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Ethical Values and Environmentalism in China: Comparing Employees from State-Owned and Private Firms

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Ethical Values and Environmentalism in China:

Comparing Employees from State-Owned and Private Firms

Abstract

Industrial pollution is of both national and international concern in a context where one country's emissions contribute to the problem of global warming. Existing studies have focused on government and regulations rather than on employees. The context of this study is 472 workers in 7 Chinese energy companies in Shanxi province in China, one of the biggest coal mining regions and a region most responsible for environmental pollution. The key findings are two folds: first, employees' values were positively correlated with attitudes towards the environment, which correlates with their perception of their employer's corporate citizenship; second, the ownership type of the firm had a significant influence on corporate citizenship, employee values and their attitudes toward environment. Contrary to existing beliefs, State-owned enterprises (SOEs) have much poorer ratings on all three constructs compared to privately owned companies. The results highlight the role of the government and policy makers in shaping employees attitudes towards the environment, and in turn corporate citizenship of the Chinese energy industry.

Keywords

Corporate citizenship, environmentalism, state-owned enterprise in China,
Employee values

Ethical Values and Environmentalism in China: Comparing Employees from State-Owned and Private Firms

Since joining the World Trade Organization (WTO) in 2001, China has become the second largest economy and energy consumer in the world, after the U.S. The fast economic growth has however earned China a reputation for being the most polluted country, the largest SO₂ and second largest CO₂ emitter in the world (C.I.A., 2006; U.N., 2006). In particular, coal and raw chemical production in China produce the world's largest sources of urban air pollution, damaging human health, air and water quality and agriculture (Collier, 1995). China's coal mining industry is also referred to as the most dangerous in the world, as mine owners and local government officials always ignore safety standards in search of quick profits¹.

This research aims to identify organizational factors which influence environmentalism and corporate citizenship in the Chinese coal-mining industry. A questionnaire survey of 462 employees who work for energy companies in Shanxi Province investigates whether or not individual variables such as employees' values and attitudes towards the environment, and corporate variables such as corporate ownership predict corporate citizenship.

¹ Mines and Communities <http://www.minesandcommunities.org/Action/press901.htm>

Employee Values and Environmental Attitude

A survey by Beijing University quoted by Wong (2005) reveals that China's particularly low level of environmental awareness could be attributed to personal values. 65% of the survey respondents believed humans should 'conquer' or 'utilize' nature for their own benefit, which is much emphasized in Mao's ideology. The survey also found that Chinese citizens hold a strong "government-reliance attitude towards environmental protection" (Wong, 2005). Garbrenya & Hwang (1996) describe the Chinese as "strikingly dispassionate and 'rationalistic', resting heavily on objective, situational factors rather than on considerations of other people's feelings." Such utilitarian values seem to be receptive to new industries, which bring wealth to the area at the expense of the environment and the lives of workers. The above characteristics and values tend to correspond with Schwartz's (1994; 1999) Self-enhancement and Conservatism values.

Conservatism (security, tradition, conformity) is defined as a cultural emphasis on maintenance of the status quo, or the traditional order. The opposite pole of conservatism is *Openness to Change (self-direction, hedonism, stimulation)*, defined as a cultural emphasis on the desirability of individuals independently pursuing their own ideas and positive experience. *Self enhancement (power, achievement)* is defined as a cultural emphasis on hierarchy, authority, wealth and achievement. The opposite pole of self enhancement is *Self transcendence (universalism, benevolence)*. If an individual possesses the value of "universalism" (environmental protection, unity with nature), then this may drive him to behave more responsibly towards environment protection. If a personal value influences personal behavior, a positive link between employees' value

and corporate citizenship behavior is expected (Hemingway, 2005). When an employer's citizenship is perceived to be high by its own employees, they are more likely to commit to their employer. In other words, employee commitment is influenced by corporate citizenship (Maignan et al., 1999). Thus, following hypotheses are proposed.

