

# Research on the Mechanisms of Stakeholder Influence on Corporate Social Responsibility

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**Abstract:** This study explores how firms use Corporate Social Responsibility (CSR) as a strategic tool for resource acquisition and risk management, drawing on resource dependence theory. It examines the role of external stakeholders—governments, industry associations, and suppliers—in shaping CSR initiatives, especially under regulatory uncertainty. CSR helps firms enhance legitimacy and secure critical resources like land and tax incentives. While CSR aligns with organizational goals, motivations vary: some firms engage in CSR for reputational benefits, others for resource access, and some may resort to "greenwashing." The paper concludes with suggestions for future research on CSR's evolving role in response to changing regulatory environments and stakeholder expectations.

## 1. Introduction

CSR has evolved into a crucial component of modern business strategies, increasingly shaped by public concerns about environmental sustainability, consumer safety, and labor rights. Traditionally, research has focused on how corporate values, resource constraints, and internal decision-making drive CSR adoption[1]. However, CSR implementation also requires effective external frameworks, particularly government involvement[2]. Governments play a pivotal role in shaping CSR through policy regulations, fiscal incentives, and enforcement mechanisms. In addition to encouraging corporate responsibility, government actions can address market failures and societal externalities. Nevertheless, challenges arise, particularly in transitional economies like China, where complex government-business relationships hinder the effective implementation of CSR.

In countries like China, the role of government in CSR is further complicated by regulatory capture. Despite efforts to establish regulatory frameworks, the deep intertwining of corporate and government interests often leads to market distortions. This dynamic undermines CSR initiatives as local businesses may influence government policies in their favor, driven by rent-seeking behaviors and economic protectionism[3]. The fiscal pressures faced by local governments, especially following the 1994 tax-sharing reforms, shifted their focus to economic growth, prioritizing it over regulatory oversight. This system incentivized local officials to relax enforcement, particularly regarding environmental and safety standards, creating an environment where businesses could exploit the situation, resulting in both regulatory capture and preferential treatment.

Research on regulatory capture has traditionally separated it from CSR studies. However, the interaction between government capture and CSR behaviors needs further exploration, particularly in transitional economies. This paper seeks to examine the bidirectional relationship between government capture and CSR, focusing on how such dynamics shape corporate CSR strategies and impact firm performance. By integrating these perspectives, the study highlights the need for a more comprehensive understanding of CSR in transitional economies. This research suggests that effective CSR strategies require institutional transparency, regulatory reform, and a clearer separation of government and business interests to foster long-term social and environmental benefits.

## **2. Strategic Drivers and Motivations**

### **2.1 The Role of External Stakeholders in CSR**

Key resources such as land, tax incentives, and entry barriers, often controlled by governments, may prompt firms to engage in CSR initiatives to mitigate uncertainty and adapt to regulatory frameworks[4]. Strengthening relationships with the government can improve access to these critical resources. Similarly, when industry associations shape regulations and market conditions, firms are motivated to build stronger ties with these organizations to secure resources that contribute to economic returns, making CSR a strategic tool for managing external dependencies.

CSR disclosure acts as signaling, allowing firms to communicate their commitment to societal welfare[5]. This transparency helps enhance a firm's public image, build social reputation capital, and foster stakeholder relationships, thereby reducing the risk of losing access to vital resources. Firms are incentivized to adopt CSR practices that enhance long-term sustainability and strategic positioning.

### **2.2 Resource Dependence Theory and Strategic CSR**

A firm's dependence on specific resources is a key driver of CSR initiatives[6]. The contribution of these resources to the firm's economic rent, their "stickiness," and scarcity determine the extent to which firms engage in CSR activities with resource owners. CSR behaviors vary depending on the resources a firm depends on. Strategic philanthropy integrates CSR with corporate strategy, suggesting that CSR not only contributes to societal welfare but also serves as a tool for acquiring critical resources and enhancing profits. This perspective supports the idea that "good actions lead to good returns," with CSR efforts expected to increase resources and profitability.

