Interest Conflicts at Core Level in Modern Apprenticeship: from the Perspective of Stakeholders

Chengjun Xiang

Guangzhou Railway Polytechnic, Guangzhou, Guangdong, China

Abstract: The stakeholders in Chinese modern apprenticeship are unclear, and interest conflicts between them do exist. There are no effective guiding principles and relative solutions to the conflicts. This paper, by identifying the major stakeholders in Chinese modern apprenticeship, tries to categorize them into 3 levels, namely the core, important and supporting levels. Based on the interest conflicts at core level, this paper not only puts forth 3 guiding principles, but also puts forward some relative solutions accordingly with the purpose to coordinate the interests, and resolve the conflicts between schools, enterprises and students.

1. Introduction

Since 2014, the modern apprenticeship in vocational education in China has developed rapidly. In August 2015, 2017, and 2018, the Ministry of Education PRC announced 163, 203 and 194 pilot units respectively nationwide. An upsurge of modern apprenticeship has been set off in the country. However, on modern apprenticeship there is insufficient theoretical research to guide real practice, to a certain extent. In particular, it is not clear that who are the stakeholders affecting the pilot programs, and that how we can identify and classify the major stakeholders accurately and scientifically. Nor can we distinguish the extent to which the major stakeholders impact on modern apprenticeship. In addition, there are varying degrees of interest conflicts between the stakeholders, and there is a lack of effective guiding principles and corresponding solutions to them.

2. Identification and Classification of Stakeholders

2.1 Stakeholder Identification

In the pilot process of modern apprenticeship, we should first make clear what stakeholders are involved? What kind of interest relationship is there between them?

2.1.1 Stakeholder Theory

The term stakeholder was first written in the Oxford Dictionary in 1708, referring to people who had a stake to get a draw or lose money in a activity or in an enterprise [1]. In 1929 a GE manager first proposed that a company should serve stakeholders [2] 35. Edith Penrose pointed out that a firm is a collection of productive resources and interpersonal relationships, laying the foundation for stakeholder theory building[3]. In 1963, the Stanford Research Institute (SRI) defined stakeholders as a group that without their support an organization may no longer exist [4] 37. In 1965, Igor Ansoff was the first to introduce stakeholders into management and economics. He pointed out that an ideal corporate goal must take conflicting claims into account among the various stakeholders in the firm and balance such claims by giving each a measure of satisfaction [5]. Eric Rhenman thought that stakeholders relied on the firm to achieve their individual goals, and the firm also relied on them to maintain its survival [6]. Thus the branch got independent from stakeholder theory from then on. In 1984, Edward Freeman held that stakeholders were all individuals and groups that can influence the achievement of an organization's goals or the process to achieve them[7]. This is the most classic definition of a stakeholder [8]35. In 1994, Max Clarkson held that stakeholders invested in the firm some physical capital, human capital, financial capital or something of value,

and assumed certain forms of risks; or that they took risks because of the firm's activities[9]. In January 1996, when British Prime Minister Tony Blair made a speech in Singapore, he put forth to set up a stakeholder economy, making the word stakeholder accepted by more people [10] 36.

Of all the definitions on stakeholders, Edward Freeman's one is the most representative [10] 67. He believes that strategic management is a management activity for managers to balance the interests of all parties. He holds that a firm's stakeholders shall include trading partners, pressure groups, as well as the objects that are directly or indirectly affected by the firm's activities. These stakeholders are closely related to the survival and development of the firm, some of them share business risks, some pay business costs, and some supervise and restrict its business activities. Therefore, a firm in its business must bear in mind the interests of all stakeholders, and accept their supervision and constraints.

2.1.2 Stakeholder Identification According to the Theory

According to Edward Freeman, the stakeholders in the pilot program of modern apprenticeship in China can be identified as: government departments, schools, industry organizations, enterprises, students, society, and the other people.