Hypothesis 1 Conservatism and Self transcendence (vs. Self-enhancement and Openness to Change) will have a positive (vs. negative) impact on environmental attitude.

Hypothesis 2 Employee attitudes towards environment will have a positive impact on Corporate Citizenship.

Hypothesis 3: The stronger corporate citizenship, the higher employee organizational commitment.

State-Owned Enterprises (SOEs) in Chinese Coal-Mining Sector

The ownership type of Chinese companies is expected to influence organizational citizenship behavior. One of the most pressing internal issues since the 1978 reform in China has been restructuring of State-owned enterprises (SOEs). China's coal industry before 1998 was probably the most regulated and centrally-planned industry under the strict control of the Department of Coal Industry, the exclusive government authority which had been in charge of the coal production including price, output, personnel, technology applied, and safety standards. The year 1998 saw a government document highlighting reforms in the governance system of SOEs in the coal industry which led to the abolishment of the Department of Coal Industry and deregulation of the coal industry in order to introduce private capital, increase output, and remove the financial burden of

SOEs. By 2003, privately owned coalmines accounted for 35% of China's total coal output, large coal mines administered under the central government accounted for 45%, small mines run under local government accounted for 17%². Most private coal mines are smaller, many of them illegal. While the decentralization of the coal-mining sector boosted local economies, generated employment, and supplemented tax revenues, it also led to different problems such as increasing death tolls, appalling health safeguards, dangerous pollution levels and poor resource utilization.

While there is little empirical evidence, existing studies have argued that non-SOEs tend to be less committed to ethical and environmental citizenship than SOEs. For example, SOE employees in China report more social welfare participation than employees from non-SOEs who tend to see saving company resources as primary citizenship behaviour (Farh, Zhong, & Organ, 2004). The positive effect of procedural justice on trust in organizations is stronger in SOEs (Wong, Ngo, & Wong, 2006). The assumption for SOEs is that profit was not as important as other technical indicators of the production process, including safety. Therefore, the State employees probably participate more in social welfare activities because their companies are more dependent on the state, and are less concerned about taking initiatives and saving company resources, and because they are partially shielded from the full force of market competition (Farh et al., 2004). The following hypotheses are drawn from the existing literature.

Hypothesis 4: State-own companies will perform better than privately owned companies on corporate citizenship (legal, ethical and discrete) except for economic citizenship.

² <http://alertandalarmed.blogspot.com/2005/11/behind-coal-mine-disasters-in-china.html>

Hypothesis 5: State-owned companies' employees will have stronger Conservatism and Self-transcendence values and higher environmental attitudes than those from privately owned companies.

Methodology

Sample Existing studies on environmental issues in China focus on large cities such as Beijing or Shanghai. The empirical setting for this study is Shanxi province, situated along the Yellow River in the northern part of mainland China. The province produces one third of the coal in all of China³, and supplies half of the coke in the world market.⁴. Inevitably, Shanxi's pollution record is 4.6 times higher than the average in China, and the accident rate is high. A total of 472 questionnaires were collected from employees from 7 energy companies (coal mining and washing, electricity and aluminum) in Shanxi province.

Measures ***Employee Value*** The research used 10 values from Schwartz Value Survey (SVS). Four second order factors were used for the hypotheses testing: Conservatism and Self-transcendence, Self-enhancement and Openness to Change. ***Environmental Attitudes*** 10 item measures of environment action (Fryxell and Lo, 2003) and 3 additional items drawn from the World Value Survey were used. These reduced to two orthogonal factors; Environmental awareness (e.g., I stay up to date about environmental law and regulations related to this business.) and Environmental Commitment in a factor analysis of the survey data (e.g., I would give part of my income if I were certain that the

