

Research on the Influence of Political Connection and Social Influence on the Social Responsibility of Listed Pharmaceutical Companies

Zeyuan Wang¹ and Yang Cao²

¹First author: Business management, School of International Pharmaceutical Business, China Pharmaceutical University, Nanjing, Jiangsu, China.

²Corresponding author: Professor, Pharmaceutical Industry Economy, School of International Pharmaceutical Business, China Pharmaceutical University, Nanjing, Jiangsu, China.

Abstract

According to 'Stakeholders theory', the interests pursued by the enterprise should not be limited to meet the needs of shareholders, the enterprise should also be responsible for all groups involved in the production and operation of the enterprise, enterprises need to fulfill certain social responsibilities to the corresponding groups. To solve this problem, this paper finds through empirical research on a total of 369 samples of listed pharmaceutical companies from 2018 to 2019, the political connection and social influence of executives have a role in promoting corporate social responsibility, simultaneously, media supervision can positively strengthen the influence of political connections, however, the strengthening effect on social impact is only effective for the "growth" enterprise. Based on this, this article suggests that, in order to improve the status quo of corporate social responsibility, in addition to giving senior executives corresponding awards or honors, they should also strengthen media supervision, regulate media behavior, and give full play to the media's positive regulatory role.

Keywords

Social responsibility; Political relevance; Social influence; Media supervision.

1. INTRODUCTION TO SOCIAL RESPONSIBILITY

Social responsibility, as the name implies, is the responsibility of enterprises to society, after the 1950s, it gradually become a hot academic research. There are two core issues regarding corporate social responsibility -- reasons for enterprises to assume social responsibility and the scope of corporate social responsibility.

The "stakeholders" proposed by the Stanford Research Institute in 1963 can answer these two questions to a certain extent. "Stakeholder" theory believes that the development of business management involves many groups, in addition to direct participants, such as shareholders, employees, etc., also includes rule-makers, government departments, and corporate propaganda media, which have an indirect impact on the production and operation of enterprises. In addition, they include local residents, local communities, and even the descendants of them (Freeman, 1984). Because production and management activities will affect these roles more or less, companies must consider their interests and give them compensation or compensation (Blair, 1995). From the perspective of stakeholder theory, the development of an enterprise depends on the satisfaction of the overall interests of all participants (Wan Jianhua, 1998), and the enterprise should inject vitality into economic development and solve local employment problems; abide by the local public order and good

customs, and improve employee morality Level; business activities are legal and compliant, and violations are corrected in a timely manner; maintain the local ecological environment and promote scientific and sustainable development. Therefore, the social responsibilities undertaken by an enterprise include but are not limited to economic, moral, legal, and environmental responsibilities.

But at the same time, Friedman opposed it sharply. In his view, as an independent profit organization, an enterprise is responsible for its shareholders is its social responsibility. In other words, the enterprise only has to bear economic responsibility. If the funds are used in non-profit activities, it will damage the interests of shareholders, and if the high burden is transferred to the product price because of social responsibility, it will damage the interests of consumers (Friedman, 1970), so Enterprises should not implement social responsibility. Assuming social responsibility requires high costs, he believes that this will reduce the competitiveness of enterprises, which is detrimental to the development of enterprises.

However, if an enterprise believes in "egoism" and only bears economic and legal responsibilities, it is not conducive to the long-term development of the enterprise. Society, as the soil for enterprise development, is also a source of benefit for enterprises, which requires enterprises to contribute to their maintenance. In addition, government departments have a limited role in maintaining the market and the environment, and the impact of individuals on the entire market and environment cannot be compared with enterprises. The sound development of markets and the environment cannot be separated from the power of enterprises. With the development of the economy, the environment The importance and protection of personal rights have also received more and more attention from the society, and the government has stepped up the implementation of relevant policies. It is not difficult to find that from the perspective of the government and the public, in addition to the provider of goods or services, the role of enterprises in modern society should also play the role of a helper for the benign development of the country and society, such as: governing the environment, improving employment, Promoting a balanced regional development, etc., it can be seen that this role has great public welfare, which conflicts with the company's "interest first" philosophy. There is no doubt that companies need to bear certain social responsibilities, and the fulfillment of social responsibilities should not be limited to economic responsibilities. However, without suitable incentive policies, the high cost of social responsibility will also deter enterprises. Therefore, exploring effective ways to guide enterprises to assume social responsibility is the focus of this study.

