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AN EMPIRICAL ANALYSIS ON STAKEHOLDER THEORY AND CORPORATE SOCIAL RESPONSIBILITY

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Abstract

This paper is about Stakeholder theory and their social corporate responsibility. This article probes the liberal development of the estimations behind Corporate Social Responsibility within the literature and some of the current attempts to define the social responsibilities of business. It starts by examining the debate about the nature of corporate social responsibility and current attempts to define Corporate Social Responsibility. Then we look at stakeholder theory to explain how and why business might guarantee Corporate Social Responsibility.

Introduction

Most of the CEOs believe that "society has greater expectations than it did five years ago that companies will presume public responsibilities" [1]. This raising pressure on organizations demands that they adopt a broader perspective on their purpose—one that includes social and environmental circumstances. Successively, corporate social responsibility has grown into a global development that comprehends businesses, consumers, governments and civil society and many organizations have assumed its discourse. [2] The motivation for companies to guarantee activity that might be regarded as socially responsible has been discussed in the literature and has been a topic of academic study for decades. Yet despite this global spread, corporate social responsibility remains an uncertain and poorly defined ambition, with few absolutes.[3] First, the issues that organizations must address can easily be interpreted to include virtually everyone and everything.[4] Consequences referring to corporate social responsibility can “vary by business, by size, by sector and even by geographic region”,[5] relating to concerns about human rights, workers’ welfare, environmental affects, business morals, community investitures, governance and the marketplace. The vast range of such consequences places tremendous pressures on organizations.

Some unique often particular characteristics, different stakeholder groups tend to focus only on specific issues that they believe are the most appropriate and relevant in organizations’ corporate social responsibility programs. Thus, beliefs about what constitutes a socially responsible and sustainable organization depend on the perspective of the stakeholder.

Social obligations of Business:

The area determined by advocates of Corporate Social Responsibility increasingly covers a wide range of events such as plant closures, employee relations, human rights, corporate ethics, community relations and the environment. Corporate Social Responsibility Europe, a membership organization of large companies across Europe, in their covering guidelines looks at the following areas: workplace (employees), marketplace (customers, suppliers), environment, community, ethics and human rights.

Whether or not, business should attempt Corporate Social Responsibility and the forms that responsibility should take depend upon the economic perspective of the firm that is adopted. Those who assume the neo-classical view of the firm would believe that the only social responsibilities to be assumed by business are the preparation of employment and payment of taxes. This aspect is most splendidly taken to the extremes of maximizing shareholder value. ‘Few trends would so enormously subvert the very foundations of our free society as the sufferance by corporate functionaries of a social responsibility other than to make as much money for their shareholders as they possibly can.’ Exponents of Corporate Social Responsibility claim that it is in the cleared up self-interest of business to guarantee various forms of Corporate Social Responsibility. The courses of business welfare that might accrue would include enhanced reputation and greater employee commitment and holding. We can identify this approach in some of the current approaches by business.

Stakeholder theories to analysis Corporate Social Responsibility:

The Stakeholder Theory of the immobile is used as a basis to analyze those groups to whom the firm should be responsible. A stakeholder is "any group or individual who can affect or is affected by the achievement of the organization's objectives". A elementary stakeholder group as "one without whose extending participation the corporation cannot survive as a going concern" – with the primary group including "shareholders and investors, employees, customers and suppliers, together with what is defined as the public stakeholder group: the governments and communities that allow infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and responsibilities may be due". The secondary groups are defined as "those who regulate or involve, or are regulated or involved by the corporation, but they are not enlisted in transactions with the corporation and are not essential for its survival". The major divide within stakeholder theory is whether it is a coherent theory or a set of theories. Effectively, the divide is whether stakeholder theory is a normative theory based upon largely ethical propositions or an empirical/instrumental/ descriptive theory. In terms of the issue of social responsibility, the fundamental consequence is whether stakeholder analysis is part of the need for business to be responsible and, if so, to which stakeholders.