Porter's competitive advantage theory further emphasizes that firms can create shared value by strategically selecting CSR initiatives that improve the external competitive environment. By aligning CSR activities with the firm's unique advantages, companies can achieve both business and societal goals. Empirical studies have shown that firms that align CSR with public concerns generate both social and economic value.

### **2.3 Strategic CSR and Firm Performance**

Research indicates that firms with different CSR motivations exhibit distinct behaviors and outcomes. Profit-maximizing firms tend to engage in CSR activities that offer direct economic benefits, establishing a connection between CSR and financial performance. Studies in sectors like banking show that CSR motivations, including resource constraints or reputation management, can lead to differences in cost structures and profitability, reinforcing that CSR is not a one-size-fits-all strategy[7].

## **3. The Evolution of Fiscal Decentralization Theory**

Fiscal decentralization theory, introduced in A Pure Theory of Local Expenditure[8], has evolved, particularly regarding the efficiency of central and local government interactions in providing public goods. The trade-off between heterogeneity and economies of scale became central to determining the optimal level of decentralization. Later developments in the theory shifted focus from maximizing public welfare to the political behavior of local officials, viewing them as self-interested actors motivated by political and financial incentives.

### **3.1 Political Economy of Local Governments: Incentives and Behavior**

Under fiscal decentralization, local governments face increasing pressure to generate revenue, which often leads to a tension between development incentives and financial necessity[9]. Prior to 1994, local governments had strong incentives to stimulate local economies, but after tax reforms, fiscal pressure led governments to prioritize revenue generation over public welfare. This shift was amplified by performance-based assessments introduced in the 1980s, linking political promotion to economic growth. Consequently, local officials, driven by both financial and political incentives, may

reduce regulatory oversight on businesses to stimulate growth, often at the expense of public welfare.

### **3.2 Elite Capture and Government Regulation: Corporate Implications**

Elite capture theory highlights how powerful businesses influence government policies for their benefit. Local businesses can secure favorable terms, such as relaxed regulations[10], through lobbying or political contributions, which may benefit them at the cost of broader public interests. Studies on state capture suggest that firms with significant political influence manipulate regulatory environments to stifle competition and create monopolistic conditions, especially in transitional economies with weaker regulatory frameworks. Elite capture leads to market distortions, inefficient resource allocation, and reduced competition[11]. In such environments, businesses may exploit regulatory loopholes or engage in greenwashing to align with government priorities and enhance legitimacy while bypassing regulations.

### **3.3 Corporate Strategy in Response to Government Capture**

While elite capture and fiscal decentralization theories focus on government behavior, growing management research emphasizes the strategies firms adopt to navigate these dynamics[12]. Firms are increasingly tailoring strategies to engage with government policies. By aligning with local government priorities or participating in CSR initiatives, firms can secure valuable resources or reduce regulatory burdens. These strategies involve lobbying, forming political alliances, or engaging in regulatory capture tactics, such as greenwashing. Understanding the political economy of local governments is crucial for firms to minimize regulatory risks and gain a competitive edge[13].

## **4. The Intersection of CSR and Fiscal Decentralization**

The relationship between Corporate Social Responsibility (CSR) and fiscal decentralization is complex and multifaceted, with significant implications for businesses, governments, and society at large.

### **4.1 The Relationship and Implications between CSR and Fiscal Decentralization**

The relationship between Corporate Social Responsibility (CSR) and fiscal decentralization is intricate and multifaceted, exerting significant influences on businesses, governments, and society as a whole. In the context of fiscal decentralization, where local governments possess varying degrees of autonomy and are confronted with diverse financial and political pressures, CSR can serve as a means for firms to both adapt to and potentially impact the regulatory and resource allocation landscapes. For instance, in regions where local governments are highly concentrated on economic growth due to revenue generation incentives, firms may strategically utilize CSR initiatives to demonstrate their value as contributors to the local economy and society. This might involve investing in local community development projects, such as constructing schools or improving infrastructure, which not only enhance the firm's social reputation but also align with the local government's goals of promoting overall development.

