



Perception of corporate social responsibility: the case of Chinese international contractors

Chun-Lin Wu^a, Dong-Ping Fang^a, Pin-Chao Liao^{a,*}, Jia-Wei Xue^a, Yan Li^b, Tao Wang^c

^a Department of Construction Management, School of Civil Engineering, Tsinghua University, Beijing 100084, China

^b Sinohydro Resources Ltd., Beijing 100048, China

^c School of Management Science and Engineering, Central University of Finance and Economics, Beijing 100081, China

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ABSTRACT

The poor performance of Chinese international contractors in terms of corporate social responsibility can impair their growth and internationalization in overseas markets. This study aims to probe into these contractors' perception of corporate social responsibility, diagnose perception distortions (if any), and identify approaches to improving this perception. A benchmarking analysis based on the stakeholder theory is conducted against the perception of international prominent contractors (assumed to represent international best practices). A questionnaire survey is administered to evaluate corporate social responsibility perceptions of both Chinese international contractors and international prominent contractors. The results of the gap analysis validate that Chinese international contractors' perception of corporate social responsibility is distorted and incomplete. Significant perception gaps between the two categories of contractors are found, mainly due to poor health and safety management, low compliance and ethical standards, and insufficient consideration of corporate social responsibility-related aspects in business decision making and implementation on the part of the Chinese international contractors. The findings indicate that Chinese international contractors ought to pay more attention to labor protection, environmental protection and anti-corruption issues; they should improve their compliance and ethics levels in their overseas operations to effectively identify and create shared values between the corporation and the society. The findings of this study could also lead other contractors and organizations in the international construction industry to a better understanding of the Chinese construction industry and the associated sociocultural environment, which could reduce business conflicts and disputes, and lead to more effective business activities. By utilizing the stakeholder perspective of corporate social responsibility, this paper can lead practitioners and the academia to a balanced and unbiased view on corporate social responsibility efforts.

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1. Introduction

The Chinese construction industry is one of the largest and fastest expanding construction industries in the world (Zhao et al., 2009). In recent years, Chinese international contractors (CICs) have played a significant role in the international project construction market. In 2007, over 50 Chinese contractors featured in

the "Top 225 International Contractors" list compiled by Engineering News Record (hereafter called the ENR list). This number was greater than that for any other country in the world. In 2011, CICs generated total international revenues of \$ 62.71 billion and commanded 13.8% share of the international construction market (Tulacz, 2012). While they did contribute significantly to the global contracting market, CICs have encountered challenges with regard to sustainable development in the form of environmental and social issues (Shen et al., 2010). Construction projects have major effects on implementing the principles of sustainable development (Shen et al., 2011). Various forms of their significant impact on natural and social environments include exploitation of natural resources, carbon emission, and occupational diseases and accidents. Environmentalists and governments insist that CICs protect

* Corresponding author. Tel.: +86 10 62781493.

E-mail addresses: wuc11@mails.tsinghua.edu.cn (C.-L. Wu), fangdp@mail.tsinghua.edu.cn (D.-P. Fang), pinchao@mail.tsinghua.edu.cn (P.-C. Liao), jwxue1270@sina.com (J.-W. Xue), liyanab76@hotmail.com (Y. Li), wangtaothu@163.com (T. Wang).

the environment more effectively (Teo and Loosemore, 2003), and execute projects in a sustainable and socially responsible manner, or else they could encounter formidable hostility from their clients, local residents and non-governmental organizations, which would ultimately impair their growth and profits.

Corporate social responsibility (CSR), which has emerged as an essential component of overall corporate performance, has captured the interest of various business sectors since the mid-1990s (Lehtonen, 2004; ISO, 2010). A corporation's CSR perception and performance can significantly influence its reputation and its relationship with various important stakeholders such as employees, customers/clients, investors, governments, suppliers and the community at large. Good CSR performance can not only enhance a company's competitiveness in acquiring better human resources, but also improve morale, loyalty, commitment and productivity during its development. However, despite decades of research, there is neither a universally accepted definition of CSR nor a commonly accepted explanation of what exactly it relates to (Van der Heijden et al., 2010). While CSR initially appeared as a purely ethical stance (Mintzberg, 1983), it has gradually been accepted as a business strategy in the academia. According to Lantos (2001) and Schwartz and Carroll (2003), CSR should focus on two aspects—preventing injuries and harm that could result from business activities (the ethical stance), and accomplishing strategic business goals. Several researchers have studied strategic CSR or the strategization of CSR, which can be interpreted as choosing the right social issues to focus on and investing in CSR as part of a company's business strategy to become more competitive (McWilliams et al., 2006; Porter and Kramer, 2006; Sharp and Zaidman, 2010). Although some researchers are of the opinion that the use of CSR for enhancing profitability actually puts virtue at the service of avarice, the inherent relationship between CSR and competitive advantage cannot be ignored or repudiated. Many studies have demonstrated a positive correlation between CSR and a corporation's competitive advantage (Porter and Kramer, 2006; Moneva et al., 2007; Ciliberti et al., 2008; Wu, 2012).

