



13th Global Congress on Manufacturing and Management, GCMM 2016

The impact of coupling interaction of internal control and CSR on corporate performance—Based on the perspective of stakeholder

Zhu Yongming, Sun Yini*

Management and Engineering Institute, Zhengzhou University, China

Abstract

This paper based on the perspective of stakeholder and makes empirical research on the impact of coupling interaction of internal control and CSR on corporate performance by using the data of Shenzhen's A-share market listed manufacturing companies from 2010 to 2014. The results of the research show that internal control contributes to corporate performance improvement but inclines to be swayed by CSR. Corporate to shareholders, the government's responsibility significantly play a positive role in internal control, and have a positive impact on corporate performance. Corporate to creditors' responsibility has a negative effect on the internal control. Corporate to suppliers, employees, customers' responsibility and internal control is not noticeable.

© 2017 Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license

(<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Peer-review under responsibility of the organizing committee of the 13th Global Congress on Manufacturing and Management

Keywords: internal control; CSR; corporate performance; coupling interaction; stakeholder;

Introduction

China Securities Regulatory Commission and the Ministry of Finance jointly issued the "the general provisions of annual internal control evaluation report" in January 2014 marks the capital market to fully implement the corporate internal control system has a step forward. However, there are many shortcomings in the construction of internal control system currently, such as: imperfect internal control environmental management, internal audit function is difficult to play, the corporate staff capacity is low and so on. Studies have shown that the introduction of social responsibility in the internal control system will reduce the corporate "insider control" situation, the enterprise's internal control system can become more complete and effective^[1]. The concept of internal control has gradually penetrated into the "social person" from the perspective of "economic man"^[2]. Some scholars think there is a zero-sum game between CSR and firm performance, CSR has a strong intermediary effect in the process of internal control acting on financial performance^[错误! 未定义书签.]. So how does CSR affect internal control, and how does

* Corresponding author. Tel.: 18238827380; fax: 18238827380.

E-mail address: hxyzsunyini@163.com

it affect performance? At present, the path of the two concrete effects on corporate performance is still fuzzy. Therefore, based on the stakeholder theory, this paper attempts to discuss the impact of the interaction between internal control and corporate social responsibility on corporate performance from six aspects: shareholders, government, creditors, suppliers, employees and customers, thus opening the internal control and CSR The "Black Box" of Corporate Performance.

1 .Theoretical Analysis and Research Hypothesis

1.1. The impact of internal control on corporate performance

For the relationship between internal control and performance, there are many researches abroad, but there are few studies on the direct relationship between internal control and performance. The main research is the deficiency of enterprise management caused by low level internal control. Ge Weili. And Sarah Mcvay. (2005) conducted an empirical study of 261 firms with deficiencies in internal control submitted by the Securities and Exchange Commission and found that control points that were prone to major problems often had more complex business processes and profitability also will be reduced^[3].Yongtae Kim (2009) and other scholars also confirmed the results^[4].Recently, more and more studies have been conducted on the positive effects of internal control on enterprises.Brown (2014) argues that good internal controls can improve the accuracy of internal management reporting or internal data information by reducing unintentional accounting errors or deliberate accounting manipulation^[5].In addition, there are some empirical analysis of the results show that internal control and business performance are not related^[6].

1.2. The impact of corporate social responsibility on corporate performance

This paper mainly analyzes the impact of CSR on business performance from the perspective of stakeholders. According to the stakeholder theory, this paper defines CSR as the responsibility of the corporate to the shareholders, the government, the creditor, the supplier, the employee and the customers.

Frederick (1983) argues that managers should follow the basic tenets of maximizing shareholder value and continue to promote socially responsible activities that enhance business performance^[7]. However,because the different objectives of managers and owners, managers often pursue their own interests and ignore the owner^[8].

In the contemporary market economy, the relationship between government and enterprise is gradually changed from management control to mutual coordination. Enterprises through the law to pay taxes, comply with laws and regulations and other acts to fulfill the responsibility of the Government, establish a good relationship with the Government, and will receive government support.

Enterprises timely repayment and safeguard the interests of creditors will enable enterprises to a higher level of credit.The responsibilities to the creditors can reduce the shortage of funds, turnover and other risks^[12]. However, some scholars have pointed out that corporate social responsibility of creditors will have a negative impact on financial performance.

Enterprises and suppliers should on an equal and mutually beneficial attitude, take the initiative to bear the responsibility of suppliers, which can reduce the cost of inventory^[9]. Building good relationships with suppliers can not only shortens the time to market for new products to gain competitive advantage, but also allows them to obtain higher quality products at lower prices.

Bowen (1953) argues that the strategic objectives closely related to corporate team. Those who are actively concerned about social responsibility will establish a better relationship between enterprises and employees^[10]. Responsibility for employees not only enables employees to perform their tasks better, but also incentive them complete their own work outside of the enterprise effectively^[3].

At present, consumers not only pay attention to the quality of products,but also concerned about its after-sales services.Enterprises should actively safeguard the interests of consumers, providing consumers with quality products and services, which can increase consumer satisfaction and loyalty, thereby enhancing the economic efficiency of enterprises.

Download English Version:

<https://daneshyari.com/en/article/5028431>

Download Persian Version:

<https://daneshyari.com/article/5028431>

[Daneshyari.com](https://daneshyari.com)