2. RESEARCH THEORY AND RESEARCH HYPOTHESIS

There will be two kinds of pressure in the process of production development and operation of the enterprise. One is the internal pressure generated by the shareholders. The enterprise needs to bring benefits to the shareholders through continuous production and operation activities. The other is the external pressure generated by other stakeholders. [2]. According to stakeholder theory, companies need to protect the interests of participants. For example, companies need to carry out payment activities to raw material suppliers in a timely manner, pay debts to creditors in a timely manner, pay employee salaries, protect employee rights and interests, and provide consumers with quality products and excellent services. Timely control pollution caused by production, etc. Of course, as a profit-oriented organization, enterprises are also subject to the development level of the enterprise and the pressure of market competition. It is impossible to meet the needs of all stakeholders, and it is impossible to actively assume social responsibility regardless of economic benefits and give up some people's Benefits are a common solution for enterprises. Only in this way can there be omissions in the implementation of social responsibility, such as counterfeiting, pollution discharge, and wage arrears.

Western countries have formulated relevant laws for this purpose, and control corporate behavior through legal forms. my country's research on social responsibility is late, but it also draws on the advanced Western experience and has issued a series of policies to set the bottom line for companies to fulfill their social responsibility. The introduction of relevant laws has improved the current status of corporate social responsibility to a certain extent, but it is undeniable that the provisions of policies and laws may lead to more passive implementation by enterprises, so that the standard of social responsibility only meets the requirements The minimum requirements and the scope of assuming social responsibility are also limited to the prescribed scope. In addition, policies and laws still need to be improved. Unreasonable points may be used by the enterprise, which may become a tool for the enterprise to damage the rights and interests of others.

Unlike legal responsibilities, the pressure of senior executives' political connections and social influence will be differentiated by their different identities. The political connection involved in this article is to consider the political identity of senior executives, specifically whether the senior executives hold positions in the National People's Congress or the CPPCC, and whether they hold positions in relevant government departments. The social impact refers specifically to the non-political social impact of executives, mainly to investigate whether senior executives serve in influential informal organizations, or social groups approved by the government and relevant departments, or whether they have been The awards from the government and relevant departments have won relevant honors.

The political connection and social influence of executives can alleviate the internal pressure caused by the development needs of enterprises. The informal relationship network established by the political identity of the executives can bring convenience to the development of the enterprise [3]. On the one hand, the social relationship between the executives and the government staff can make the company know the policy direction in time or even in advance, and take corresponding actions for the company in time To provide convenience in time, on the other hand, the political identity of senior executives as a potential resource for corporate competitiveness, gives companies a potential competitive advantage in the market environment [4]. The social impact of executives can also promote the development of the company. The positive social impact of executives helps to build a good corporate image and improve corporate reputation. Especially the awards and honors obtained by executives will also have a publicity effect on companies to attract consumption. At the same time, good reputation also facilitates the financing of financial institutions [5].

The political connection and social influence of executives bring more external pressures on enterprises. These external pressures force enterprises to fulfill their corresponding social responsibilities. The political identity and social influence of executives will attract more external attention, and as political status and social influence increase, the level of external attention received by executives will also increase, and public expectations and requirements will be stricter, except for normal In addition to conducting legal operations in the local area, the public is more inclined to hope that executives will take actual actions to give back to the society and consumers when they conduct business management, such as improving the cost-effectiveness of products, improving the level of services, actively participating in public welfare undertakings, and actively participating in environmental protection. Action and so on. Therefore, external attention, as a monitoring mechanism, forces managers to regulate their own behaviors and improve their own moral standards, through various means to enable companies to actively fulfill their social responsibilities in exchange for potential reputation or economic benefits, with political relevance and social impact Managers are standing under the spotlight of social concern, and naturally need to take corresponding activities.

3. EXPERIMENTAL DESIGN

3.1. Data Sources

This article selects the data of listed pharmaceutical companies in 2018-2019. The social responsibility data comes from the corporate social responsibility report of Hexun Online Market. The financial data comes from Guotai'an financial database. The political correlation, social impact and corporate nature data are manually compiled with reference to the information of listed companies. After excluding incomplete data, there are 369 listed companies in the final sample, including 177 in 2018 and 192 in 2019.

