 30 minutes to over 2 hours, with a mean length of roughly 70 minutes. We translated all interviews into English but we also preserved and referred to the Chinese text while doing the analysis.

*Archival Materials*: We collected about 3,219 pages of documents relevant to SRI in China, both from public and proprietary sources. We had access to key historical documents that accounted for the evolution of

SRI in Hong Kong, including presentation slides, conference notes, and audio recordings. This not only provided us with critical insights into theory building, but also allowed us to triangulate with observational and interview data (Jick, 1979) and alleviate potential memory and post-hoc rationalization biases.

### *Unit of Analysis*

We use "temporal bracketing" to identity four major development periods in the history of the SRI market in China as the comparative units of analysis (Langley, 1999). The criteria are mainly based on the following (see Table 2 for description of the units): (1) main actors; (2) guiding principles in the discourse; and (3) material practices and tools. In April 2014, the central government of China revealed a plan to deepen China's capital market through linking the stock exchanges in Shanghai and Hong Kong, namely, "Shanghai-Hong Kong Stock Connect," thus allowing for the cross-trading of eligible stocks between the two stock exchanges. This policy change is likely to fundamentally change the social structure of the two regions, so we focus our analysis on the SRI markets up until 2013.

In stage 1, the first two periods marked the beginnings of SRI in both Hong Kong and the Mainland, and were characterized by foreign institutional entrepreneurs' attempts to introduce SRI into China. The projects started in the year 2000, and involved both Western and local SRI supporters. The movements had little impact in the Mainland but achieved initial success in Hong Kong. The Association for Sustainable and Responsible Investment was initiated in Hong Kong, together with the first Hong Kong SRI fund house, Kingsway Co. Limited.

The third period, which is stage 2 in Hong Kong, lasted for years but waned in influence over time. Each year, a fund-management firm, ranging from international fund houses to local investment professionals, made a press release about their new SRI product but gradually abandoned their initiatives 2 or 3 years after. During this period, international asset managers still sold to Hong Kong investors' offshore funds that broadly related to natural resources and energies (Chow, 2014), but they distanced their products from any SRI identity. For example, a fund manager explained how their water fund was "not designed to appeal to the SRI market … [Although] it was clearly related … that was not the reason for pushing it in Hong Kong. The reason was diversification [South China Morning Post, 2007/4/8]." Some fund managers explicitly denied that their funds were

***Table 2.*** Description of SRI Developments.

| Stage | 1 | 1 | 2 | 2 |
|---|---|---|---|---|
| Location | Hong Kong | The Mainland | Hong Kong | The Mainland |
| Year | 2000–2007 | 2000–2005 | 2007–2013 | 2006–2013 |
| Actors | Foreign SRI pioneers, Local fund professionals, NGO | Foreign SRI pioneers, local NGOs | Global and local investment communities | Stock exchanges, fund houses |
| Discourse | Introducing SRI into Hong Kong as a novel investment practice | Separate discussions on corporate social responsibility and the development of the fund-management industry | Following the global trend of sustainable development | Responding to government agendas for sustainable development |
| Practices | Replication and contextualization of Western SRI practices | (SRI did not emerge) | Renovating and exploring locally meaningful practices | Replication and contextualization of western SRI practices |
| Social skills | Strong: Experienced change agents; local collaboration; emphasizing similarities with for-profit investing | (SRI did not emerge) | Strong: Robust local change agents; emphasizing distinct local identity | Weak: Naïve and simple response to state will |
| Resource endowments | Rich: Mature financial markets; sizable social sector; open field spanning different boundaries | Poor: Weak financial infrastructure; fund-management industry is emerging | Rich: Mature financial markets; sizable social sector; open field spanning different boundaries | Poor: Weak financial infrastructure; undeveloped social sector; closed financial sector |
| Outcome | SRI Initial success | No impact (SRI did not emerge) | SRI waning influence | SRI survived as a niche in the market |

SRI [interview 8], although their practices resembled a typical SRI fund's operations.

The fourth period, which is stage 2 in the Mainland, witnessed an ongoing presence of an SRI niche. In 1997, the mutual fund industry formally started in the Mainland. Within a short period of time, the Mainland has achieved a recognizable field of SRI. By the end of 2013, nine funds were describing themselves as SRI funds. A 2012 survey by the Asset Management Association of China revealed that 22 fund managers were already in the process of launching new SRI funds in the following three years.