In fact, no substantial contradiction exists between the two perspectives (as an ethical stance and as a business strategy); on the contrary, there is a strong connection between them (Wan-Jan, 2006). Regardless of whether CSR is seen as an ethical stance or as a business strategy, the way stakeholders are treated takes center stage. When CSR is seen as an ethical stance, the company treats stakeholders ethically due to the belief that this is the proper and noble way to behave. When CSR is seen as business strategy, stakeholders are treated ethically since managers believe that their businesses will prosper by doing so. Thus, it is possible to consider CSR as an undertaking that allows corporations to serve stakeholders, including shareholders. In reality, the stakeholder perspective is generally the focus of most research on CSR. By collecting and analyzing 37 definitions of CSR since 1980, Dahlsrud (2008) identified five major dimensions of CSR, namely, economic dimension, social dimension, environmental dimension, stakeholder dimension and voluntariness dimension. Of the five dimensions, the stakeholder dimension is the most popular and widely accepted one. The Guidance on social responsibility of the International Organization for Standardization (ISO), known as ISO 26000, define CSR as the “responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior ... that takes into account the expectations of stakeholders” (ISO, 2010). Stakeholder identification and engagement are considered fundamental practices of social responsibility in the ISO 26000. Khoury et al. (1999) defined CSR as the overall relationship of a corporation with all of its stakeholders. Freeman (1984) and Harrison and Freeman (1999) contended that a socially responsible business should facilitate the

engagement of its stakeholders by constantly providing channels for their inputs (such as conferences, workshops, public hearings, round table discussions, advisory committees, collective bargaining and web-based forums), thereby creating shared values for the organization and its stakeholders. According to the stakeholder theory proposed by Freeman (1984), a company is not only owned by the shareholders, but also by many other parties, including employees, customers, suppliers, communities, governments, trade unions and even competitors. The company has to increase values for all of these stakeholders. According to Wan-Jan (2006), the definition of CSR as “treating the stakeholders of the firm ethically or in a responsible manner” (Hopkins, 2003) best depicts the essence of CSR. Based on the above overview of CSR research development, the following working definition of CSR is used in this paper: CSR describes a corporation's obligation to be accountable to all of its stakeholders in all its operations and activities; socially responsible companies consider the full scope of their impact on labor, the environment, communities, customers and even their competitors when making decisions, thereby balancing the needs of stakeholders with their need to make profits.

Although recent studies report that Chinese international corporations (including CICs) have endeavored to respond positively to global CSR initiatives and to translate their CSR commitments into practice, these corporations are still characterized by poor CSR performance (Ip, 2009; Weikert, 2011; Urban et al., 2013). As values and perceptions are the leading indicators of the external behavior and performance of organizations as well as individuals (Parker et al., 2003; Kim, 2007; Larsman et al., 2012), the poor CSR performance of CICs can be attributed to their inadequate CSR values and perceptions. According to Waldman et al. (2006), China ranks very low with regard to CSR values compared to other countries. Many recent studies also revealed that in China, practitioners and the public tend to perceive CSR in a distorted, ambiguous or insufficient manner. For example, Liu (2010) argued that Chinese enterprises do not have strong CSR awareness. Wong et al. (2010) discovered that Chinese business students, who are potential CSR practitioners, attached less importance to the non-economic aspects of social responsibility than American and Indian students did. According to Zhu (2006), the major barriers for Chinese enterprises attempting to acquire international contracts are their weak CSR perception and insufficient understanding of international CSR standards. The China International Contractors Association (CHINCA) found that CICs still perceived CSR activities to be restricted to public welfare donations. CHINCA reported that significant improvements are required before they could be regarded as ethically and socially responsible (CHINCA, 2011).

In short, CSR is a relatively new but indispensable concept for CICs. It is crucial for them to acquire a significant and complete perception of CSR and understand its construct comprehensively for improving their CSR performance. To maintain their competitiveness, CICs need to be aware of the gaps between their perception of CSR and that of the global giants.

Prior studies on differences in CSR perception in different sociocultural settings are scarce. Thus, the major objective of this study is to understand how CSR is perceived in different regions in an attempt to bridge the gap in the perception of CSR among different international contractors, and in turn, to enable CICs and other similar organizations to enhance their CSR performance in the construction market. Based on the working definition of CSR that was discussed earlier, this study aims to evaluate the CSR perception of CICs by benchmarking them against those of international prominent contractors (IPCs), which are assumed to be indicative of international best practices.

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