

# Corporate social responsibility and social responsibility needs of stakeholders

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**Abstract**—With the development of economic globalization, corporate social responsibility has become a research focus. Firstly, based on Carroll's social responsibility theory, the scope of corporate social responsibility, including economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility (or self-responsibility), was defined. It is shown that corporate social responsibility is dynamic because of social expectation from its scope and basic elements. Then, this paper suggests that the implementation body of corporate social responsibility includes not only the enterprise but also the other stakeholders. It is concluded that corporate social responsibility is embodied in the effect of stockholders. Lastly, based on the above, an evaluation index framework of corporate social responsibility is put forward, which can provide support for measurement of corporate social responsibility.

**Keywords**—corporate social responsibility; stakeholders; index system framework

## I. INTRODUCTION

With the development of economic globalization, some large enterprises, especially trans-national corporations, promote corporate social responsibility (CSR), which is mainly developed by conduct codes and order additional conditions in their global supply chain system. The majority of trans-national corporations can carry out CSR evaluation and audit on their worldwide suppliers. Furthermore, industry production, social consumption and economic development model has posed a serious challenge to the resources, environment and safety. The consumption of natural resource is more than their supply and regenerative capacity, which would lead to depletion of natural resource, degradation of ecological resources. The discharge of industrial wastes and noxious substances exceeds environmental purification and degradation capacity, which would result in anomaly weather condition, ecological unbalance and natural disasters. And economic development would cause geological and climatic hazards. The cruel business competition would lead to financial fraud behaviors, food and mine safety accidents, etc.

Corporate social responsibility (CSR) is more universal and global than before with economic development, and its connotation is being constantly enriched and developed. As a result, CSR has become a global research focuses.

## II. SCOPE AND BASIC ELEMENTS OF SOCIAL RESPONSIBILITY

The scope and basic elements of social responsibility (SR) is dynamic because they can reflect social expectations in a particular period, which means society's expectation to the organizations should accommodate to social evolution to represent changeable social attention.

It is considered that the subject of social responsibility was corporations and the CSR of corporations was to provide goods and services under the conditions of the profits, even to utilize resources and develop production to increase profit within the scope of laws and regulations in early CSR theory. Lately, a series of major events, such as leakage from chemical or power plants, mine explosion or submersion, tailings dam-break, financial fraud or credit crisis, food and drug hazard, environmental pollution and damage, infringement of labor and human rights, official abuse of power, social violence and terror, was considered to cause by external effect, wealth gap and lack of ethics. There are more great challenge to human survival, safety, well-being and social stability. As a result, the theory of social responsibility, especially Carroll's hierarchy theory of social responsibility and pyramid model, was promoted and universally accepted.

According to CSR method of Carroll, the SR has four scopes: economic, legal, ethical, and philanthropic (or discretionary) responsibility. As basic economic unit, the corporations must provide products and services for social members, and its main incentive of development is to meet consumer demand and profitability. Consequently, the elements of CSR are the maximization of shareholder earnings, economic benefit, competitiveness, operational efficiency, and benefits sustainability, etc. Economic responsibility is the basis responsibility. It is recognized the purpose of corporate is to obtaining profit and it should abide by the laws and regulations of government by the society. So the elements of corporate legal responsibility are to obey the expectation of government and legislation, comply with laws and regulations, provide products and services meet legal requirements. Ethical responsibility includes activities and practices, expected and prohibited activities, which cannot be stated in laws, and it should reflect the attention, on justice, human rights and utility of consumers, employees, shareholders. Ethical responsibility is law controversial and requires more performance than current laws and regulations. Discretionary or philanthropic

responsibility is an activity, which is expected by the society. The corporations should promote arts, education and community and human resources. Discretionary or philanthropic responsibility is self-determination and voluntary.

Social responsibility theory and practice have been developed greatly in recent years and a series of standards or norms of social responsibility continue was put forward. For example, Social Accountability International (SAI), has established significant corporate social standards—the SA8000 standard, which obtains positive response of the international society. The International Organization for Standardization (ISO) just published its “Guidance on Social Responsibility” as a non-certified and voluntary standard (ISO 26000). ISO states social responsibility is an organization’s responsibility by its decisions and activities on society and the environment from transparent and ethical behavior. These actions can contribute to sustainable development, meet expectations of stakeholders, comply with related law and international norms of behavior and implement throughout its supply and value chain activities. Therefore, the main body of the implementation of social responsibility should not only limited to corporations, but include diverse organizations, such as government organizations, labors, consumers, NGO, service, support, research etc. and other stakeholders.