### *Analytical Approach*

We arrived at our units of analysis through temporal bracketing (Langley, 1999), and then followed an iterative approach going back and forth between theory and data, actively looking for both consistencies and discrepancies between theoretical predictions and empirical phenomenon (Lofland & Lofland, 1995).

First, we reconstruct the historical evolutions of SRI in respective stages (see Appendix for key SRI events in China). Not only do we include key events within the observational window, but we also identify important happenings that may have had some immediate relevance for SRI emergence. For example, before Hong Kong's handover to China, SRI pioneers had attempted to influence the public discussion on sustainability.

Second, we compare the social skills and resource endowments in each stage and analyze their influences on the emergence of SRI. Whenever necessary, we revisit the raw data and theories to make sense of the events. The first stage of SRI emergence in Hong Kong and the Mainland largely confirms insights from extant literature, lending credibility to our use of social skills and resource endowments as key concepts for understanding niche development.

Third, as existing theories fail to explain stage 2 in Hong Kong and the Mainland, we inductively build on the raw data and construct new theories to address the theory-reality gap. We settle upon shared orientation and public pool of resources as likely explanations for niche development. To ensure the internal validity that is pivotal to qualitative research, we triangulate these dimensions iteratively with multiple sources of data to further refine them. Finally, we develop a model of state-mediated market emergence to reconcile existing theories and empirical contradictions.

# FINDINGS

An initial advantage in social skills and resource endowments led to an earlier emergence of SRI in Hong Kong, but failed to sustain it. SRI did not exist in the Mainland until the State signaled a plan toward the broader theme of sustainable development. SRI was then quickly accepted as a legitimate category by the fund-management industry, although the State had no specific mandate on SRI. An informant close to the Mainland regulators suggested that the State did have SRI on their potential to-do list early on, but as a very low priority given the various challenges they faced in IPO reform. These empirical observations were the starting point of our theorizing, and in the following section we explore in more detail the role of social skills and resource endowments, and how a shared orientation and a public pool of resources can favor niche development.

## *Social Skills*

The success of an institutional change project depends, among other things, on the skills of the social actors promoting it (Fligstein, 1997, 2001). Comparing social actors in Hong Kong and the Mainland, we find that their skills differ considerably. Hong Kong attracted skilled social actors, and the Mainland did not.

Prior success is a good indicator of social skills. Institutional entrepreneurs present in the first stage had enjoyed prior successes in other fields. For example, the Association for Sustainable and Responsible Investment in Asia (ASrIA), one of the key institutional change agents in SRI, was founded in 2000 by key individuals who were SRI pioneers in the United Kingdom. Skilled social actors did seem to consider the Mainland once. In 2000, four SRI institutions, all of which were key institutional change agents for SRI in the United States, went to the Mainland but only held a conference on labor standards.

Furthermore, the skills of social actors in Hong Kong were also reflected in their cultural framing of SRI. The term "SRI" was re-interpreted as "sustainable and responsible investing," rather than "SRI," to move away from the moral connotations. For example, ASrIA defined SRI as part of mainstream investing [Reuters, 2002/2/22], which was more likely to attract favorable interpretations from incumbent finance professionals.

> SRI is a sheer numbers game that uses a different set of numbers to the ones financial institutions normally use … It's not emotional, or a do-gooding view of investment.

By comparison, when SRI initially emerged in the Mainland, the main actors lacked sophistication, knowledge, and experience in SRI. Their decisions to get involved in SRI seemed to be far from full deliberations (Powell & Sandholtz, 2012). For example, one of the fund managers in the Mainland described their SRI initiative as follows [proprietary document, 2011/3/11]:

> Since our establishment in 2003, we have had a culture that wants to have CSR in its mission. Our understanding was very narrow originally as we wanted to plant trees. Then we realized SRI would be something we could do as a professional investor, so we established this SRI fund. We were not sure if it would be successful at the beginning.

### *Resource Endowment*

Resource endowments are crucial for the emergence of new organizations (Lounsbury et al., 2003; Van de Ven, 1993). During our observation window, while Hong Kong was endowed with a sizeable population of potential SRI consumers, a mature stock market and a boundary-spanning position in the global markets, the Mainland had an immature, closed stock market and a suppressed civil society.

