

Linking Corporate Social Responsibility and Organizational Performance in WH Industrial Holdings Company in China

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ABSTRACT

The main objective of this study is to analyze the relationship between corporate social responsibility and organizational performance of WH Industrial Holdings Company. The study identified the profile of the respondents and determined the level of organizational performance in terms of financial and non-financial measures as assessed by the employees and how the employees perceive the corporate social responsibility practices of the company relative to economic, legal, ethical and philanthropic/discretionary aspects. It also determined how other stakeholders describe the CSR practices of the company.

KEYWORDS

Mechanical engineering; Manufacturing technology; Electrical automation

1. INTRODUCTION

In the era of rapid economic development, many new economic phenomena have emerged in the market. Higher-performing companies do not necessarily do better at fulfilling social responsibilities. However, if companies want to achieve high levels of performance, they need to actively assume social responsibilities. CSR may increase current costs, leading to a decrease in current performance. Many companies see this negative impact and choose to evade responsibility, without realizing that this is a short-sighted behavior. Enterprises cannot exist as social individuals and are closely related to other aspects of society. They cannot look at problems in isolation. Bearing corresponding social responsibilities is conducive to shaping a good social image, winning the trust and support of all parties, and enhancing market competitiveness. In the long run, assuming social responsibility can have a good promotion effect on improving corporate performance, and it is also conducive to achieving sustainable development of enterprises.

The concepts of organizational performance and corporate social responsibility are closely related. Among them, corporate social responsibility has a positive impact on organizational performance. Several studies have shown that implementing meaningful CSR programs can enhance a company's reputation and image, increase employee loyalty and teamwork, promote internal and external development, and resource acquisition (Carroll[1], 1991; Sarkar & Bhatnagar[2], 2019). In addition, by implementing leading corporate social responsibility programs, aspects such as the ecological environment, social climate, and occupational health and safety can be improved, thereby improving the company's attractiveness, financial performance, and market competitiveness (Varsakelis & Koutsoukis[3], 2019).

Implementing meaningful social responsibility plans and policies can enhance a company's reputation and image, increase employee loyalty and teamwork spirit, promote the organization's internal and

external development, enhance the company's attractiveness, and improve the company's financial performance and market competitiveness, reduce the risks faced and protect the company's commercial interests. Therefore, enterprises should strengthen the importance of social responsibility and improve organizational performance by actively fulfilling corporate social responsibilities.

Accordingly, this paper aims to determine the relationship between corporate social responsibility and organizational performance in an industrial holding company. Through this research, the organizational performance, corporate reputation and brand image can be improved. Good relationships between companies and stakeholders, meet social expectations and needs may be enhanced and harmonious social development by actively fulfilling social responsibilities can be promoted as well.

2. ORGANIZATION OF THE TEXT

2.1. Background of the Study

The concept of corporate social responsibility in China basically only began to enter people's vision after the 1990s. At that time, there was a big gap between Chinese enterprises and enterprises in Western developed countries in terms of business philosophy, profitability, and management level. From the perspective of corporate social responsibility alone, weak links mainly exist in the recognition of corporate social responsibility concepts, the overall level of corporate social responsibility management, and the practice of corporate social responsibility behaviors. Especially in terms of corporate practice, how companies respond to national sustainable development policies, fulfill corporate social responsibilities, and achieve environmental, social and governance goals is still in the preliminary exploration stage. Based on the equilibrium model, Wan and Luo (2010) [4] believed that Chinese enterprises have a vague understanding of social responsibility because they only see the cost burden that social responsibility brings to enterprises, but do not see the development opportunities that social responsibility brings to enterprises.

The 2021 Corporate Social Responsibility Report shows that from January to October 2021, a total of 1,926 organizations issued corporate social responsibility reports and reached a consensus on the release of corporate social responsibility reports. Nowadays, corporate social responsibility has gradually become well-known to the public. Both investors and consumers are paying more and more attention to corporate behavior, monitoring corporate performance and compliance, and expecting companies to assume more responsibilities than ensuring the interests of shareholders.

At present, most studies are from the perspective of enterprises and focus on the impact of corporate social responsibility on financial performance. Ignoring significant impacts on employees, other stakeholders, society and the environment. At the same time, due to differences in regional and cultural backgrounds, there are differences between foreign research results and domestic enterprises, and there are also differences between coastal cities and enterprises in central regions. Therefore, this study attempts to study the relationship between WH Holdings' corporate social responsibility fulfillment and organizational performance from the perspectives of employees and other stakeholders.

