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From CSR Rhetoric to Economic Value: The Role of Green Procurement and ESG Integration in Enhancing Financial Competitiveness of Construction Firms

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ABSTRACT

Today, how construction enterprises transform Corporate Social Responsibility (CSR) discourse into actual economic value has become a core issue of industrial sustainable transformation. Based on stakeholder theory and resource-based view as well as institutional logic, this research constructs a "discourse-mechanism-value" analytical framework to examine how green procurement and Environmental, Social, and Governance (ESG) integration enhance financial competitiveness, where the research finds three complementary mechanisms: cost optimization achieved through supply chain coordination, signaling effect of improving financing conditions, and capability accumulation driven by organizational learning . Although in the short term, financial returns depend on procurement scale, ESG data systems, and market recognition, long-term competitive advantages are strengthened through institutional influence, supply chain lock-in, and accumulated organizational capabilities, thereby creating sustained value, which means construction enterprises should adopt differentiated strategies consistent with their resource endowments. This research provides theoretical explanations and practical insights for the green transformation of the construction industry.

KEYWORDS

Green procurement; ESG integration; Construction enterprises; Financial competitiveness; Sustainable competitive advantage

1. INTRODUCTION

The construction industry remains the foundation of national economy, but it faces pressure of profitability capacity continuously increasing. According to data from the National Bureau of Statistics, in 2025, the added value of this industry reached 8.64 trillion yuan, accounting for 6.16 percent of Gross Domestic Product (GDP), while profits of qualified construction enterprises decreased by 14.1 percent year-on-year compared. Under this background, China's Work Plan for Accelerating Energy Conservation and Carbon Reduction in the Construction Sector requires newly built urban buildings to universally adopt green building standards, thereby accelerating the industry's transformation toward high-quality development, which makes green procurement and ESG integration a strategic focus, but how CSR commitments transform into a financial competitiveness mechanism remains insufficiently understood, thus requiring further theoretical research.

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2. THEORETICAL FOUNDATIONS AND ANALYTICAL FRAMEWORK

2.1. The Evolution of Corporate Responsibility from the Stakeholder Theory Perspective

Stakeholder theory provides a powerful analytical perspective for explaining how enterprises shift from passive compliance toward actively creating shared value, and as stakeholders continuously raise sustainability requirements for construction industry, sustainable development (SD) has become a priority matter (Azhar A. & Li M. & Mohsin S., et al., 2023) [1],with subsequent evidence further indicating that pressure from secondary and primary stakeholders has positive impact on both CSR and Megaproject Sustainable Performance (MSP). Empirical research involving 239 employees from Pakistan's construction industry confirms that CSR directly and positively affects sustainable competitive advantages (Wang X. & Muttahir H. & Faiz S. R. et al., 2023) [2], in which corporate reputation plays a positive mediating role between CSR and sustainable competitiveness. Construction enterprises simultaneously face heterogeneous stakeholder expectations from government, community, investors, and suppliers—this includes strict green construction standards, ESG disclosure requirements, as well as continuous attention to environmental protection and site safety, which collectively reshape corporate responsibility. Therefore, stakeholder theory indicates that enterprises that view CSR merely as a compliance cost rather than a strategic asset face the risk of losing institutional legitimacy and market access under increasingly strict governance systems.

2.2. The Resource-Based View and Sustainable Competitive Advantage

The resource-based view (RBV) conceptualizes the enterprise as a collection of heterogeneous strategic resources and believes that valuable, scarce, difficult-to-imitate, and organizationally embedded resources constitute the foundation of sustainable competitive advantage. Through a new conceptual model that allows enterprises to perceive the dynamism of corporate competitive advantage by incorporating concepts of values, dynamic capabilities, and governance (Costa D. L. R. & Geraldes R. & Pereira L. et al., 2024) [3], moreover, RBV frames ESG as an internal capability, thereby emphasizing complementarity and tension between these perspectives (Tutar H. & Štreimikienė D. & Mutlu T. H., 2025) [4], while pointing out that environmental performance and financial results show a more stable positive correlation than social and governance dimensions. For construction enterprises, sustainable competitiveness depends not only on traditional assets such as qualifications, equipment and project experience, but also increasingly depends on resources that are difficult to replicate, including green technology, low-carbon building systems and integrated supply chain capabilities, thereby enabling enterprises that establish standardized green procurement systems and accumulate proprietary ESG expertise to better strengthen strategic resource barriers and maintain competitive differentiation.