Hong Kong is one of the most important finance centers in the world, with a stock exchange that is among the largest globally by market capitalization and with a market economy that has consistently ranked number one worldwide by Heritage Foundation, in terms of economic freedom, for 17 consecutive years. In addition, as the philanthropic culture is well-accepted among Hong Kong business communities, charitable individuals and organizations are ideal SRI clients. Indeed, the sizeable pool of those working in so-called "caring professions" such as teaching and healthcare initially motivated many asset managers to start SRI operations in Hong Kong. One of the internal reports of ASrIA said: "Overseas experience shows that SRI investors are more likely to come from the caring professions such as medical professionals, teachers, social workers and charity organizations, NGOs and religious groups. Hong Kong has a sizeable pool of workers in these fields [proprietary document, 2001/9/1]." Moreover, Hong Kong is much more susceptible to international influence, and as such importing SRI notions is less challenging. Institutional change agents are in a better position to leverage multiple institutional orders to advance their SRI agendas (Seo & Creed, 2002).

To the contrary, the resource endowment in the Mainland is not particularly supportive of the institutional project of SRI creation. The Mainland stock market was rather close-ended, inefficient, and tightly State-controlled, suffering from long-enduring problems in investor protection (Jiang, Lee, & Yue, 2010), corporate governance (Fan, Wong, & Zhang, 2007), and the legal system in general (Allen, Qian, & Qian, 2005). Wu Jinglian, a confidant of top Chinese leadership, once warned that the Chinese markets are "worse than a casino" (LA Times, 2001). Despite some progress, little changed regarding the nature of the Chinese stock market before the end of our observational window (The Economist, 2015).

Furthermore, the sphere of finance is under tight control by the government, limiting foreign influences. One of the biggest capital constraints is inward and outward portfolio investment. Foreign institutional investors are limited in their trades with the Mainland until they become a "Qualified Foreign Institutional Investor," a license granted to trade directly (within limits) in the Mainland stock markets.

As suggested earlier, potential institutional agents from the United States came to the Mainland but did not launch any SRI efforts in the year 2000. Five years after, a Mainland Chinese SRI consulting firm was founded, with the support of American SRI institutions, but the founders soon realized that "it was too early. If we [stuck] to this, we [would] die [Fieldnote, 2013/3/18]."

### *Sustained Market Emergence*

After 2006, the path of SRI emergence diverged between Hong Kong and the Mainland. Initial success in Hong Kong did not translate into a stable SRI niche and the number of SRI funds dropped after 2005. A diverse set of asset managers attempted to develop an SRI presence in Hong Kong, one after another, but most ceased their SRI operations after a short time. As one informant observed, "SRI funds exist for three years on average. The first year the marketing people find SRI appealing. In the second and the third year, they forget about it" [Fieldnote, 2013/5/10].

However, SRI funds began to emerge in the Mainland, without any obvious sign of collective mobilization from any social actors, nor any significant improvement in the resource infrastructure. The same informant, who was one of the key individuals in the early SRI movement in Hong Kong expressed: "[I am] a bit surprised that they [SRI funds in the Mainland] could sustain that long [given the average age of SRI funds in the region] […] [I]f you look at their screening criteria, it is a simplistic replication of the Domini fund from the United States[1] [Fieldnote, 2013/5/10].” Factors other than skilled social actors and resource endowments are driving the survival of the SRI niche.

In our context, two factors emerge as crucial for novel niches to be able to sustain themselves: a shared orientation and a public pool of resources. While a shared orientation provides diverse participants in the market with a common point of focus and generates a consensual understanding in the field, a public pool of resources reduces the cost of engaging in SRI for resource-constrained actors.

### *The Mainland*

In the Mainland, despite the introduction of market capitalism, a closer look at the local dynamic revealed that the communist government was still playing a defining role in the market. For example, the implementation of stock markets was limited by policy objectives (Hertz, 1996, 1998). Studies on Chinese state-society relationships reveal a key characteristic of the Communist regime (Zhao, 2001; Zhou, 1993): the ubiquity of the state influence. The huge state bureaucratic organization permeated all spheres of lives, so much so that organizations tended to exhibit “a spontaneous articulation of behavior in response to state policies” (Guthrie, 1999; Zhou, 1993), even without the need to articulate interests consciously.

