



## Exploring the antecedents of logistics social responsibility: A focus on Chinese firms

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### ABSTRACT

With globalization, especially after China's entry into the WTO, an increasing number of Chinese firms have experienced social responsibility barriers such that they lose international orders due to failure in meeting the requirements of environment, human rights or safety standard. This study attempts to shed some light on the mechanism underlying logistics social responsibility (LSR) in China. In particular, based on the five-dimensional structure of LSR framework, we propose that clan culture, business ethics, pressures from customers, suppliers, competitors and law/regulations are important antecedents of five dimensions of LSR. A mail survey was conducted in China and a total of 162 firm-level questionnaires were returned. Structural equation modeling was employed to test our theory. The results support our hypotheses that clan culture and business ethics of a firm have significant impacts on all the five dimensions of LSR. However, pressures from customers, suppliers, competitors and law/regulations only have effects on some dimensions of LSR. The contributions and implications of these findings are discussed further.

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### 1. Introduction

Corporate Social Responsibility (CSR) encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979). With globalization, especially after China's entry into the WTO, an increasing number of enterprises have experienced social responsibility barriers. Many Chinese manufactory firms have lost international orders due to the fact that they failed to meet the requirements of environment, human rights or safety standard. In the past decade, more and more multinational firms such as Ford, GM and Toyota have exerted pressure on their Chinese suppliers to be certified with ISO14001, SA8000, etc. In order to establish better corporate image and gain more competitive advantage, many companies seek to be more socially responsible. Nowadays, CSR issues attract much wider attention from the whole academy, business and government in China than before. According to a report conducted by the Syntao consulting company, since Shell China first issued a sustainability report independent of its annual report in 1999, there were no more than 20 Chinese enterprises that had issued a full CSR report in the following six years. But after the year of 2006, the number has doubled every year (Guo et al., 2007).

The issues about corporate social responsibility (CSR) in the logistics/supply chain operations as a result rise rapidly, which are concerned about Logistics Social Responsibility (LSR), i.e. the socially responsible management of the supply chain (Ciliberti et al., 2008). CSR practices are important in logistics and supply chain management as which is a major functional area within and across companies and consist of business operations from raw material procurement to product/service delivery to customers. Some Chinese enterprises have begun to consider or initiate some LSR practices such as internal environmental management, green purchasing, reverse logistics and so on. In April 2008, eleven trade associations jointly issued the "corporate social responsibility guide of Chinese industrial enterprises", which argued that the identification of CSR practices need to keep pace with the current situation of China, as well as with developed countries. The guidelines identified a total of 80 indicators of CSR for industrial enterprises in China, including some constructors such as raw materials, energy, emissions, labor protection are closely related with LSR. LSR has become an emerging approach for Chinese enterprises to improve both their ethical and economic benefits (Zhu et al., 2008c). Especially after a string of recent corporate scandals were reported including product quality issues, such as the tainted milk powder, food with tonyred, poisonous dumpling, toxic coated toys in lead painted within these five years, both the government and society realize the pressing need of studying and implementing LSR in Chinese enterprises not only inside the company, but also to be accountable for the members in the whole supply chain because the problems could have occurred at the procurement

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process, production process at subcontractors, or at the stage of transportation/delivery (Miao et al., 2010).

Some studies show that Asia will be a majority of the world's manufacturing center in the next couple of decades, which will bring about substantial environmental burdens (Rao, 2002), especially for China because the Chinese economy presents a large portion of this growth. Recently, more and more studies take into consideration Green Supply Chain Management (GSCM) (e.g. Ferretti et al., 2007; Kainuma and Tawara, 2006; Sundarakani et al., 2010; Zhu and Sarkis, 2006; Zhu et al., 2008a, 2008b), which is one aspect of LSR practices. One interesting topic in this area is exploring the drivers/pressures of GSCM in China, because compared with companies in western developed countries. Chinese companies have quite different corporate culture and ways of running business. Zhu and Sarkis (2006) studied the drivers/pressures for implementation of GSCM practices such as regulations, marketing, suppliers, competitors and so on, in Chinese enterprises in different industrial sectors. However, there are few literatures to work on the issues of LSR in China, especially the drivers/pressures for implementation of LSR. In this paper, we describe the results of our survey from 162 Chinese companies.