2.3. Theoretical Linkages Between Green Procurement and ESG Integration Under Institutional Logic

Under logic of institution, there exists theoretical connection between green purchasing and ESG integration. Logic of institution provides a multi-level framework for understanding how green purchasing and ESG integration are embedded into strategic decisions of construction enterprises, where ESG standards are explicitly assigned weight in 45% of Requests for Proposals (RFPs), typically between 1% and 20%, and research results further identify a social-driven procurement model shaped by national policies and demographic priorities (Qian J. & Siriwardana C. & Shahzad W. M., et al., 2026) [5]. Construction industry is simultaneously influenced by market efficiency, environmental compliance and social equity logic, which in public procurement, increasingly tightening green thresholds, major clients' increasing preference for low-carbon materials, and differentiated ESG expectations from capital markets collectively elevate green purchasing from

marginalized compliance practice to strategic mechanism of value creation, with these institutional logics coexisting and evolving dynamically, thereby ultimately constituting an institutional driving force that promotes transformation from symbolic ESG commitment to substantive organizational action.

3. BOUNDARY IDENTIFICATION AND CONCEPTUAL DECONSTRUCTION OF CSR DISCOURSE

3.1. Typologies and Characteristics of CSR Discourse

Based on Habermas's discourse ethics, concepts of CSR and sustainability are examined from social perspective, assuming that conceptualized ideas are embedded in social context, and we discovered that two major themes consistently involve five dimensions of discourse: economic, social, environmental, philosophical and political dimensions, while research further identified that expectation gap exists between goals that society expects enterprises to achieve and responsibility agenda that enterprises perceive [6]. Therefore, the discourse of CSR is essentially diversified rather than singular, thus reflecting expectations and value orientations of different stakeholders, and within the construction industry, CSR narratives fluctuate among regulatory compliance, corporate branding and strategic commitment, with bidding documents prioritizing compliance and traceability, while ESG reports emphasize measurable performance and risk governance, and public sustainability communication places more emphasis on environmental management and broader social values. The coexistence of these diversified forms of CSR discourse not only reflects multiple institutional pressures faced by construction enterprises but also indicates that the transformation of discourse from symbolic representation to substantive organizational action is far from automatic, which depends on specific organizational mechanisms that can mediate this transformation.

3.2. The Position and Function of Green Procurement in CSR Practice

Green public procurement (GPP) aims to guide enterprises to carry out clean production by creating market demand for green products through demand side. GPP can significantly improve the environmental performance of enterprises through the governance effects of concept, source, and terminal supervision, while at the same time, it also improves corporate social responsibility and ESG performance of enterprises, thus promoting sustainable development [7]. In construction enterprises, green procurement has evolved from a marginal supplier selection mechanism to a strategic link connecting environmental commitment and operational implementation, which embeds standards of low-carbon materials, environmental qualifications of suppliers, and requirements of green construction into the entire procurement process, thereby enabling enterprises to institutionalize CSR commitments. Beyond compliance, this green procurement also stimulates environmental transformation of upstream suppliers and transmits credible sustainable development signals to downstream customers, strengthening its key role in the CSR value chain.