Given these structural conditions, opportunities could have arisen from shifts in State policies and State-initiated campaigns. Starting from 2006, the Mainland government initiated the idea of a “harmonious society” in its 11th Five-Year Plan (2007–2012), for the first time giving the green light to sustainable development. For example, the local officials were called to do the five Rs: rethink, reduce, reuse, recycle and repair, in order to build an “environment-friendly society.” In his address to the National Peoples’ Congress on March 23rd 2006, MA Kai, the chairman of National Development and Reform Commission suggested the following:

> Rapid economic growth was achieved during the 10th Five-Year Plan period, yet it was achieved at the expense of resources and environment. It is imperative to make timely change to this growth mode because we can hardly achieve sustainable development by heavily relying on resources consumption. During the 11th Five-Year Plan period, we will implement the basic national policy of resources conservation and environment protection, develop cycling economy vigorously, protect and restore ecosystem and environment, strengthen environmental protection, improve resources management,

> promote the balanced development of population, resources and environment to realize sustainable development, build a cycling and sustainable national economic system featuring low input, high output, low consumption and emission and a resources-conserving and environment-friendly society.

The sustainable development direction continued as a key priority in the 12th Five-Year Plan (2012−2017), as the top leaders articulated the Chinese Dream into four visions (Kuhn, 2013): a Strong China (economically, politically, diplomatically, scientifically, militarily); a Civilized China (equity and fairness, rich culture, high morals); a Harmonious China (amity among social classes); and a Beautiful China (healthy environment, low pollution). Three out of four of these visions refer to equity, fairness, equality, and the natural environment.

Despite the vagueness of the 11th Five-Year Plan and the following State instructions, in the same year the Bank of China International Investment Manager (BOCI), a joint venture with Merrill Lynch, started the first ever SRI fund, Sustainable Growth Equity Fund. In a similar vein, the Bank of China started "Beautiful China Fund" in 2013. This opportunistic, forward-looking approach was echoed by an interviewee from a pioneering SRI organization in the Mainland [interview 9, 2013/1/31]:

> This is kind of the first mover advantage. If you are in the market first with this reputation, it will help you to grow in the long term. As for the general sustainability market, when you look at the development itself, it goes really quickly, compared to any other parts of the world … We do believe it is a market [that would take] many years to go, but we hope we can grow into meeting this market.

The tendency to respond to governmental signals was also reflected in the general practices of the fund-management industry. For example, if corporations were to violate rules set by the government and the media publicized these violations, most fund managers would have been very concerned. In a 2010 survey by the Chinese Asset Management Association, 41 out of a total of 60 fund-management firms responded that they might prohibit a firm from entering the investment universe if it received a fine from the regulator or was publicly criticized by the state media. One SRI fund manager remarked: "we have a black list, which is strictly implemented. If a company received a fine from the ministry of environmental protections, we will not put the stock in the investment universe [public document, 2014/11/18]."

Furthermore, the political campaign had the unintended consequence of generating public resources that were crucial for the operation of SRI − data infrastructure. As Jonsson (2009) maintained, "an SRI fund can seem technically more difficult to introduce because it draws on different analyst skills – evaluating the social responsibility dimension of a prospective investment." Yet, the evaluation of social responsibility requires credible environmental, social, and governance data. Again, as a consequence of the governments' initiative on sustainable development, corporations in the Mainland started to publish sustainability reports (Marquis & Qian, 2014). Whilst there were varying degrees of quality, this nevertheless created a huge influx of ESG data, and interview data suggests that the data quality improved over time (Interview 1 and 15). In a public survey to all fund managers in the Mainland, 56% of the respondents replied that they read CSR reports frequently [public document, 2013/12/20]. As one SRI fund manager explained, "all aspects of information are improving … we have been following all kinds of data, including pollution data, and $CO_2$ data. From non-disclosure to disclosure, this was already an improvement [public document, 2014/11/18]."

### *Hong Kong*

In Hong Kong, we observed diverse interests, conflicting perceptions and a lack of effort to build public resources among the SRI proponents. First, there was no common focal point to which different stakeholders could respond. Their approaches to SRI reflected fragmented interests and considerations rather than consensus. One of our field notes read as follows: "[an SRI proponent] lamented the conflict between the finance community and social responsibility community … putting the investors and activists together proves to be futile" (Fieldnote, 2013/1/10). For example, in 2004, the Friends of the Earth pressured Kingsway, the first SRI fund in Hong Kong, to divest from certain property developers for environmental reasons, but these stocks are among the fund's top 10 holdings, making it costly to divest [Mingpao, 2004/12/1].