2.2 Stakeholder Classification

There may be many stakeholders in an enterprise. The degree of influence of different types and levels of stakeholders on the operation of enterprises, and by the operation of enterprises, is different. Therefore, a classification of stakeholders is a must for a deeper understanding. For stakeholder classification, the following two general taxonomies are used in this paper.

2.2.1 Multi-dimensional Segmentation Approach

From ownership, economic dependence and social interests, Edward Freeman divides stakeholders in a firm into three categories: 1) ownership stakeholders, 2) economic dependent stakeholders, and 3) social interest stakeholders. William Frederick puts stakeholders into direct and indirect ones. The former refers to the stakeholders directly involved in market transactions, such as shareholders, corporate employees. The latter refers to stakeholders in non-market relations with a firm, such as central and local governments, social groups, the media, the public and so on [11]82. Jonathan Charkham divides the stakeholders into contractual and public categories. The former includes shareholders, employees, customers, vendors, and suppliers, the latter includes consumers, supervisors, government departments, pressure groups, media and so on [12]. David Wheeler & Maria Sillanp, according to the two dimensions of salience and sociality, divide stakeholders into four categories: 1) Major social stakeholders, they have the characteristics of both direct participation and sociality, such as shareholders, employees, etc.. 2) Secondary social stakeholders with indirect participation but sociality, such as governments, social groups, competitors, etc.. 3) Major non-social stakeholders with direct participation but non-sociality, such as the natural environment. 4) Secondary non-social stakeholders, with indirect participation and non-sociality, such as environmental pressure groups, animal interest groups [13], etc.

2.2.2 Mitchell Score-based Approach

This taxonomy was put forward by Ronald Mitchell, Bradley Agle and Donald Wood in 1997. According to the number and rating of the legitimacy, power and urgency, the stakeholders are divided into three categories: definitive, prospective and latent stakeholders. Definitive stakeholders refer to those who possess both legitimacy, power and urgency attributes, such as shareholders, employees and customers. Prospective stakeholders are those with two of the three attributes, such as those who have legitimacy and rights at the same time, those who have legitimacy and vigilance at the same time, and those who have urgency and power at the same time. Latent stakeholders mean those who possess only one of the 3 properties [14]. Chen Honghui divides the stakeholders into 3 categories, namely the core, ambush and marginal stakeholders from three aspects of initiative, importance and urgency [10] 87.

2.2.3 Modern Apprentice Stakeholders Classification

According to the aforesaid classification, I believe that the stakeholders of the pilot program of modern apprenticeship in China can be divided into three levels, namely the core, the important and the supporting level. The core level consists of three subjects: enterprises, schools and students. The important level includes the government departments and trade organizations. And the supporting level shall be composed of parents, media (public opinion) and foreign researchers. As it is not possible to identify all the stakeholders, the three levels of stakeholders are listed as major stakeholders.

3. The Interests and Conflicts at core level

At present, the modern apprenticeship is being piloted, not being generalized, for it's not easy to popularize it in China. We need first to clarify the relationships carefully among the groups of stakeholders in it, and, in particular, the inter-relationship between the schools and the enterprises at the core level. Therefore, during the whole process, interests are the fundamental and sensitive issue to be considered by all parties concerned. Hence we need not only to identify the stakeholders of modern apprenticeship, but also to consider the interests claims of all parties, with the purpose to achieve a balance in the interest conflicts between them.

3.1 Interest Claims at core level

I'll analyze the rights and obligations of the stakeholders at core level in the pilot program of modern apprenticeship, as well as the interests arising from it.

For enterprises, they have the right to choose cooperative schools, programs and apprentices, and train apprentices according to their own needs. They also bear 3 obligations. One is to participate in the whole training and acceptance tests for the apprentices; one is to arrange post shifts during the training and employment after the test; another one is to pay a certain amount of fund for the training of apprentices. As the nature of enterprises is to maximize interests, in their claims seeking greater economic benefits and returns must be put at the top of their priority list.