3.3. From ESG Commitment to Action: The Transformation Mechanism

We studied a question, as to how enterprises that integrate ESG factors into business practices will change in terms of corporate financial performance, focusing on mediating role of enterprise efficiency, with research results indicating that ESG integration shows positive changes in its impact on efficiency and Corporate Financial Performance (CFP) across different quantiles, and ESG integration improves enterprise efficiency, which in turn transforms into improved financial results, thereby indicating that Corporate Efficiency (CE) plays a key mediating role [8]. However, it is important to understand that transforming ESG commitment into substantive action is a gradual organizational process rather than an immediate result, with construction enterprises usually expressing ESG commitment through sustainability reports, carbon reduction targets and voluntary

initiatives, but meaningful implementation requires restructuring governance structure, which includes ESG-oriented management incentives, cross-functional environmental data systems, and ESG-based risk assessment in investment decisions, and only when ESG is internalized as organizational decision-making logic rather than merely as external compliance requirement can gap between commitment and practice be effectively bridged.

4. MECHANISMS LINKING GREEN PROCUREMENT AND ESG INTEGRATION

4.1. Cost Optimization: Supply Chain Synergy and Operational Efficiency

Someone launched a survey, which is a survey about the construction industry, as this survey involves driving factors of adopting circular procurement, and is a global survey, thereby identifying fourteen key benefits that drive implementation. Among them, "Waste management throughout the construction lifecycle," "Integration of supply chains," and "Opportunities from new business models" were considered to be the three most influential factors. Research further revealed four overall dimensions: "lifecycle cost optimization," "climate impact mitigation," "circular capability and waste reduction," and "supply chain collaboration" [9], and based on these findings, green procurement enables construction enterprises to achieve optimization of lifecycle cost through strengthening supply chain coordination in material selection, logistics scheduling, construction waste management and other links. Enhanced information sharing and collaborative decision-making between supply chain partners reduced redundant procurement and excessive inventory while improving operational efficiency. Once green procurement evolved from isolated compliance requirements to an institutionalized mechanism of supply chain collaboration, its cost-saving benefits would far exceed procurement activities themselves, generating a multiplier effect, thereby enhancing the value creation of the entire project lifecycle. Table 1 summarizes organizational practices that promote cost optimization under green procurement, but it does not present results of empirical research; instead, it outlines management mechanisms that support supply chain collaboration and operational efficiency.

Table 1. Managerial Levers Supporting Cost Optimization through Green Procurement

Managerial lever	Organizational focus	Expected operational outcome
Supplier integration mechanism	Early supplier involvement and joint planning	Improved coordination and shorter procurement cycles
Digital information platform	Real-time sharing of procurement and inventory information	Greater transparency and faster decision-making
Standardized green procurement criteria	Unified environmental and purchasing standards	Lower transaction uncertainty and higher procurement consistency
Lifecycle performance evaluation	Continuous monitoring of economic and environmental performance	Better resource allocation and long-term cost control

4.2. Signaling Effects: Market Recognition and Financing Advantages

Integration of green procurement with ESG conveys credible signals of corporate sustainable development to capital markets, thereby reducing financing costs and equity costs. Through adopting sustainable strategies to improve ESG performance, organizations in the Architecture, Engineering, and Construction (AEC) industry may achieve lower debt costs when issuing bonds to secure financing for construction projects [10]. Moreover, social and governance ratings have become the main driving factors affecting bond issuance costs. Given the capital-intensive and highly leveraged nature of construction projects, financing conditions are critical to long-term competitiveness, with

integrating green procurement into supply chain governance and transparently disclosing ESG performance signifying excellent management foresight and risk management capabilities, which also mitigates information asymmetry and reduce risk premium. At the same time, as green procurement and ESG standards are increasingly embedded in public procurement and project evaluation systems, early adopters have gained priority market access and stronger competitive positions, with the effectiveness of signal transmission also depending on the quality and consistency of ESG disclosure. Regularly published sustainability reports verified by independent third parties enhance stakeholder confidence in the credibility of corporate environmental commitments, thereby contributing to continuous reduction of credit spreads, while at the same time, stronger traceability in green supply chain enhances project owners' confidence in delivery quality, thus enabling sustainability credentials to translate into tangible reputation premium in competitive bidding process.