While the Hong Kong government was committed to a free market position and adhered to a neutral role in the market, it had little incentive to promote ideas and products that may deviate from a shareholder-maximizing logic (Friedman, 1970). As for asset owners and institutional investors, they were not willing to act until the concept of SRI is more legitimate. As one representative remarked:

> I think from an ethical perspective it is definitely the direction where we should go. However, I think when we consider the implementation issues, we need to consider

> them. As an asset owner, you have fiduciary duties to act at the best interest of the beneficiaries. The short term focus of our beneficiaries are actually sort of contradict with the longer term advice of ESG or responsible investment [internal document, 2011/9/28].

Financial professionals in Hong Kong, as in other contexts (Jonsson, 2009; Jonsson & Regnér, 2009), resisted the concept of SRI. For example, one interviewee forcefully argued that "the way they [SRI advocates] are doing is demonizing others. They stand on the moral high grounds … What is social responsibility or sustainable? If you look at the flip side, what is investing socially irresponsible or unsustainable? … If you can find these people who are being socially irresponsible, go after them! (Interview 11)" Likewise, a representative from the Hong Kong Investment Funds Association, who used a less confrontational tone, felt that "socially and environmentally responsible investing had long been perceived as a strategy that produced lower results (South China Morning Post, 2007/1/28)."

Second, data infrastructure, a crucial dimension of public resources, is lacking in Hong Kong (Van de Ven, 1993). In fact, institutional entrepreneurs were aware of the challenge of building resource infrastructures. Early in 2002, ASrIA had the vision to improve the public resources of the field, as Tessa Tennant, then chairperson said in 2002,

> This year ASrIA is hoping to seed the creation of a separate organization to research Asian firms … the quality of research will be key to giving the fledgling SRI industry a sound basis in the region. Knowledge on companies from a social and environmental perspective is still quite poor. We need high quality information coming through on which SRI decisions can be made.

The result was the launch of Responsible Research, an ESG research organization, which was subsequently acquired by Sustainalytics (a global boutique provider of ESG data). In addition, Hang Seng bank issued a Corporate Sustainability index in 2011 to carry out research on Hong Kong-listed firms using ESG data provided by a consulting company.

However, these efforts did not succeed to further grow SRI in Hong Kong due to an inadequate development of one critical public resource – voluntary disclosures on corporate social responsibility from Hong Kong-listed firms,[2] which made SRI analysis costly. Prior studies found that Hong Kong-listed firms had historically been more reluctant than firms in other major Asian economies to disclose their corporate social activities (Gao, Heravi, & Xiao, 2005; Lynn, 1992). The trend is confirmed during our observational window, as one informant who specializes in SRI analysis in Asia at a major financial data analytic firm complained, "there has been little ESG data reporting from Hong Kong-listed firms [Fieldnote, 2012/8/15]."

Most SRI research providers were private, for-profit organizations, not in the best position to contribute to constructing public resources (Van de Ven, 1993). Due to the "free-rider" problems (Olson, 1965; Rao, Morrill, & Zald, 2000), not all benefits accrue to the resource builders who bear the full cost of developing resources. To compensate for the costly analysis, the data providers charged a premium for their services, but this limited the viability of SRI funds, because SRI fund founders were fringe actors with fewer financial resources (Fligstein & McAdam, 2012; Leblebici, Salancik, Copay, & King, 1991).

Yet, SRI funds have to make an assessment on the social responsibility dimension of the firms and inventing a proprietary method becomes an inevitable choice. Again, it is costly to fringe actors in the field. Indeed, early SRI funds in Hong Kong suffer from a systemic competitive disadvantage, as the "extra overlay of research required to weed out irresponsible companies and spend time persuading them to change their ways could add to costs, and so reduce returns [South China Morning Post, 2002/6/2]."



## STATE MEDIATION

Based on these findings, we develop an enriched framework of market development (see Fig. 4 for an illustration). While skilled social actors and rich resource endowments may generate an impetus for niche emergence, the development of new niches may not be sustainable, due to persistent resistance from the incumbents. A shared orientation and public pool of resources may help actors overcome incumbent resistance and sustain the niche sectors they have carved out.