For schools, they have the right to choose cooperative enterprises. They also bear 2 obligations. One is to participate in the training, and acceptance tests for the apprenticeship; the other is to pay a certain amount of fund for the training of apprentices. Due to the commonweal nature of the schools, in their interest claims, what comes at the top of the priority list is not economic benefits but social benefits, and also school honors included – to obtain or maintain a certain status for the development of the school.

For students, they have 5 rights at hand: the right to select schools and programs, the right to select cooperative enterprises, the right to participate in the entire process and acceptance tests, the right to go where employment goes, the right to a get a certain amount of labor subsidy and treatment. And also, the students are obliged to accept the dual arrangement and management of schools and enterprises. Because of the intermediary role of students, the cooperation between schools and enterprises can be completed, therefore in the interest claims, the students will take into account not only the current treatment but also the long-term development.

3.2 Interest Conflicts at core level

This paper only gives an analysis to the interest conflicts between 3 entities of schools, enterprises and students at the core level.

Schools, enterprises and students at the core level are not equal in terms of rights and obligations. The enterprises have one right but have to bear three obligations. The schools have one right with two obligations, students have five rights with only one obligation. Therefore the interests of the three entities have a certain consistency, but a certain degree of competitiveness and conflict.

It is obvious that the interests of schools and enterprises have consistency, diversity and non-conflicts, which provides possibilities for cooperation between the two entities. However, it also provides a completely different purposes and intentions for co-operation, which can easily lead to

misunderstandings and frictions.

Comparatively there are high consistency but few conflicts between the interests of the school and the students, because the social benefits and the honor of the schools should be represented by the current treatment and long-term development of the students.

Truly the interests of enterprises and students have both a certain degree of consistency and a certain extent of conflicts. A certain degree of consistency does exist because the current treatment and long-term development of students depend largely on the economic interests of enterprises, the two share some positive correlations. A certain extent of conflicts really exists too, for the current treatment of students should partly come from the economic interests of enterprises, that is, enterprises should pay a certain amount of funds for the training of apprentices. Enterprises also have to pay some subsidies for the work of apprentices to reflect the current treatment. Both the training funds and subsidies will definitely squeeze the economic interests of enterprises.

4. De-conflict among major stakeholders

As the analysis of interest conflicts between the major stakeholders is limited to the core level, the resolution to interest conflicts here is also limited to this level. I try to put forward 3 guiding principles, namely, honors to schools, interests to enterprises, and success to students, with the purpose to coordinate interests and resolve conflicts between schools, enterprises and apprentices. I shall also put forth corresponding suggestions as solutions to support the principles.

4.1 Honors to Schools

From the analysis of interest conflicts between schools and enterprises, we know that there are no obvious conflicts, but misunderstandings and frictions between them still occur quite often and very easily. Thus this principle is put forward in order to resolve the misunderstandings and frictions to a certain extent.

On this principle, I put forward some practical suggestions or operational methods to acquire or maintain competitive advantages for co-operational schools. My first suggestion is that co-operational enterprises will afford to collaborate with schools to apply for relevant construction projects and awards at education administrations, because this will bring great social benefits to the schools. For example, Guangzhou Railway Polytechnic has become the first pilot unit of the Ministry of Education in modern apprenticeship, the co-operative enterprise National Digital Family Industry Base has played a great role in its application and practice. Secondly, enterprises staff themselves need to have research awareness and use their co-operational opportunities with schools to refine their programs, applying for relevant construction projects at enterprises' administrations. In the process of promoting the image of enterprises, the schools' honors will be enhanced too as a byproduct.

4.2 Interests to Enterprises

On this principle, I also put forward some practical suggestions or operational methods to reduce the economic burden for the enterprises, except for some responsibilities that enterprises must bear.

Firstly, schools may set up special funds for the training of students under apprenticeship system, and transfer a reasonable amount of money to a working group formed by schools and enterprises. The special funds are used for a fixed purpose, like to pay the full-time school teachers for their lesson and transportation fees, to pay the enterprise mentors for their lesson and guidance fees, and to pay the apprentices for their consumables, accommodation and electricity. Guangzhou Railway Polytechnic is doing like this. Secondly, schools can also transfer part of the tuition fees to enterprises to cover the relevant expenses of the apprentices when they are studying and practicing in enterprises. The proportion transferred, is corresponding to the time period of study and internship in enterprises, and shall be specified in the school--enterprise cooperation agreement. Guangdong Food and Drug Vocational College is doing like this.