³ <http://www.china.org.cn/english/features/ProvinceView/156508.htm>

⁴ China Daily Newspaper "Shanxi puts brakes on expansion of coal mining", March 7, 2006
http://www.chinadaily.com.cn/bizchina/2006-03/07/content_567877.htm

money would be used to prevent environmental pollution). **Corporate Citizenship** was measured using Maignan, Ferrell and Hult (1999). *Legal citizenship* (5 items including ‘our company complies with relevant environmental laws’); *Economic citizenship* (6 items including ‘we have been successful at making our profits’.); *Ethical citizenship* (6 items including ‘our business has a comprehensive code of conduct’); and *Discretionary citizenship* (6 items including ‘our business gives adequate contribution to charities’). **Employee Commitment** was measured using Maignan et al., 1999. For example, ‘*I feel my future is intimately linked to this organization, I am proud to work for this organization*’.

Findings

Employee values, environmental attitudes and corporate citizenship Table 1 shows correlations between employee values, environmental attitudes, corporate citizenship, and employee commitment.

Please insert Table 1 about here

As expected from hypothesis 1, Conservatism (*security, tradition, conformity*) and Self transcendence (*universalism, benevolence*) were the most highly and positively correlated with Environmental Attitude factors; awareness (e.g., I stay up to date about environmental law and regulations related to this business) ($r = .43$ and $.47$ respectively)

and commitment (e.g., I would give part of my income if I were certain that the money would be used to prevent environmental pollution) ($r = .23$ and $.26$ respectively). Openness to change (*self-direction, hedonism, stimulation*) is the next influential factor in shaping Chinese employees' attitudes towards environment. Self-enhancement (*power, achievement*) had no impact on environmental commitment ($r = .07$) and lowest impact on environmental action ($r = .16$). Both environmental awareness and commitment were strongly correlated with four corporate citizenship factors (economic, legal, ethical, discretionary). In other words, the more positive employees' attitudes towards the environment, the better their companies' citizenship. Hypothesis 2 is supported.

Finally, all four corporate citizenship were found to be significantly correlated with employee commitment, supporting hypothesis 3. In particular, regression analysis found that discretionary citizenship was the major driver, explaining 61% of variances, for employee commitment. Some correlations between values and corporate citizenship were observed too. Conservatism was positively correlated with three citizenships - economic, legal and ethical, but had no significant correlations with discretionary citizenship. In fact, none of the four values but employees' attitudes towards the environment had a significant impact on discretionary citizenship. Self-enhancement and openness-to-change values in the Chinese context have a negative impact on discretionary citizenship. Openness-to-change had no positive correlation with ethical citizenship but a negative correlation with discretionary citizenship. This is somewhat different from what was expected. Self-enhancement on the other hand is negatively correlated with discretionary citizenship as expected, but the correlation was insignificant.

Self-transcendence (*universalism, benevolence*) has a positive correlation with discretionary citizenship, but again the results were insignificant.

Ownership Type Hypotheses 4 and 5 tested whether or not the ownership of the firms has an impact on corporate citizenship, environmental values and environmental attitudes. T-test results (Table 2) show that the ownership, whether or not state-owned or privately owned, has a significant influence on all three variables, corporate citizenship, employees values and their attitudes towards environment. But the assumption that SOEs will have higher ethical, legal, and citizenship but lower economic citizenship, compared to POEs, was not supported.

Please insert Table 2 about here

Contrary to the existing literature and assumption made from the practitioners, SOEs in Chinese coal mining industry had significantly lower level of corporate citizenship on all four categories compared to those of POEs ($p < 0.001$). The same trend was observed among employees on their environmental attitudes. Contrary to the assumption, employees working for SOEs had poorer attitudes towards environment. On employee values, employees working for SOEs had significantly lower values on all four values: Conservatism, Self-enhancement, Self-transcendence, and Openness to Change. The differences were smallest on Openness to Change.