The survival of the SRI niche resulted from opportunistic and collective responses to State signals, a behavioral pattern shared by actors in the Mainland. The State's move into sustainable development provides a long-term goal, ensuring actors about what is going on, and yet remaining open about how actors could respond to this goal in their own ways. Anticipating this trend in the financial sector, some organizations ventured to be the "first movers" in a hope to gain a competitive advantage. Of course, in the future this could turn out to have been an overreaction, as the State takes only incremental steps towards sustainable development and it was unclear when these policies would apply to the financial sector

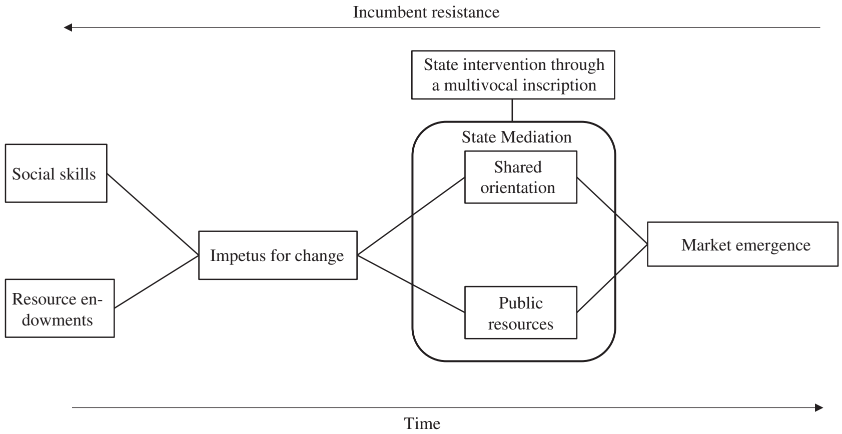


*Fig. 4.* State-Mediated Market Emergence.

and to what extent. Yet it only takes a small number of committed actors who believe in the inevitability of SRI to sustain the niche. A shared orientation, as enabled by the State, facilitates the emergence of common identities, articulated interests, and shared roles of interactions (Fligstein & McAdam, 2012). Conversely, a lack of shared orientation would push actors in different directions, undermining those collective actions required to legitimate their new ventures.

A public pool of resources is also crucial for the infancy stage of niche development. While the State demanded listed corporations to issue social responsibility reports, it was not intended to promote SRI funds but accidentally served that end, as the increase in publicly available corporate social information reduced operational burden on infant SRI funds. Such development of a public pool of resources would remove entry hurdles for would-be SRI entrepreneurs, as organizations in niche sectors tend to possess fewer resources. As more organizations enter the niche, the legitimacy of SRI increases as a whole.

Our framework does not preclude the possibility that shared orientation and a public pool of resources might originate from sources other than the State. It is highly likely that in an alternative national context, another social group or set of social groups could play a similar role. In fact, as Lounsbury and Crumley (2007, p. 993) noted, market emergence is more likely to result from "spatially dispersed, heterogeneous activities by actors with varying kinds and levels of resources." It is important to note that the

State in the Mainland carved out a space for SRI, but that, if the State continues to be the only driving force, further growth of SRI may be limited. For example, Vermeulen et al. (2016) illustrate the failure of direct State interventions in constructing a childcare market. It is not the powerful State per se that sustained the SRI niche, but rather a multivocal inscription introduced by the State that in turn enabled multiple social groups to coordinate and sustain the niche.

## DISCUSSION AND CONCLUSION

A sustained engagement among actors in the field is necessary to secure the novel market niche, or the niche would gradually diminish, as in the case of Hong Kong. For example, early institutional entrepreneurs in Hong Kong tended to frame SRI as a for-profit instrument to appeal to mainstream finance, but this resulted in a reduced engagement with other social actors interested in SRI, such as NGOs.

In the Mainland, however, the State's push for sustainable development was an effective multivocal inscription (Ferraro et al., 2015) in that it was so markedly vague but inclusive that it turned out to be helpful to engage a broad set of actors. In Western societies, the success of the concept of "sustainable development" has already been interpreted as an example of multivocal inscription (Ansell, 2011; Kidd, 1992) that enabled multiple social groups to perceive "sustainable development" in very different ways and continue engagement productively (Sneddon, Howarth, & Norgaard, 2006). Our study of SRI in China shows one path through which the multivocal inscription of "sustainable development" triggered actions and engagement among multiple social groups to accidentally sustain the SRI niche.