4.3. Capability Accumulation: Organizational Learning and Continuous Improvement

Continuous implementation of green procurement promotes organizational learning, while environmental management capabilities continuously evolve through iterative cycles of practice, feedback and improvement. Exploratory and exploitative learning are necessary for effectively transforming stakeholder pressure into green procurement practices, and enterprises develop stronger innovation capabilities and achieve excellent environmental performance by responding to these pressures [11]. For construction enterprises, green procurement represents a continuous learning process rather than a one-time institutional initiative, and from evaluating low-carbon materials and supplier performance to integrating environmental indicators into project design and construction practices, each procurement decision generates operational knowledge and continuously provides information for procurement standards and supplier qualification systems. Over time, this accumulated expertise develops into enterprise-specific green supply chain capabilities that are difficult for competitors to imitate, thus constituting a fundamental source of sustainable competitive advantage.

5. RESILIENCE-ORIENTED OPTIMIZATION STRATEGIES FOR TRANSPORTATION SAFETY FACILITIES

5.1. Preconditions for Improving Short-Term Financial Performance

Financial benefits brought by integration of green procurement and ESG are not automatically generated, as they depend on several key preconditions. First, green procurement must reach sufficient scale, because only when green materials and low-carbon technologies are deployed in broad project portfolio can bargaining power of centralized procurement and efficiency improvement of standardized construction offset initial costs of transformation, and second, enterprises need strong ESG data collection system and accounting system, which is capable of converting environmental performance into measurable cost savings and revenue growth, thereby enabling capital markets and credit rating agencies to identify sustainability premium. Third, green certification and ESG rating must be substantively embedded in bidding decision-making and financing decision-making, because if project owners and financial institutions continue to view ESG merely as symbolic compliance, then investments in green transformation are unlikely to be reflected in short-term financial performance, with financial improvement ultimately depending not only on integrating sustainability into procurement process and operational process, but also on ensuring external market recognition of these green commitments.

5.2. Path Dependence in Building Long-Term Competitive Advantage

Long-term competitive advantage is fundamentally a result of path dependence, which originates from continuous investment in green capabilities, while early entrants gain institutional influence

through shaping green procurement standards, ESG governance frameworks, supplier qualification standards and low-carbon construction practices, thereby establishing barriers difficult for late entrants to overcome despite their considerable resource endowments, and maintaining lasting cooperative relationships with high-performance green suppliers . These relationships create stable trust-based supply networks that cannot be replicated in short term, and as organizational learning accumulates, leading enterprises continuously strengthen their expertise in low-carbon technology, ESG data governance and sustainable project management, with entire industry's environmental requirements continuing to rise, which makes these accumulated knowledge assets and learning capabilities become increasingly valuable, thereby significantly increasing costs of late entry while reinforcing existing competitive advantages. As shown in Figure 1, enterprises gradually cultivate long-term green competitive advantages through green capabilities, institutional influence, supply network stability, and cumulative organizational learning development, and these mutually reinforcing processes generate path-dependent trajectories in which competitive advantages become increasingly self-reinforcing over time.