3.2. Variable Selection

The social responsibility (CSR) variable is relatively abstract and difficult to measure. There is no standard way to describe it in the academic world. Some scholars use clear financial indicators to measure, such as the amount of donations, the cost of pollution control, employee benefits, etc. These variables are objective and true, but they lack the consideration of enterprise differences and the content is relatively simple. The corporate social responsibility report of Hexun Online Market selected in this paper scores the three aspects of shareholder responsibility, employee responsibility and social responsibility. The shareholder responsibility is investigated from five aspects: profit, debt repayment, return, information disclosure and innovation. Performance, safety and employee care are measured from three perspectives. Social responsibility is calculated from the proportion of corporate income tax and public welfare donations, and the total score of the three sums is used as the social responsibility variable selected in this paper.

Political connection (PC) is a variable that measures the political experience of managers. When the chairman (including interim chairman and acting chairman) or general manager (according to the different titles of the most senior managers in each enterprise, including president, CEO, interim general manager, interim president, acting general manager, acting president, etc.) If you have served as a deputy to the local people's congress, the chairman of the CPPCC, or have served in relevant government departments, the value is assigned 1, otherwise it is 0.

Social impact (SI) is a variable that reflects the non-political influence of corporate managers in society. When the chairman or general manager has a certain social position, such as serving in an informal organization with a certain influence, serving in a social group approved by the government and related departments, or being awarded by the government and related departments for corresponding honors If it is equal, the value is 1, otherwise it is 0.

This article introduces media supervision (MS) as a moderating variable, focusing on the related role of media supervision on political relevance and social impact. According to the practices of Shen Hongtao and Feng Jie (2012) [9], in the China Economic News Database, "company name" is used as the key word, and under the condition of "all words hit", statistics on corporate news in 2018 and 2019 are counted. The number of articles reported, taking into account the search results of some enterprises is 0, this article uses "the number of articles plus 1 and then take the form of logarithm" as a measure of media supervision. Some scholars use the Baidu search engine to search for media news reports. This article does not use this method for three reasons: First, even if Baidu News is used for search, the search results are still messy, because Baidu search keyword recognition is fuzzy, when there is Keywords similar to the company's name will be counted in the results, resulting in some search results that have nothing to do with the company; second, it cannot be ruled out that the company colluded with reporters to make false reports for the sake of public opinion; third, there is no corresponding screening of the news collected by Baidu At the same time, with the prevalence of self-media in recent years, the number of reports to companies has expanded dramatically. The strong

subjective willingness of these self-media, coupled with the low threshold, also makes the quality and influence of reports uneven. The media included in the China Economic News Database all have a certain influence. The cost of conspiracy of companies and media to engage in false reporting is higher, and the information transmitted is more credible than Baidu.

Based on the research by Yi Fengpeng (2014) [8], this paper selects enterprise size, capital structure and financial performance as control variables. Among them, enterprise size (Size) is expressed by the natural logarithm of the company's total assets, and capital structure uses the asset-liability ratio (Lev) Means that financial performance is expressed in terms of return on equity (Roa). In addition, considering the different willingness of state-owned enterprises and private enterprises to undertake social responsibility and the external pressure they face, the nature of the enterprise (NE) is selected as the control variable. When the ultimate controller of the enterprise is the central or local state-owned assets supervision and management agency or other Relevant departments, the value is 1, otherwise it is 0. Taking into account the impact of corporate competitive pressure on fulfilling social responsibility, external competition (EC) is selected as the control variable, and the proportion of individual corporate operating revenue to overall corporate operating revenue is used as the measure. Taking into account the willingness of the overall board of directors to fulfill corporate social responsibility, the size of directors (BS) is selected as the control variable, and the natural logarithm of the number of directors is used.

3.3. Model Building

$$CSR = \alpha_0 + \alpha_1 PC + \alpha_2 Size + \alpha_3 Lev + \alpha_4 Roa + \alpha_5 NE + \alpha_6 EC + \alpha_7 BS$$

$$CSR = \beta_0 + \beta_1 SI + \beta_2 MS + \beta_3 SI \times MS + \beta_4 Size + \beta_5 Lev + \beta_6 Roa + \beta_7 NE + \beta_8 EC + \beta_9 BS$$

$$CSR = \gamma_0 + \gamma_1 PC + \gamma_2 MS + \gamma_3 PC \times MS + \gamma_4 Size + \gamma_5 Lev + \gamma_6 Roa + \gamma_7 NE + \gamma_8 EC + \gamma_9 BS$$

$$CSR = \delta_0 + \delta_1 SI + \delta_2 MS + \delta_3 SI \times MS + \delta_4 Size + \delta_5 Lev + \delta_6 Roa + \delta_7 NE + \delta_8 EC + \delta_9 BS$$

4. EMPIRICAL ANALYSIS AND RESEARCH CONCLUSION

4.1. Empirical Analysis

Table 1 is the test results of the mean and correlation test of each variable. Table 2 is the regression results of the political connection and social impact on the research of social responsibility of listed pharmaceutical companies.