As the State rolled out the 11th Five-Year Plan, no specific policies existed to implement the broad and abstract plan. In fact, to prevent the aggressive pursuit of local governments from simply emulating central priorities, the central planner purposefully avoided proposing a few dominant strategies (Naughton, 2005). Those that were not necessarily the primary recipients of the plan, such as some forward-looking finance professionals in our context, responded by forming SRI funds. Those that were indeed the primary targets of the State policies, such as listed companies, released corporate social responsibility reports which turned out to be helpful data infrastructure, a crucial public pool of resources for SRI funds (Ostrom, 1999; Van de Ven, 1993). Diverse actors were able to coordinate, without explicit communication or consensus (Bowker & Star, 1999;

Mody & Nelson, 2013; O'Mahony & Bechky, 2008), due to what we term a "shared orientation" that can lead to an institutional innovation (Furnari, 2014; Padgett & McLean, 2006; Sgourev, 2013).

As with any qualitative study, our paper may suffer from several problems that limit its validity: memory and post-hoc rationalization biases of interviewees, the self-selective nature of news articles, a casual linkage between events (Mahoney, 2012), and the idiosyncrasies of case selection (Eisenhardt, 1989). Yet, consistent with prior process studies (Gehman, Trevino, & Garud, 2013; Langley, 1999), our findings could meaningfully generalize to a number of settings, if the boundary conditions are met. To begin with, our findings could potentially apply to niche developments that are under considerable incumbent resistance. Furthermore, to the extent that organizations are subject to a powerful institutional force, those organizations may have an incentive to respond to the pressures as our case suggest. Hence, we believe this paper does make a few contributions.

First, it contributes to historical research on market emergence by emphasizing how broad political dynamics influence the rise of nascent organizations in the field of finance (Dobbin & Sutton, 1998; Edelman, 1992; Fligstein, 1996; Padgett & Powell, 2012; Roe, 1991; Spicer, 2002). Prior research has emphasized how the State might achieve its goal not because of its direct regulatory prerogatives, but indirectly – through its normative influence (Dobbin & Sutton, 1998). Organizations, as a consequence of this normative influence, may develop novel formal structures to create visible symbols of their compliance with state policies, laws, and regulation (Edelman, 1992). Our paper adds to this literature by suggesting that even a strong state, arguably even one of the strongest in the world, also creates a normative field which contributes, perhaps unintentionally, to the emergence of new organizations in the financial sector. This normative field, we argue, is more likely to be effective when stemming from a multivocal inscription, as it triggers engagement from actors across political, ideological, and organizational divides. Once interpreted in this way, Chinese and American sustainable development policies are more similar than is usually acknowledged. The idea that State policies might achieve their goal through a process of distributed experimentation is consistent with one of the current efforts to reduce greenhouse gas (GHG) emissions in the United States. Given the lack of federal initiatives to curb emissions, the last decade has witnessed the development of numerous local policy initiatives (at the State or city level) and it has been suggested that, if realized, these initiative "could stabilize US emissions at 2010 levels by the year 2020" (Lutsey & Sperling, 2008, p. 673).

Second, it provides institutional research with a less individualistic account of entrepreneurship. Institutional scholars have pointed out that many institutional change stories are overly dramatic or heroic (Hardy & Maguire, 2008; March, 1981; Powell & Colyvas, 2008), because an institutional change project requires a collective mobilization from distributed actors and resources (Lounsbury & Crumley, 2007). While some have resorted to examining how mundane daily activities give rise to field-level transformations (Smets, Morris, & Greenwood, 2012), our paper uncovers a different mechanism: State ubiquity creates a sufficient number of actors who are not spatially and socially connected, but behave similarly in responding to state signals as a response to the same multivocal inscription. Whilst deliberate interests and efforts (DiMaggio, 1988) generate entrepreneurial outcomes, less coordinated actions based on multivocal inscriptions may also lead to "small wins" (Ferraro et al., 2015; Weick, 1984).

Third, our paper contributes to the literature on cultural entrepreneurship and market development (Garud, Gehman, et al., 2014; Garud, Schildt, et al., 2014; Van de Ven, 1993; Van de Ven & Garud, 1989). While indeed confirming Van De Ven (1993)'s insights on the importance of public resource pools, we also extend this research by providing an empirical account of how a shift in State policies accidentally generated a public pool of resources. Moreover, we complement studies that view entrepreneurship as a dynamic process (Garud, Schildt, et al., 2014): Hong Kong's initial success created an expectation but failures to meet those expectations turned into repeated disappointments and a loss of legitimacy, whereas the surprising emergence of SRI in the Mainland could have benefited from lacking any prior expectation.