Implications

In conclusion, what makes employees proud of their company and committed to their organization turned out to be discretionary citizenship, which is in turn influenced by employees' attitudes towards the environment. The positive correlations between employee values and environmental attitudes; and environmental attitudes and corporate citizenship indicate that corporate citizenship in China can start from shaping values and attitudes of employees that are more receptive to environmental causes. The relationship between employee values and discretionary citizenship was indirect (via environmental attitude). The first key message from this research is that training and engaging employees with various environmental and voluntary programs seems to be a good starting point for Chinese energy companies wishing to enhance the commitment of their employees, who often work in a poor environment with relatively poor financial rewards. Improving employee attitudes towards the environment will also enhance corporate citizenship.

The significantly lower corporate citizenship and environmentalism in SOEs means that the government is failing in its role to promote positive attitudes. The separation of ownership and management in SOEs had been imposed in an increasing effort to strengthen safety in the coal mining industry. For example, the Chinese government ordered government officials and heads of SOEs to sell their investment in coal mines by September 22 2005 to minimize local officials' financial interests in the mines but still 315 officials and heads of SOEs were disciplined in 2006 for owning

shares in coal mines⁵. Current environmentalism in China is still heavily reliant on governmental control and Chinese employees have tended to rely upon government to lead on environmental practice. At present the poor environmental attitudes in state-owned enterprises imply that any change in energy policy nationally will be hard to implement without changing the internal culture of organizations. If China is to embrace alternatives to coal, individual citizens may need to become more involved.

⁵ http://english.people.com.cn/200609/22/eng20060922_305356.html, September 22, 2006 People's Daily.

Table 1: Correlations of Related Factors

	Factors	1	2	3	4	5	6	7	8	9	10
1	Economic Citizenship										
2	Legal Citizenship	.73**									
3	Ethical Citizenship	.70**	.75**								
4	Discretionary Citizenship	.60**	.66**	.67**							
5	Employee Commitment	.53**	.57**	.58**	.63**						
6	Conservatism	.18**	.17**	.18**	.07	.09					
7	Self-enhancement	.17**	.14**	.14**	-.04	.03	.27**				
8	Self-transcendence	.22**	.20**	.20**	.08	.15**	.65**	.23**			
9	Openness to change	.16**	.14**	.09	-.05	.05	.37**	.37**	.50**		
10	Env Awareness	.46**	.40**	.37**	.29**	.37**	.43**	.16**	.47**	.34**	
11	Env Commitment	.24**	.34**	.31**	.25**	.29**	.23**	.07	.26**	.14**	.46**

** Correlation is significant at the 0.01 level (2-tailed).

Table 2: Means, Standard deviations, and T-Test results for the two ownership types for Citizenship, Values and Environmental Attitudes

Constructs	Factors	Ownership	N	Mean	SD	p	t
Citizenship	Economic Citizenship	Private owned	282	3.95	0.55	.000	5.30***
		State owned	173	3.66	0.58		
	Legal Citizenship	Private owned	290	3.84	0.71	.000	5.60***
		State owned	173	3.45	0.72		
	Ethical Citizenship	Private owned	285	3.93	0.61	.000	6.38***
		State owned	171	3.53	0.70		
	Discrete Citizenship	Private owned	289	3.61	0.65	.000	5.54***
		State owned	175	3.25	0.71		
Values	Conservatism	Private owned	288	4.43	0.54	.001	3.46***
		State owned	179	4.24	0.63		
	Self-enhancement	Private owned	291	3.94	0.76	.006	2.75**
		State owned	178	3.74	0.80		
	Self-transcendence	Private owned	290	4.29	0.61	.025	2.25*
		State owned	175	4.15	0.68		
	Openness to change	Private owned	284	4.02	0.67	.053	1.94
		State owned	177	3.89	0.70		
Environmental Attitudes	Environmental Action	Private owned	275	3.96	0.50	.000	4.79***
		State owned	162	3.72	0.52		
	Environmental Commitment	Private owned	291	3.63	0.79	.017	2.40*
		State owned	176	3.45	0.79		

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

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