An significant wonder that has been covered is to which groups do managers pay attention? A model was developed of stakeholder identification and salience based on stakeholders possessing one or more of the attributes of power, authenticity and importunity. Therefore, we might anticipate that firms would pay most attention to those logical stakeholder groups who have power

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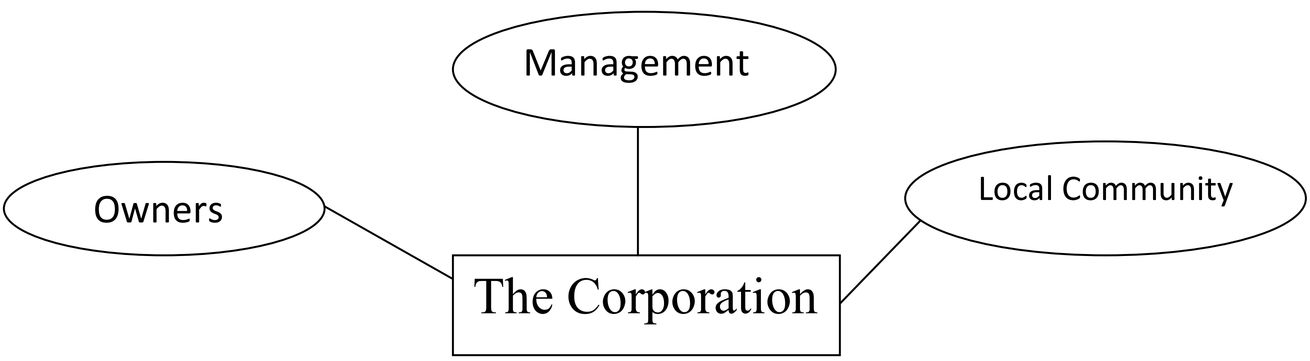
and importunity. In practice this might mean that firms with problems over employee retention would attend to employee issues and those in consumer markets would have regard to matters that affect reputation. Stakeholder groups may also become more or less pressing; so environmental groups and consequences became more pressing to oil firms.

We note from the current commercial advances to Corporate Social Responsibility that stakeholder analysis is crucial, but that the principle rests largely implemental. Nevertheless, there are elements that are also normative. For example, Business strike begins by advocating that Corporate Social Responsibility should be based against set purposes and values – nevertheless such purpose and values are also linked to 'contributing to repute and success'.

Concept of Stakeholder:

Stakeholders are the groups, and individuals who benefits from or are harmed by, and whose rights are violated or respected by corporate actions. The stakeholders concept is a generalization of the notion of the stockholders, who themselves have some special claim on the firm. Just as stockholders, who themselves have some special claim on the firm. Just as stockholder has a right to demand certain actions by management, so do other stakeholders have a right to make claims. The exact nature of these claims is a difficult question that I shall address, but the logic is identical to that of the stockholder theory. Stakes require action of a certain sort, and conflicting stakes require method of resolution.