## NOTES

1. Domini is one of the pioneering actors for SRI in the United States.
2. Hong Kong stock exchange started to institute a semi-compulsory environmental, social and governance (ESG) disclosure starting in 2014.

## ACKNOWLEDGMENT

The research leading to these results has received funding from the European Research Council under the European Union's Seventh Framework Programme (FP/2007−2013)/ERC Grant Agreement ERC-2010-StG 263604-SRITECH.

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# APPENDIX

| Hong Kong | The Mainland |
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*1994–1999: pre-emergence*

1994: Tessa Tennant, then chairperson of the United Kingdom Social Investment Forum, urged Hong Kong companies and investors to consider environmentally friendly yet profitable ways of doing business.

1997: Friends of the Earth in Hong Kong pushed for the creation of a green stock exchange to the government.

1997: The "Interim Measures for the Administration of Securities Investment Funds" were approved by the State Council on November 5, 1997, laying down the legal foundation for Chinese mutual fund industry.

1998: NPI Global Care Far East Fund, was launched and led by Tessa Tennant in United Kingdom to include and research stocks in Hong Kong and China by social and environmental criteria.

*2000–2007: Stage 1*

2000: Friends of the Earth warned that investing in certain Mandatory Provident Fund may be supporting environmental destruction and attacked pension providers for lack of SRI options.

2000: Polaris Asset Management announced it has become the first Hong Kong fund house to expressly adopt a policy of SRI for all of its funds, with "less than enthusiastic" reactions from "green" peers, such as Friends of the Earth.

2000: Four SRI institutions, Domini Social Investments, Ethical Funds Inc., Calvert Group, Ltd., and Walden Asset Management, sponsored the Third Annual Supplier's Conference on workplace standards compliance in China, which took place in Shanghai.

2001: FTSE announced the creation of FTSE4Good to list socially responsible firms. Hong Kong-based Hutchison Whampoa was included.

2002: Friends Ivory & Sime obtained authorization to offer the Friends Provident International Global Portfolio in HK.

2002: Kingsway launched the 1st Hong Kong-based SRI fund, Kingsway SRI Asia, to combine both positive and negative SRI strategies.

2003: Major Mainland conglomerates began to heed the potentials of environmental protection industries and started to allocate more investments for green businesses.

2004: ASrIA's report suggested that nearly two-thirds of Hong Kong residents would qualify as profiles of typical SRI investors who would consider investing some of their mandatory pension contributions in SRI funds.

2005: Syntao, an SRI and CSR consultancy, was founded by Peiyuan GUO, a then Tsinghua University PhD graduate, and Wayne Silby, a founding chairperson of Calvert Funds.

2006: AIA and JF Asset Management launched Green Fund; HSBC launched Hang Seng Islamic China fund which exclude pork, financials and high-debt companies

(*Continued*)

| Hong Kong | The Mainland |
|---|---|

2006: Bank of China International Investment Manager launched Sustainable Growth Equity Fund, the first SRI fund in the Mainland. However, social responsibility was not advertised as the prime feature of the fund.

2007: Kingsway was acquired by Tai-Fok who retained the SRI Asia fund for a few years.

*2008−2013: Stage 2*

2008: HSBC launched GIF Climate Change Fund to capture environmental opportunities.

2008: AEGON-Industrial (Xingye) launched the first SRI fund which was explicitly manifested

2008: INVESCO launched a fund focusing on corporate governance of the investible firms.

2009: ASrIA released a report commissioned by Asian Development Bank to call for the adoption of ESG analysis in pension funds in Asia.

2009: Shanghai stock exchange released a Social Responsibility Index.

2010: Hang Seng Corporate Sustainability Index was launched to be reflective of Hong Kong and China's markets.

2010: CCB SSE Social Responsibility Index Fund, HSBC Low Carbon Pioneer Fund, and Zhong Hai Green New Energy Flexible Allocation Fund were launched.

2011: ASrIA hosts its 10th Anniversary Conference.

2011: Three new funds were launched: China Universal Socially Responsible Investments Fund, Xingye Green Investment Fund, Fullgoal Low Carbon Environmental Friendly Fund.

2012: Two more new funds on SRI were launched: HFT CSI China Low Carbon Index Fund and CCB Socially Responsible Investments Fund.

2013: Three more new funds on SRI were launched: Caitong Sustainable Development ESG 100, Caitong Sustainable Development Theme Fund, and Bank of China Beautiful China Fund.