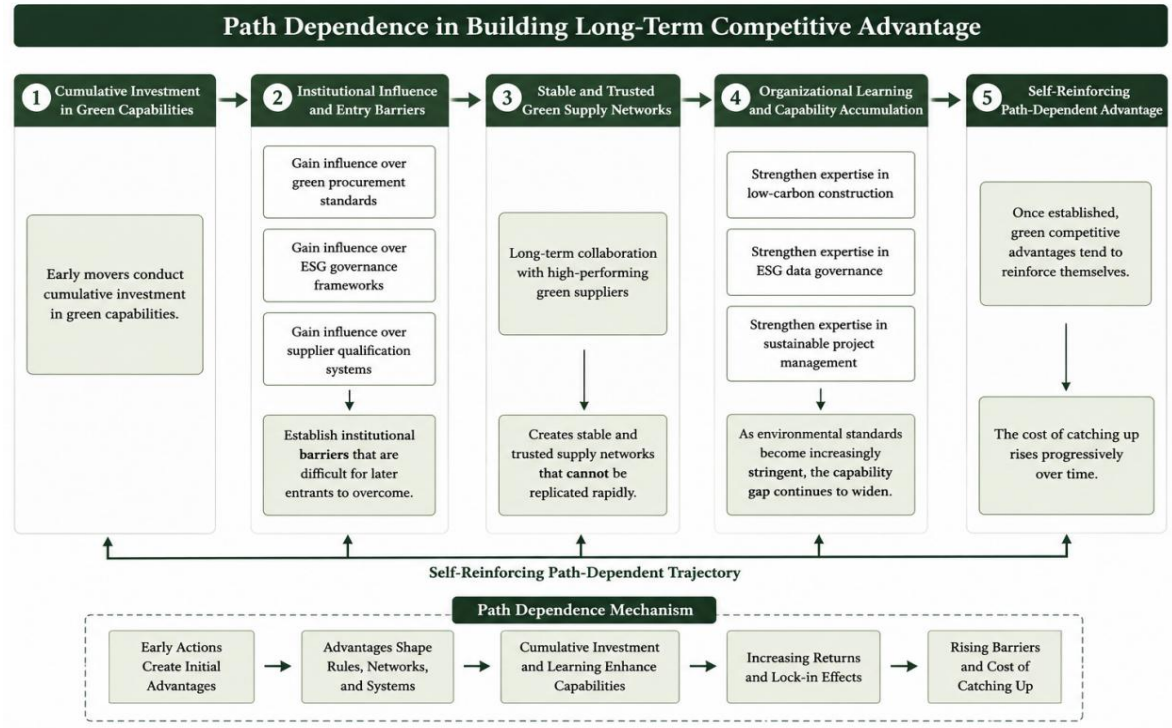


Figure 1. Formation Mechanism of Long-Term Green Competitive Advantage from a Path Dependence Perspective

5.3. A Framework for Differentiated Competitive Strategies

Construction enterprises should match their competitive strategy with resource endowments and market positioning. Large leading enterprises have good conditions to pursue a comprehensive leading strategy through embedding green procurement and ESG integration in the entire value chain, thereby establishing industry standards, expanding the green technology portfolio, and outputting advanced ESG management systems to ensure full life cycle competitive advantages. In contrast, regional small and medium enterprises should prioritize a compliance-oriented strategy, which balances between meeting minimum environmental requirements and cost competitiveness and utilizes industry associations and collaborative supply chain platforms to reduce transformation costs. Ultimately, strategic differentiation requires enterprises to achieve optimal match among organizational capabilities, resource allocation and continuously evolving green expectations of target markets.

6. CONCLUSIONS

This study identified three mechanisms that are interconnected through which green procurement and ESG integration enhanced the financial competitiveness of construction enterprises. Cost optimization effect reduces operational costs through coordination of the supply chain, while the signaling effect strengthens financing advantages through alleviating information asymmetry, and the capability accumulation effect promotes continuous improvement through organizational learning, which do not operate independently but mutually reinforce each other, with cost savings providing resources for the development of ESG systems, and stronger ESG performance enhancing the credibility of market signals, thereby sustaining organizational learning and capability enhancement. Although short-term financial returns depend on enabling conditions such as procurement scale, ESG data systems and market recognition, long-term competitive advantages are shaped by path-dependent institutional influences, supply chain lock-in and accumulated organizational capabilities. Therefore, construction enterprises should adopt differentiated strategies consistent with their resource endowments, while future research can further examine heterogeneous effects of green transformation among enterprises with different ownership structures and organizational sizes, thereby exploring how digital technology accelerates value creation of green procurement and ESG integration.

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