However, the issue of elite capture complicates this relationship. When powerful businesses are capable of influencing government policies, CSR efforts may be misaligned or inappropriately utilized. For example, a firm might engage in CSR activities that are more cosmetic than substantive, such as greenwashing, to obtain preferential treatment from the government rather than making genuine endeavors towards sustainable development. This can lead to a situation where resources are inefficiently allocated, and the intended benefits of CSR for society are not realized.

### **4.2 Strategies for Firms to Cope with the Situation**

To address these challenges, firms need to adopt a more strategic and ethical approach. They should conduct in-depth stakeholder analyses to understand the genuine needs of the local community and the priorities of the local government. By doing so, they can design CSR initiatives that are both meaningful and in line with the broader public interest. For example, a firm in the manufacturing sector could collaborate with local environmental groups and the government to implement

sustainable production practices that reduce pollution and conserve resources, rather than simply making empty claims about environmental responsibility.

Moreover, transparency and accountability are of crucial importance. Firms should disclose their CSR activities and outcomes in a detailed and accurate manner, allowing stakeholders to assess the authenticity and effectiveness of their efforts. This can help build trust with the public and prevent accusations of greenwashing or other forms of corporate misbehavior. Additionally, industry associations and regulatory bodies can play a role in setting standards and guidelines for CSR in the context of fiscal decentralization, ensuring that firms are held to a certain level of responsibility.

#### **4.3 The Role of the Government and Collaborative Efforts**

From the government's perspective, local authorities need to be vigilant against elite capture and ensure that CSR policies and regulations are designed to promote genuine social and environmental benefits. They can achieve this by strengthening regulatory enforcement mechanisms, promoting public participation in decision-making, and providing incentives for firms to engage in sustainable and responsible CSR activities. For example, offering tax breaks or preferential treatment to firms that have a proven track record of effective CSR implementation. By understanding the dynamics at play and adopting appropriate strategies, firms can enhance their long-term viability and social license to operate, while governments can ensure that CSR efforts contribute to the overall well-being of society and the efficient use of resources. This requires a collaborative effort between businesses, governments, and civil society to create an environment where CSR is not just a public relations tool but a driver of sustainable and inclusive development.

### **5. Conclusion and Prospects**

#### **5.1 Conclusion**

The integration of Corporate Social Responsibility (CSR) into strategic management underlines its significance in resource acquisition and risk mitigation. Based on the resource dependence theory, this study highlights the role of external stakeholders such as governments, industry associations, and suppliers in shaping CSR strategies. Given the uncertainty in securing key resources (e.g., land, tax incentives), firms utilize CSR to strengthen relationships with these stakeholders, enhance their legitimacy, and gain access to essential resources. Aligning CSR with business objectives supports the notion that CSR can benefit both societal welfare and firm performance.

However, the motivations for CSR vary among firms. Some engage in CSR for reputation management or resource access, while others adopt it due to resource constraints, sometimes leading to actions like greenwashing. This indicates that CSR is a dynamic and context-dependent practice shaped by a firm's resource dependencies and strategic priorities. Overall, the role of CSR in modern corporate operations is becoming increasingly important, but its implementation process and effects are influenced by the interaction of multiple factors, presenting a complex and diverse situation.

#### **5.2 Prospects**

With the development of the times and the continuous changes in the social environment, the future direction of CSR will be profoundly influenced by various factors, and its role in corporate and social development will become even more prominent. The following aspects are worthy of in-depth exploration and attention.

##### **5.2.1 Adjustment of CSR Strategies in Response to Global Challenges**

In the context of the severe global challenges such as climate change and inequality, future CSR strategies need to be adjusted and optimized accordingly. Regarding the issue of climate change, enterprises will assume a more crucial responsibility. On the one hand, enterprises need to vigorously promote energy conservation and emission reduction measures in their production and operation processes, increase the utilization of renewable energy, and actively participate in the research, development, and application of relevant technologies such as carbon capture and carbon sequestration to reduce their carbon emissions and contribute to addressing global warming. For

example, energy enterprises can gradually shift from traditional fossil fuel businesses to clean energy businesses and increase their investment and development in renewable energy projects such as solar, wind, and hydro power.