### III. STAKEHOLDERS AND ITS NEEDS OF SOCIAL RESPONSIBILITY

According to ISO 26000, social responsibility results from the decision and action of organization (corporation) and its society effect. The aim of CSR is promoting the social sustainable development and its decision should be transparent, meet the requirements of social ethic, society and stakeholders. Furthermore, its actions should satisfy the related laws and international regulations.

It is inevitable that the production of corporation can result in positive and negative effect on society. Based on Pareto economic efficiency and improvement, the increase of economic efficiency should not depend on the loss of any stakeholder. Furthermore, according to Kaldor-Hicks compensation method, the increase of economic efficiency should be sufficient to compensate its social loss.

CSR is embodied in the effect on stakeholders. Certainly, the stakeholders can pose reaction on the corporation in return. There are two methods on the relation between corporation and stakeholders, one is it is binary, the other is that it is multi-directional and multi-dimensional.

In fact, the corporation’s stakeholders include not only direct stakeholders, such as shareholders, employees, consumers, business partners, community, offspring and environmentalists, but also include indirect stakeholders, such as government departments, regulatory agencies, civil society, special interest groups, industry and trade groups, media and competitors. Some stakeholders share the corporation’s economic risks and security risks and some paid the direct costs and social costs with the production development. Besides, even some stakeholders have conflicts in the mission and goal. Corporations’ decisions and activities should take the concern of these stakeholders into full account, and then the

depth and breadth of the concern should be constantly changeable with social economy development.

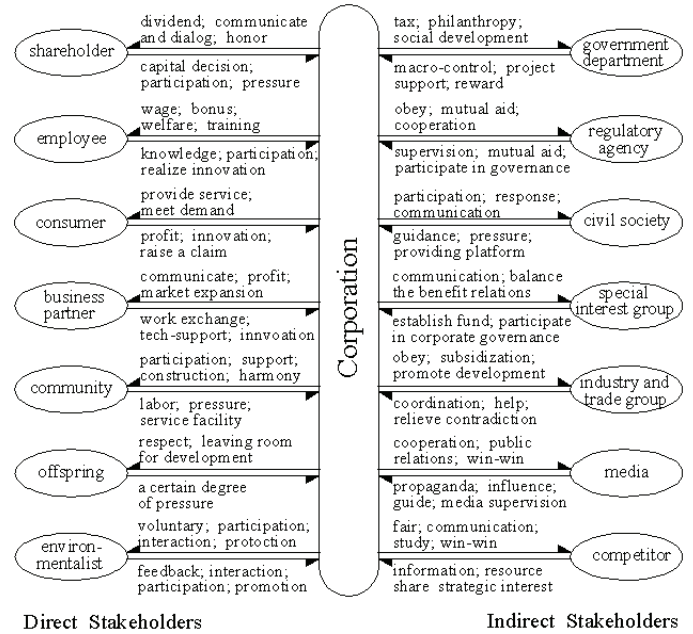


Figure 1 The relationship between corporation and stakeholders

Of course, the relationship between corporations and stakeholders is bidirectional. Corporations are responsible for social responsibility to its stakeholders, and stakeholders also have an influence on corporation performance of the social responsibility. It can be shown figure 1.

#### A. SR Needs of Direct Stakeholders

##### (1) SR needs of shareholders

Shareholders are the owners of corporations and have special economic interests than others. The goal of corporations is maximizing long-term interests of shareholders, and guaranteeing the economic return of shareholder investment is the foundation of corporate social responsibility. Shareholders pay attention to CSR to obtain the investment returns by focusing on corporate governance structure, corporate performance and involve with corporate management to achieve its demand for corporate social responsibility.

##### (2) SR needs of employees

The relationship between corporations and employees is win-win cooperation. Corporations can provide exchange platform for employees, guarantee the rights and interests, career development, value realization, security health and provide a good chance for employees. The goal of concern of the employees to CSR is maximizing personal values by concerning about capital and labor, social security, training, development, etc.

##### (3) SR needs of consumers

Consumers can gain property rights of corporations as a result of commodity exchange (economic contract). Purchasing intention and buying power can determine the ability of

corporation's goals. Consumer's behavior can bring profits to the corporations. Consumers achieve its needs for CSR by concerned about the products and services, and product information.

