



The effect of continuous improvement capacity on the relationship between of corporate social performance and business performance in maritime transport in Singapore



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ABSTRACT

Drawing on organisational learning theory, this study argues that shipping firms with high continuous improvement capacities have better success in transforming corporate social performance (CSP) into business performance. Survey data were collected from 223 shipping firms in Singapore and analysed using multi-sampling analysis, hierarchical regression modelling, and simple slope analysis. The results support the study's argument and show that business performance is maximised when continuous improvement programmes targeted at CSP are carried out at a gradual pace and at regular intervals. This implies that shipping firms should adopt a dynamic, value-driven approach to improving CSP.

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1. Introduction

Corporate Social Performance (CSP) is the measurable outcome of practising Corporate Social Responsibility (CSR) and is defined as 'a construct that emphasises a company's responsibilities to multiple stakeholders, such as employees and the community at large, in addition to its traditional responsibilities to economic shareholders' (Turban and Greening, 1997, p. 658). CSP is multi-dimensional in nature and comprises organisational behaviours encompassing a wide variety of social and environmental inputs, processes, and outputs (Wood, 2010).

In recent years, CSR has received growing attention from both scholars and practitioners in maritime transport (Lam and Lim, 2016; Mansouri et al., 2015; Yuen et al., 2016). According to Pawlik et al. (2012), a majority of the leading container shipping companies are practising CSR, albeit differences in their interpretation and focus on the facets of CSR. More recently, Drobotz et al. (2014) reported that most shipping companies are disclosing their CSR activities and are integrating CSR into their operations at the strategic and visionary level.

The heightened emphasis on CSR is mainly driven by shippers who are considering more than quality and price in their selection of a carrier (Skovgaard, 2014). They are also appraising amongst others, the CSP of a shipping firm (Lam, 2015; Lun et al., 2015). For instance, high volume shippers usually launch global tenders for selecting their carriers (Pawlik et al., 2012). Such tenders can take several rounds with the first round focussing on basic criteria such as freight rates and service quality

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standards (i.e. ISO 9001), followed by an evaluation of discretionary criteria in the subsequent rounds (Beddow, 2011). In this regard, a growing number of shippers are using environmental management standards (i.e. ISO 14000), or even social responsibility standards (i.e. ISO 26000), as discretionary criteria in their carrier selection (Celik, 2009; Matthews, 2010). Shipping firms without such systems may be at a disadvantage in securing the tender.

Consistent with the above observation, existing CSR research on maritime transport found a positive relationship between CSP and business performance (Drobetz et al., 2014; Lu et al., 2009; Shin and Thai, 2015). In general, the literature advocates the practice of CSR, citing numerous benefits specific to shipping companies such as reduced operating risk, improved image and reputation, increased customer loyalty and employee satisfaction, and improved relationships with stakeholders (Fafaliou et al., 2006).

At present, a majority of the CSR research on maritime transport has focused on quantifying the benefits of and providing justifications for engaging CSR. However, very little research has examined the strategies for implementing CSR (Tang et al., 2012). Much less attention has been paid to the subsequent maintenance and improvement of CSP to maximise investments and business performance.

Motivated by asset erosion theory whereby any advantage gained by an organisation will be eroded over time without continual maintenance and support (Kofoed et al., 2002), the present paper aims to advance the current CSR literature in maritime transport by examining the effect of CSP on business performance through a dynamic lens. The word 'dynamic' implies the ability to reconfigure a firm's resources in response to the changing environment (Fawcett et al., 2012). In general, shippers' expectations of CSP vary with market conditions (Brooks and Trifts, 2008). Therefore, it is important for shipping firms to constantly improve and readjust their CSP to meet the changing expectations of shippers.

Two empirical studies are presented in this paper. The first study examines the effect of a shipping firm's continuous improvement capacity on the relationship between CSP and business performance. Continuous improvement is a core principle of Total Quality Management which emphasises 'a company-wide commitment towards focused and continuous incremental changes' (Bessant et al., 1994, p. 18). It adopts a dynamic rather than static approach (Chang, 2005) which fits the aim of this paper. As an extension of the first study, the second study investigates two key parameters that define the dynamics of continuous improvement. They are pace (i.e. speed) and consistency. Using business performance as the outcome criterion, the interactions between these parameters and CSP are analysed.

In the following section, hypotheses are developed from reviewing the literature. Subsequently, the current paper develops and presents measures to operationalise the latent constructs. A survey was then distributed to shipping firms in Singapore. Thereafter, the obtained data were analysed using structural equation modelling-based multi-sampling approach, hierarchical regression modelling, and simple slope analysis.

2. Literature review

2.1. Contemporary research on corporate social responsibility in maritime transport: a contingency-fit perspective

The facets of CSP can be categorised into product- or service-related (e.g. reduced carbon footprint from the use of a shipping service or reduced NO_x and SO_x emissions from the use of newly designed ship engines), philanthropy-related (e.g. charity donations), and business practices-related (e.g. fair treatment of seafarers and shippers) dimensions (Pelozo and Shang, 2011). Existing research suggests that these facets provide different types and amount of value to customers, and thus do not deserve equal attention from firms. Pelozo and Shang (2011) proposed that customers prioritise product- or service-related CSP over other facets such as philanthropy and business practices in their evaluation. Similarly, Green and Pelozo (2011) found that the facets of CSP providing functional value are more highly rated by customers than those offering social and emotional values. The highlighted studies suggest the self-orientation of customers. Therefore, a value-driven approach should be adopted by firms in their selection of CSP facets to maximise business performance.

More recent works demonstrated that the value generated from each CSP facet differs across context. Deng and Xu (2015) argued on the basis of relevancy and showed that the level of congruency between a firm's scope of business and the facets of CSP engaged has a positive influence on customers' responses. For instance, there is greater relevancy or congruency when a shipping company engages in reducing greenhouse emissions rather than donation to schools. The former activity can be viewed to have stronger connection with the scope of a shipping company. Overall, the highlighted studies reinforce contingency theory (Donaldson, 2001) which posits that the relationship between CSP and business performance is not universal. Instead, situations determine the effectiveness of CSP.

In the context of maritime transport, existing studies that have grounded on contingency theory found that firm size, financial leverage, ownership structure, and types of firm (i.e. shipping companies versus shipping agencies) influence the amount of organisational benefits that a shipping firm can benefit from engaging CSR (Drobetz et al., 2014; Lu et al., 2009). However, a limitation of these studies is the assumption of stasis which excludes the dynamic interplay between a firm's CSP and its environment (or customer expectations) (Freeman, 2015). First, assets erosion theory states that any tangible or intangible resources alike deteriorate unless effort and expenditure are committed to maintaining them (Dietrich and Krafft, 2012). Assets erosion theory applies to CSP which is an intangible resource (Surroca et al., 2010). Second, according to Brooks and Trifts (2008), the relative importance of shippers' requirements changes according to market conditions. Their requirements may also include their expectations of a shipping firm's involvement in CSR. For instance, during an eco-

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