4.3 Success to Students

On the interest conflicts between the apprentices and the enterprises, I put forward this principle to resolve those conflicts. I think there are several suggestions or operational methods to consider. Firstly, enterprises have to change their attitudes toward employees, for demographic dividend in our country has disappeared, and the labor market has changed from the user-side one to the supply-side one. Secondly, enterprises must study the characteristics of the current labor forces. As generations of 1980s and 1990s, they not only ask for a certain amount of salary, a decent working environment and an employment with dignity, but also require opportunities for long-term development. Thirdly, enterprises must update their ideas that talents should not be blocked and used only in one single company. An apprentice trained by A company may have gone to B company for some reasons, and vice versa. Fourthly, besides the five social insurance and the housing fund that enterprises have to pay, they also have to pay a certain amount of subsidies to the apprentices. Where possible, under a part-time work contract, the subsidies paid by enterprises to apprentices can be reduced moderately to a level well received by the two entities.

All in all, the stakeholders at the core level include enterprises, schools and students. Different degrees of conflicts of interest exist between them, and these conflicts may be coordinated or resolved through the 3 guiding principles to a certain extent.

References

[1] Thomas Clarke,. The Stakeholder Corporation: A Business Philosophy for the Information Age [J]. Long Range Planning, 1998.31(2):182-194.

[2] Liu Junhai. Social Responsibility of a Company [M]. Beijing: Law Press, 1999.4:35.

[3] Stakeholder theory. 360 encyclopedia. (2017-12-25)[2018-02-20]. Https://baike.so.com/doc/54294975667742.html. Also see Edith Penrose, The theory of the growth of the firm. New York: Wiley, 1959.

[4] Edward Freeman, Strategic Management-a Stakeholder Approach [M]. Translated by Wang Yanhua and Liang Hao. Shanghai: Shanghai Translation Press, 2006.9: 37.

[5] Igor Ansoff, Corporate Strategy: an Analytical Approach to Business Policy for Growth and Expansion [M], New York: Mcgraw Hill 1965.p34. Cited in: Russell L. Ackoff (1994), The Democratic Corporation. p. 37

[6] Stakeholder Theory. 360 encyclopedia. (2017-12-25)[2018-02-20]. http://www.baike.com/wiki/ %E5%88%A9%E7%9B%E5%85%B3%E8%80%85%E7%90%86%E8%AE%BA.

[7] Edward Freeman. Strategic Management: A Stakeholder Approach [M]. Boston MA: Pitman. 1984.

[8] Chen Honghui. Stakeholder Theory and Empirical Research in Enterprises [D]. Hangzhou: Zhejiang University, 2003: 35.

[9] Max Clarkson. A Risk-based Model of Stakeholder Theory. Proceedings of the Toronto Conference on Stakeholder Theory[C]. Center for Corporate Social Performance and Ethics. University of Toronto, Toronto, Canada. 1994.

[10] Chen Honghui. Stakeholder Theory and Empirical Research in Enterprises [D]. Hangzhou: Zhejiang University, 2003: 36, 67, 87.

[11] William Frederick. Business and Society, Corporate Strategy, Public Policy, Ethics (6thed.) [M]. New York:McGraw-Hill Book Co, 1988:82.

[12] Jonathan Charkham. Corpoarte Governance: Lessons from Abroad [J].European Business Journal, 1992.4(2):8-16.

[13] David Wheeler & Maria Sillanp. Including the Stakeholders: the Business Case[J]. Long Range Planning, 1998.31(2:)201-210.

[14] Ronald Mitchell, Bradley Agle and Donna Wood. Toward a theory of stakeholder identification and salience: Defining the Principle of who and what really counts[J]. Academy of Management Review, 1997.22(4):853-886.