## 2. Literature review and Hypotheses development

### 2.1. Logistics social responsibility

The importance of logistics social responsibility (LSR) has been widely recognized by scholars and practitioners (e.g. Carter and Jennings, 2002a, 2002b, 2004; Murphy and Poist, 2002; Poist, 1989). However, the definition and content of LSR have not reached uniformity. Poist (1989) proposed that LSR includes employee training, philanthropy, environment, urban renewal, workplace diversity, health and safety, and community issues such as hunger and homelessness. Carter and Jennings (2002a) developed an integrative framework, which includes environment, ethics, diversity, working conditions and human rights, safety, philanthropy and community involvement. For LSR practices, Carter and Jennings (2002a) investigated the concept of LSR practices associated with activities of purchasing, transportation, and warehousing management. And Ciliberti et al. (2008) also developed taxonomy of the LSR practices adopted by firms based on a literature review and an empirical analysis of the non-financial reports of Italian companies. However, the previous studies mainly consider companies in western developed countries, which have quite different corporate culture and ways of running business from companies in developing countries such as China. To the best of our knowledge, although currently there is still great room for Chinese firms to improve their LSR practices, the theoretical and empirical studies of LSR in China are largely lagged behind. Most of the recent research focuses on the Green Supply Chain Management (GSCM) in China, which can be considered as a subset of LSR (Murphy and Poist, 2002; Sarkis et al., 2011; Zhu and Sarkis, 2006; Zhu et al., 2008a, 2007). For example, Zhu et al. (2008a) empirically tested two measurement models to investigate the construct of GSCM practices implementation by collecting data from over 300 Chinese manufacturers. Another important work by Zhu and Sarkis (2006) evaluated the general relationships between CSCM practices and performance in Chinese manufacturing enterprises, and investigated how the quality management and just-in-time manufacturing principles influence this relationship.

Although various aspects of LSR have been proposed, the extant studies mainly focus on a single LSR dimension, such as purchasing (Carter and Jennings, 2002b, 2004), transportation or warehousing (Ciliberti et al., 2008). The work in logistics has not yet

grouped together a theoretically sound framework on LSR with empirical verification (Carter and Jennings, 2002a). Through in-depth interviews with 26 managers in various logistics function areas, Carter and Jennings (2002a) proposed an integrative framework for LSR. Their work has provided valuable insights to the academic community in this research area; however, this framework has not been empirically verified and a general framework may not perfectly fit the LSR practice in China environment. Based on existing literature and theories, Miao et al. (2010) proposed a five-dimensional framework of LSR in China, including five aspects of LSR: supplier, customer, environment, employee and philanthropy aspects. The factorial structure of their framework has been empirically tested through a large-scale survey. Therefore, this conceptual framework is adopted in this study.

### 2.2. The antecedents of LSR

The increasing interests on LSR and environment protection have drawn research interests from various regions of the world. For example, Gonzalez-Benito and Gonzalez-Benito (2006) surveyed 186 medium and large Spanish companies in three industrial sectors: chemical products, electronic and electrical equipment, and furniture and fixtures and identified two dimensions of pressures, namely, governmental and non-governmental pressures to explain the implementation of environmental practices in logistics (Gonzalez-Benito and Gonzalez-Benito, 2006). Investigating UK supermarket retailer and its suppliers in a case study over four-year period, Hall (2006) demonstrated that firms invest in environmental supply chain innovation because suppliers with poor environmental practices can expose the customer firm to high levels of environmental risk. Using four-year's panel data, Bansal (2005) studied Canadian firms in the oil and gas, mining, and forestry industries and reported that both resource-based and institutional factors influence corporate sustainable development. Rao and Holt (2005) investigated green supply chain management practices in South East Asian region and identified that greening the different phases of the supply chain leads to an integrated green supply chain, which ultimately leads to competitiveness and economic performance. Further, Zhu et al. (2007) conducted a survey to collect data from four typical manufacturing industrial sectors in China and suggested that different manufacturing industry types display different levels of green supply chain management implementation and outcomes. By synthesizing current literature, this study identifies six key antecedents of LSR, namely clan culture, business ethics, pressures from customers, suppliers, competitors and law/regulations (Fig. 1).

Although conceptualizations vary, culture is defined broadly as a collective programming of mind that distinguishes members of one group from other (Hofstede, 1980). Culture is somewhat like "the operating system" that guides how people think, act and feel in the organization (Chang and Lin, 2007). Four ideal classifications of organizational culture have been identified: hierarchy, clan, adhocracy and market (Lund, 2003). Corporations are represented by people and therefore, culture, i.e., the norms, values and beliefs of people are likely to play a significant role in their perceptions and behaviors in the CSR area (Quazi, 2003). A number of studies suggested that organizational culture would influence the operational activities of an enterprise and the application effectiveness of an enterprise's LSR (Carter and Jennings, 2002a; Takahashi and Nakamura, 2005). Some researchers have noted that leadership plays a critical role in the implementation of LSR (Carter and Jennings, 2002a). It is generally believed that top management is the symbol of corporate culture and, often, a key drive for successful adoption and implementation of most innovations, technology, programs and activities. Moreover, internal awareness, as the composition or expression of corporate culture, might be a key factor for enterprises to implement social responsibility practices

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