#### *(4) SR needs of business partners*

Business partners include suppliers, buyers, contractors, and strategic partners, etc. Business partners are the important parts of enterprise value chain and corporation's greatest responsibility to business partners is win-win cooperation by business communication and information communication. As business partners, corporations can bring profits and market for business partners and business partners can provide the necessary technical support for corporations. Business partners can promote CSR by reviewing of upstream and downstream corporations according to supply chain and exerting pressure on social responsibility. The purchaser requires the supplier to improve the production environment and provide the products meeting the code of conduct. This is the first power in stimulating CSR in China.

#### *(5) SR needs of community*

Harmonious relationship between corporation and community is important for corporations to maintain a steady production. The corporations should actively participate and subsidize community public welfare and constructions of public services, support community development, and protect the community environment. The community can provide labors and a variety of services and facilities and pose a vital effect on the corporations to promote harmonious development with community to avoid a negative impact on it.

#### *(6) SR needs of offspring*

The production activities may result in some negative impact to the society and environment, such as waste of resources, environmental pollution. The offspring, who livings in the same space at different times, have the right to possess and use the resources. How to achieve sustainable development is the compulsory social responsibility.

#### *(7) SR needs of environmentalists*

Environmentalist is a powerful side to promote CSR. Because of increasingly environmental issues, corporation, as an economic subject, should be responsible for the environmental protection. And energy saving and emission reduction is an important responsibility for business. Environmentalists can timely put forward some countermeasures to supervise them to adjust environmental strategy. Corporations have the responsibility of protecting and utilizing rationally to the environment and resource.

### *B. SR Needs of Indirect Stakeholders*

#### *(1) SR needs of government departments*

Corporations have some social responsibility to government departments. They have to obey government department's management and comply with government rules and regulations, accept the supervision of government departments, and promote social development. Government departments should macro-supervise and manage enterprises

according to the laws and provide necessary system guarantee and social public services for the business operations, promote healthy and rapid development of enterprises. Meanwhile, government departments should strengthen supervision of CSR, and carry out dialogue and exchange with enterprises.

#### *(2) SR needs of regulatory organizations*

Industry supervision, competition mechanism and social governance require specialized knowledge structure, technical operating procedures, and flexible adjustment mechanism. Companies and regulatory agencies have the relationship with supervisory, enterprises should comply with the industry standards formulated by regulatory organizations.

#### *(3) SR needs of civil society*

In western countries, civil society, commonly known as "NGO", is one of the important sides to promote CSR. When the government resources are insufficient, civil organizations can provide social supervision services. In addition, civil society can represent vulnerable groups and public and supervise CSR implementation of enterprises, which is different from the governments'.

Civil society is the civil organizations under the existing legal framework and corresponding governmental management system. The civil organizations are composed of social groups, private non-enterprise units and foundations in China. Their main attention is environmental protection, labor rights, supply chain, public service, etc. They can pose pressure on enterprises to perform environmental responsibility, labor responsibility, supervision and self-discipline. Furthermore, the civil society, such as the number of charities and volunteer organizations, can provide a platform for enterprises to fulfill their social responsibilities.

#### *(4) SR needs of special interest groups*

Special interest groups are a kind of social groups that have common interests and awareness of the common interest existence. They can unit to pursuit and maintain common interests. There are some game actions between special interest groups and corporate. Companies must pay attention to all the special interest groups, balance their interests' relationships, to achieve win-win situation and sustainable development.

#### *(5) SR needs of industry and trade groups*

Industry and trade groups are worker organizations. The major international industry and trade organizations include World Confederation of Labor, World Federation of Trade Unions, the International Confederation of Free Trade Unions, and the U.S. trade unions. In china, the major industry and trade organization is the All China Federation of Trade Unions. Industry and trade *groups* can play important positive role in stabilizing labor relations, relieving labor-management contradictions, increasing sense of belonging among staff of the enterprise.

#### *(6) SR needs of media*

News media has an important role in the development of CSR. Media is social justice advocator and the medium of companies' good deeds. Moreover, the media can provide

economic propaganda way for enterprises and supervise CSR of enterprises.

(7) SR needs of competitors

Benign competition can promote each side’s development and the whole industry progress. Enterprises should undertake the specific social responsibility for competitors. Based on the principles of fair competition, business and industry should communicate to achieve win-win or all-win.