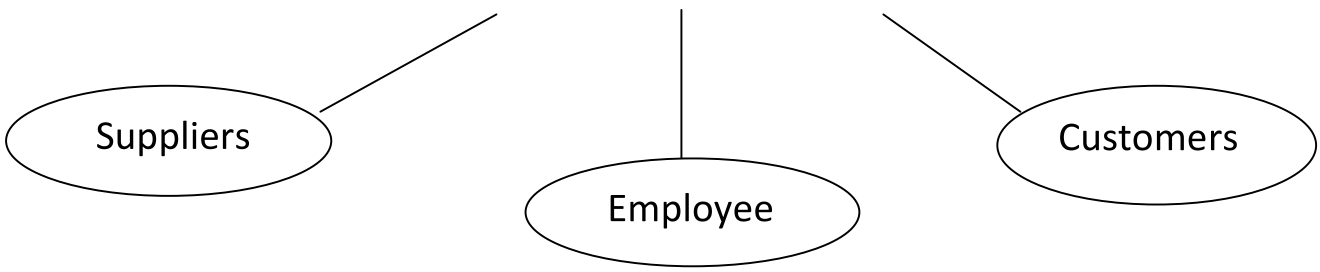
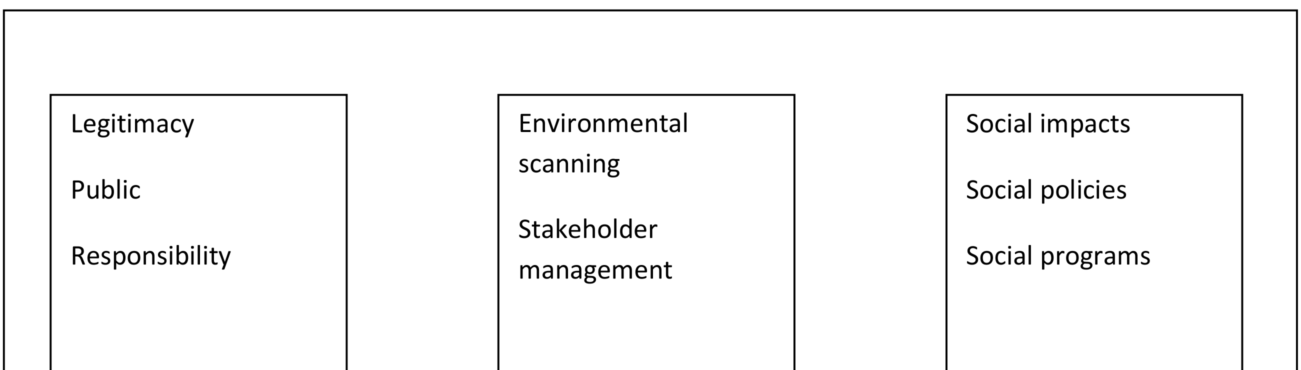


Figure 1. Stakeholder Model of Corporation

Evaluating Performance:

The literature on Corporate Social Responsibility and Stakeholder Theory come together in an examination of Corporate Social Performance. The literature has attempted to describe an emerging model of the issues that lead to a coherent model of what would represent corporate social performance. As such, this body of research is normative. However, it is also designed to assist mangers in thinking through social issues.

The corporate social performance model



Wood has thus introduced a need to measure corporate social performance. The model offers no guidance on how the measurement should be derived, other than by a reference to the corporate social reporting literature. For those businesses that undertake corporate social behaviour, the types of activities undertaken may be examined from an organisation-centred stakeholder perspective, with employees, the environment or the community as the typical stakeholder. However, this assumption should not discount the possibility that social behaviour might be undertaken for the benefit of shareholders or managers and presented as for the benefit of other stakeholders. The Wood model is effectively a normative model of a framework in which to assess corporate social performance – inherent in this model is an assumption that such behaviour is, in part, motivated by the interests of the firm and from the perspective of the firm. It should be noted, also, that the model does seek to measure the social outcomes of the corporate activity

– but it does, nonetheless start from a firm perspective.

Conclusion:

Controversy that handlers cannot make corporate social responsibility decisions on theoretical grounds, without conceiving multiple salient stakeholders with conflicting perspectives, the author suggests a more logically structured assessment. The proposed framework helps managers and stakeholders evaluate specific corporate social responsibility decisions according to four neutral corporate social responsibility principles and a five-stakeholder structure, which can be adjusted in size and composition as necessary. Specifically, managers should (1) encourage social benefit, (2) adapt the law out of respect, (3) rehearse business morals and corporate citizenship to advance the public interest and (4) have adequate discreetness to make corporate social responsibility decisions. These four impersonal corporate social responsibility conclusion precepts avoid assuming any particular corporate social responsibility perspective.

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