2.2. Research Objectives

This study aims to analyze the relationship between corporate social responsibility and organizational performance in an industrial holding company in China based on employees' perspectives.

2.3. Theoretical Framework

This study aims to determine the relationship between CSR practices and organizational performance in WH Industrial Holdings Company in China. This is based on the following theories: shareholder theory, stakeholder theory, ethical stakeholder theory and legitimacy theory as cited in the study of Nasieku et al. et al., (2014). This is also based on the research of Singh (2021) and Lo et al. et al., (2016).

This study adopted the Carroll Pyramid of Corporate Social Responsibility: philanthropic responsibility, ethical responsibility, legal responsibility, and economic responsibility. Philanthropic responsibility is measured against a business's desire to engage in social activities that are not required by law or expected of the company in an ethical sense. Ethical responsibility means that an organization will master those activities, standards, practices and norms that are expected although not codified in law. Legal responsibilities include a business's response to legal expectations set by society in compliance with legal requirements. Organizations play a crucial role in establishing prevailing norms and values in society and thus defining current perceptions of legitimacy. Economic responsibility includes activities that have a direct or indirect positive economic impact on the company, such as maximizing profits and stock value.



Figure 1 Carroll's Pyramid of Social Responsibility Model

As cited in the study by Lo et al., organizational performance refers to the concept of measuring a company's position in the market and its ability to meet the needs of its stakeholders. It may also be referred to as the extent to which operations achieve performance objectives (primary measure) and meet customer needs (secondary measure). This can be assessed using a more balanced approach, including financial and non-financial performance indicators. Considered by many to be the ultimate goal of any company, financial performance reflects how well a company is utilizing its assets to generate revenue. Non-financial performance indicators, on the other hand, refer to the company's long-term operating goals, or in other words, indicators of future performance that contemporary financial indicators cannot present.

2.4. Conceptual framework

This study aims to analyze the relationship between corporate social responsibility and organizational performance in an industrial holding company in China. The researcher will use the IPO model to represent the inputs, processes, and outputs of the study. Input boxes include a profile of the respondent, variables describing CSR and organizational performance. The process box includes the

collection of data through questionnaires and the analysis of the collected data using various statistical tools. The output box shows the proposed strategy to enhance the corporate social responsibility and organizational performance and IEC material highlighting the best practices of WH Industrial Holdings Company with regard to CSR.

2.5. Significance and Limitations of the Study

The researchers believe that this study will have the following benefits:

For WH Industrial Holdings Company, it can help them understand the impact of their social responsibilities on corporate performance, thereby making better strategic planning and decision-making, improving corporate image and competitiveness, and obtaining better returns.

For employees, it can help them understand the relationship between corporate social responsibility and organizational performance, encourage employees to better perform their job responsibilities, and actively participate in corporate social responsibility activities, thereby strengthening corporate culture and cohesion.

For managers, it can help them understand the relationship between CSR and organizational performance and develop strategies that enhance both.

For shareholders, it can help them evaluate the company's future development potential and risks so that they can invest and manage their stock portfolios more rationally.

For students, it can help them deeply understand the concept and practice of corporate social responsibility, master relevant research methods and skills, and improve their theoretical level and practical ability.

For future researchers, it can provide them with important research topics and data sources, help them further explore the mechanisms and paths of the impact of corporate social responsibility on organizational performance, and provide powerful support for the further development of corporate social responsibility theory and practice. Support and guidance.

Despite the efforts to ensure the comprehensiveness and credibility of the study design, there are some limitations. First, the limitations of the sample may affect the generalization of the results. It focused primarily on a specific industrial company, the applicability of the findings may be limited by other industries and contexts.

Second, the survey questionnaires focused only on employees, while the sample size of interviews with external stakeholders was relatively small. This can lead to an inadequate external perspective, that may limit the full understanding of the stakeholder group as a whole.

In addition, the study may also be influenced by the subjective perception and recall bias of the interviewee. While a multifaceted approach was taken to ensure the credibility of the data, it cannot completely rule out the potential impact that these factors may have on the conclusions of the study.