On the other hand, enterprises should also raise the public's awareness and attention to climate change issues through CSR activities, such as conducting environmental protection publicity and education activities and sponsoring relevant scientific research projects. In addressing the issue of inequality, enterprises can assist the development of vulnerable groups through CSR initiatives, such as providing employment opportunities in poverty-stricken areas, improving education and medical conditions, etc. Meanwhile, the layout of enterprises in the global industrial chain should also pay more attention to fairness and sustainability to ensure that while pursuing economic benefits, they do not exacerbate the inequality among different regions and groups.

### **5.2.2 CSR Disclosure as an Important Signaling Tool for Multinational Corporations**

With the in-depth development of economic globalization, multinational corporations are playing an increasingly important role on the global economic stage. For these multinational corporations, CSR disclosure will become a crucial signaling tool for transmitting important information to global stakeholders. Accurate, transparent, and comprehensive CSR disclosure can demonstrate the efforts and achievements of enterprises in fulfilling their social responsibilities, enhancing the trust of global investors, consumers, employees, and local communities in the enterprise.

Multinational corporations need to comply with the relevant laws and regulations and standards of different countries and regions to standardize their CSR disclosure behavior. At the same time, they should also actively adopt internationally recognized CSR reporting frameworks, such as the standards of the Global Reporting Initiative (GRI), to ensure the comparability and consistency of the disclosed information. Through effective CSR disclosure, multinational corporations can not only enhance their international image but also occupy a more favorable position in the global market competition and attract more resources and partners.

### **5.2.3 Collaborative Development of CSR and Digital Transformation and Stakeholder Capitalism**

In the current era, digital transformation is profoundly changing the operation modes and market competition patterns of enterprises. In the future, CSR should be closely combined with digital transformation, making full use of the advantages of digital technology to enhance the efficiency and effectiveness of CSR activities. For example, enterprises can use big data analysis to accurately understand the needs and expectations of stakeholders, thereby designing and implementing CSR projects more targeted. Through blockchain technology, the traceability and immutability of CSR information can be achieved, enhancing the credibility of CSR disclosure.

At the same time, with the gradual rise of the concept of stakeholder capitalism, enterprises will pay more attention to meeting the interests of all stakeholders, not just those of shareholders. As an important means of coordinating the relationship between enterprises and society, CSR will play a more important role within the framework of stakeholder capitalism. By carrying out CSR activities, enterprises can better balance the relationships among different stakeholders, promote the harmonious development of enterprises and society, and thereby create more lasting value.

### **5.2.4 Deepening of the Impact of CSR on Corporate Performance and Social Development**

As CSR is increasingly embedded in corporate strategies, its impact on corporate performance and social development will continue to deepen. From the perspective of corporate performance, effective CSR practices are expected to bring multiple benefits to enterprises. Besides the traditional advantages such as enhancing brand image and employee loyalty, it may also play an active role in innovation. For example, through carrying out CSR projects related to environmental protection, enterprises may inspire their R&D teams to develop more environmentally friendly and efficient products or production processes, thereby enhancing the core competitiveness of the enterprise.

In social development, the widespread CSR activities of enterprises will converge into a powerful force, promoting greater progress in society in areas such as education, medical care, environmental

protection, and poverty alleviation. The increasing number of enterprises engaging in public welfare undertakings will help make up for the deficiencies in resources and capabilities of governments and social welfare organizations, promoting the comprehensive, coordinated, and sustainable development of society.

In conclusion, the future development prospects of CSR are broad, but it also faces many challenges. Enterprises need to continuously adapt to new situations and requirements and actively explore innovative CSR practice models to achieve a win-win situation for enterprises and society and contribute more to global sustainable development.

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