IV. CORPORATE SOCIAL RESPONSIBILITY INDEX SYSTEM

According to Carroll’s social responsibility level theory, stakeholders social responsibility needs, the core theme of social responsibility and related issues of ISO 26,000, the international corporate social responsibility initiatives and index systems, the domestic corporate social responsibility initiatives and the world top 500 enterprises Social Responsibility Report, a CSR index system was established. The index system include economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility, Each side has include seven direct stakeholders aspect, which is composed of shareholders, employees, consumers, business partners, communities, generations and environmentalists, and seven indirect stakeholders, which includes government departments, regulatory agencies, civic groups, special interest groups, workers Trade groups, media and competitors in Table 1. The third-grade indexes, corresponding to first-grade and second-grade indexes, include various indexes of specific social responsibility needs according to different stakeholders under various responsibilities, such as economic responsibility to shareholders in the social responsibility is operating condition indexes. Table 1 is just economic responsibility and ethical responsibility two parts in the whole index system theoretical framework.

TABLE 1 CSR INDEX SYSTEM THEORETICAL FRAMEWORK (JUST ECONOMIC AND PHILANTHROPIC PARTS)

Topics Index	Stakeholder type	Basic Index and its meanings
economic	shareholder	Business operation status: capital value-preserved and value-adding rate, sales growth rate, ROE, EPS, asset-liability ratio, and effective internal control system against corruption
	employee	To pay wages on time To pay social security costs Job skills and career development funding Funding for trade unions Labor protection products, regular medical examinations of employees, occupational safety and health facilities and education funding Reward employees who make efforts to eliminate bribery and corruption and so on The increased system of employees wages Accident index
	consumer	Reasonability of product/service Integrity of the enterprise

economic	Business partners	Reasonable purchase price and pay on time Sharing the cost of the social responsibility of business partners To promote business partners to take action against corruption
	community	Contribution to the growth of local economy Community environment and safety funding Community education and public utilities funding Local tax
	offspring	To respect their economic interests and follow sustainable development
	Environmentalists	The budget for environmental assessment, environmental protection facilities and waste products Investment in environment protection The proportion of environmental friendly Products sales Energy consumption Emergency resources Costs of environment protection and education
	government department	Total tax
	regulatory agency	To comply with industry standards and norms
	civil society	To support their public welfare
	special interest group	To balance the interests with each other
	industry and trade groups	To comply with industry standards and norms
	media	To cooperate with the media and respect public concern Public awareness of products and services
	competitor	Sharing of benefits and costs
	legal	.....
ethic	.....	
philanthropic	shareholder	Guide and encourage them To spend in social investment and responsible investment
	employee	To help the poor employees To help their career development To respect local culture and customs To reduce the safety and health risks To improve working environment continuously
	consumer	Sustainable innovation in products and services To guide them to purchase responsibility products and services to promote sustainable consumption To provide consumers with public interest products/services
	Business partners	To encourage responsible suppliers by holding and increasing orders To improve the social responsibility level of supply chain

community	Public donation To solve their social and environmental issues To explore the potential local traditional knowledge and technologies and protect the rights of communities to them allow technology transfer and dissemination and improve their ability to use the technology To support employees to join in community volunteer service activities To avoid community dependence on corporate philanthropy
offspring	To consider for future generations in all aspects and provide enough development chance for them
Environ-mentalists	Donation for environment protection To finance or develop new technologies such as environment protection, pollution treatment, renewable energy and recycling economy
government department	To response to the government call of philanthropic positively and participate the formulation of national philanthropic policies actively
regulatory agency	To support regulatory agency and promote the development of industry actively
civil society	To be partner with civil organizations Actively support and participate their activities
special interest group	To participate and promote their corporate governance and cooperation projects actively
industry and trade groups	To support and promote their development actively
media	To participate voluntarily in public welfare activities
competitor	To share resources including knowledge and information, learn from each other and promote win-win

## V. CONCLUSIONS

(1) Based on Carroll's social responsibility theory, the scope of CSR include economic responsibility, legal

responsibility, ethical responsibility and philanthropically responsibility. Meanwhile, the scope and the basic elements of corporate social responsibility can represent the social expectations in a particular time. So CSR are dynamic.

(2) CSR can be shown in business relationships with its stakeholders. The relation is bidirectional. The stakeholders include direct stakeholders, composed of shareholders, employees, consumers, business partners, communities, future generations, natural environment (protection group), and indirect stakeholders, include government departments, regulatory agencies, civil organizations, special interest groups, industry and trade organizations, media, competitors.

(3) CSR index system theoretical framework was established based on Carroll model and stakeholders theory. The index system includes social responsibility categories (first order), stakeholders (second order), and concretely specific indexes (third order), which can provide a foundation for evaluation of CSR ability and level.

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