2.6. REVIEW OF LITERATURE

According to the existing research literature, most studies focus on corporate social responsibility and organizational performance. The studies by Singh (2021), Siddiq and Javed (2014), and Singh and Misra (2021) have similarities with this study in that they focus on the relationship between CSR and organizational performance, but differ only in the respondents. The results of the above studies and this study conclude that there is a significant relationship between corporate social responsibility and organizational performance.

Meanwhile, Hamisi and Gichinga (2020), Odunsi, et.al, (2019) and Azeez, et.al (2020) studied the impact of corporate social responsibility on organizational performance. Okwemba et al. (2014) focused on determining the impact of CSR on organizational performance, Irabora (2019) studied the

impact of CSR on organizational performance, and Luqman et al. (2018) identified the relationship between corporate social responsibility and organizational performance mediated by TQM.

In a study based on employee profile, Zhang and Zhang (2022)[5] examined the effects of employee age and gender on the relationship between organizational performance and corporate social responsibility. Luo, Wang and Zhong(2021)[6] also examined the relationship between employee age and organizational performance and corporate social responsibility. Smith and Anderson (2019)[7] examine the social characteristics of young adults in the United States. Li and Wang (2020)[8] studied the evolution trend of the age structure of the Chinese population and explored the relationship between population age structure and socio-economic development. Johnson and Eckert (2018)[9] examined the relationship between age and corporate social responsibility. Wang and Zhang (2019)[10] examined the relationship between employee work experience and corporate social responsibility and compared the differences between younger and more experienced employees. Wang, Zhang, and Zhou (2019)[11] examine the impact of gender on organizational performance and corporate social responsibility. Taylor and Dunn (2019)[12] examined the impact of gender on non-financial performance measurement and management. Burrell and Wiggenbord (2019)[13] examines the role of different positions in CSR implementation in SMEs. Johnson and Turner (2018)[14] examined the impact of employee work experience on organizational performance perception and corporate social responsibility perception. Li and Zhang (2018)[15] examines the relationship between financial performance and corporate social responsibility of Chinese listed companies. Parker and Collins (2019)[16] examines the impact of differences in recognition of organizational performance and social responsibility practices across departments on organizational resource allocation. Aselage and Burke (2019)[17] examines how CSR creates competitive advantage through reputation and relationships.

Generally, the results of these studies indicate positive effects, influences, or relationships. Except for Siddiq and Javed (2014) who used both primary and secondary data, most studies used primary data and questionnaires as data collection tools. This is similar to this study in that it will also use primary data collected through questionnaires.

This study differs from previous studies in terms of the variables and sub-variables used as it will use the four dimensions of CSR, namely economic, legal, ethical and discretionary (philanthropic) responsibilities. Although, Aziz et al. (2020) used the same dimensions but still differed from this study in terms of organizational performance. This study will use financial and non-financial indicators to determine organizational performance.

Another distinctive feature of this study is the findings, i.e., possible strategies to improve CSR and organizational performance. Unlike the above studies, the researchers are just giving recommendations.

2.7. Research Design

The researcher used quantitative methods to evaluate CSR practices and organizational performance from the employees' perspective. A descriptive research design was used to achieve the research objectives. According to Mc Combes (2020), a descriptive research design can employ one or more variables and multiple research methods. It is intended to describe a population, situation, or phenomenon in a systematic and accurate manner, answering the questions of what, where, when, and how, but not the why. It does not allow the researcher to control or manipulate any variables, but only allows him or her to observe and measure them. This method was considered suitable for this study because it was simple and allowed for the collection of necessary data. This design allow researchers to test hypotheses and draw more precise conclusions.

Stakeholder theory believes that enterprise managers should conduct management activities to comprehensively balance the interests and requirements of various stakeholders. Stakeholders include all those who have an interest in corporate decision-making, such as capital market stakeholders

(shareholders and creditors), product market stakeholders (major customers, suppliers, charitable beneficiaries) and internal corporate stakeholders (operators) and other employees). Human emotions or behaviors and their social roles can be better understood and analyzed using methods such as observation, interviews, and analysis of written texts (Chetty[18], 2016). For their part, stakeholders feel more responsible for the organization's CSR strategy, which makes them more likely to express their ideas about CSR activities to the organization. Therefore, the researcher used semi-structured interviews to collect data on other stakeholders' evaluations of corporate social responsibility practices. The interviews focused on research themes and therefore provide insightful explanations as well as personal perspectives. The questions have an open-ended approach that allows for discussion and new questions to be asked in the conversation, which can lead to more impactful insights.

The study follows an inductive approach and focuses on the concept that at the end of the study, new information and discovered theories will be generated based on the data collected (Goddard, and Melville[19], 2004). The inductive reasoning method was chosen because it allows the study to keep an open mind and a degree of flexibility within the method. This is relevant to this study because the topics of CSR and stakeholder engagement are broad-reaching topics that are often subject to individual open-ended interpretations. The rationale for using an inductive approach stems from the "bottom-up" concept, whereby the researcher will use observations from the findings to conduct an abstract analysis of the phenomenon under study (Lodico, MG, Spaulding, DT&Voegtler, KH, 2010).

To sum up, this research consisted of two parts: questionnaire survey and interview. The motivation of using questionnaire survey and interview together is to provide more comprehensive data. These data can provide deeper analysis than single selection and can be combined more effectively. A more complete picture of key stakeholders (shareholders, employees, customers, suppliers and other beneficiaries).

3. SUMMARY

The main objective of this study is to analyze the relationship between corporate social responsibility and organizational performance of WH Industrial Holdings Company. The study identified the profile of the respondents and determined the level of organizational performance in terms of financial and non-financial measures as assessed by the employees. It ascertained how the employees perceive the corporate social responsibility practices of the company relative to economic, legal, ethical and philanthropic/discretionary aspects. It also determined how other stakeholders describe the CSR practices of the company. The study also aimed to propose strategies to enhance the organizational performance and CSR practices of the company.

The researcher used the descriptive design of research and employed survey and interview as methods for collecting data. The respondents of the study include 297 ordinary employees of WH Industrial Holdings who answered the survey questionnaire., 3 suppliers, 3 customers, 3 shareholders, 1 intern of the company and 1 resident near the water source purified by the company. Statistical tools used in quantitative research include: frequencies and percentages, weighted averages, independent T-tests, one-way ANOVA, and Pearson's correlation coefficient.

Based on the important findings of the study, the following conclusions are drawn:

1. Most of the company's employees are between 25 and 49 years old, mostly women. They are mainly concentrated in the production department and assume the positions of ordinary employees. Most of them have worked for 3 to 5 years or more.
2. The employees assessed the level of the company's organizational performance both for financial and non-financial measures as high.

3. The employees perceive the corporate social responsibility practices relative to economic, legal, ethical and philanthropic aspects as high.
4. Other stakeholders (suppliers, customers and beneficiaries) have positive views towards corporate social responsibility practices particularly on ethical practices focusing on ethical values.
5. There is significant difference in the employees' assessment of organizational performance in terms of financial performance when grouped according to age, and number of years in the current department while in terms of non-financial performance when grouped according to age, sex and number of years in the current department. There is also significant difference in the perception on CSR practices relative to economic aspect when employees are grouped according to age and sex, relative to ethical aspect when grouped according to sex and philanthropic or discretionary aspect when grouped according to age and sex.
6. There is significant relationship between the organizational performance and corporate social responsibility practices.
7. The researcher proposed strategies to enhance the organizational performance and corporate social responsibility practices by focusing of items which got the lowest means in each aspect.

Based on the conclusions of the study, the following recommendations are made:

1. WH Holding Industrial Company may consider the findings of the study as well as the proposed strategies to further enhance their organizational performance and CSR practices.
2. The human resources department may formulate long-term manpower reserves and career development plans based on the distribution of employees, especially the lack of reserves for newcomers who have worked for less than one year, so as to effectively make up for weaknesses and build advantages.
3. Future researchers may select another company with larger range of respondents to explore more variables in the study. Not just employees, but business stakeholders as well. Taking into account the differences in age, gender, department, position and working years, more in-depth research may be conducted on respondents from different perspectives to formulate personalized improvement plans.

CONFLICTS OF INTEREST

The authors of this paper wish to confirm that there are no known conflicts of interest associated with this publication and there has been no significant financial support for this work that could have influenced its outcome. All authors have declared their interests, and these are detailed in the author contributions section. Should any interest be declared during the peer review process, this will be updated as necessary within the final published version.

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