M1 in Table 2 is the influence of political connection on corporate social responsibility. The correlation coefficient of the political connection (PC) is 2.037 greater than 0, and it is significant at the 5% significance level, indicating that the political connection has a positive impact on the performance of social responsibility, that is, the political connection of the executives actively performs social responsibility Has a driving role. M2 is the impact of social impact on corporate social responsibility. The correlation coefficient of social impact (SI) is 4.585 greater than 0, and is significant at a 1% significance level, indicating that social impact also has a positive effect on corporate social responsibility, namely The social impact of executives can promote the positive performance of corporate social responsibility.

Table 1. Mean and correlation test

	Mean	1	2	3	4	5	6	7	8
1									
Enterprise size	22.08	1							
2 Asset liability ratio	0.31	0.372**	1						
3 Return on net assets	0.029	0.004	-0.268**	1					
4 Nature of enterprise	0.16	0.267**	0.076	0.041	1				
5 External competition	0.0054	0.720**	0.350**	0.029	0.283**	1			
6 Size of directors	2.11	0.182**	-0.012	0.043	0.164**	0.277**	1		
7 Political connections	0.31	0.120*	-0.009	0.073	-0.052	0.139**	0.086	1	
8 social influence	0.35	0.101	-0.17**	0.092	-0.096	0.149**	0.008	0.99	1

Table 2. Executives' political relevance, social influence and media supervision's moderating role

	M1	M2	M3	M4
Intercept term	-8.758 (-0.637)	-8.392 (-0.628)	-15.333 (-1.087)	-13.969 (-1.010)
PC	2.037** (2.212)		-4.201 (-1.552)	
SI		4.585*** (5.104)		2.022 (0.804)
MS			-1.436** (-2.560)	-0.948* (-1.688)
PC × MS			2.227** (2.512)	
SI × MS				0.972 (1.096)
Size	1.414** (2.359)	1.325** (2.274)	1.889*** (2.990)	1.664*** (2.681)
Lev	-14.731*** (-5.231)	-11.727*** (-4.168)	-14.509*** (-5.199)	-11.569*** (-4.108)
Roa	2.981*** (4.537)	2.988*** (4.681)	2.873*** (4.415)	2.954*** (4.642)
NE	1.429 (1.183)	2.127* (1.796)	1.409 (1.177)	1.936 (1.629)
EC	54.179 (0.732)	10.282 (0.142)	25.794 (0.344)	3.346 (0.045)
BS	1.869 (0.797)	1.799 (0.795)	1.800 (0.772)	2.050 (0.906)

M3 is the study of media supervision (MS) on the adjustment of political correlation. The correlation coefficient of the interaction term (PC×MS) is 2.227, and it is significant at the level of 5%, indicating that media supervision has a positive adjustment effect on political correlation, that is, As the degree of media supervision increases, the political role of senior executives has a stronger role in promoting corporate social responsibility. M4 is the study of media supervision (MS)'s regulation effect on social impact. The correlation coefficient of the interaction term (SI×MS) is 0.972, but it is not significant, indicating that the media regulation's regulation effect on social impact is not obvious.

In addition, the size of the enterprise (Size) is significant at least at the 5% significance level in the four models, indicating that the size of the enterprise is also an important factor that affects the fulfillment of corporate social responsibility. Therefore, considering the influence of enterprise size on media supervision and regulation, this article further divides enterprises into 2 groups according to enterprise size. When the enterprise size is less than the average value of 22.08, it is the "growth" group, and when the enterprise size is greater than 22.08, it is "Mature" group. Table 3 is the empirical research results of media supervision and regulation after grouping.

Table 3. The mediating role of media supervision

	M5	M6
Intercept term	19.392 (0.663)	18.028 (0.542)
SI	-1.130 (-0.395)	4.426 (0.796)
MS	-1.946*** (-2.770)	0.441 (0.477)
SI×MS	2.606** (2.191)	-0.266 (-0.167)
Size	0.008 (0.006)	-0.032 (-0.021)
Lev	-7.103* (-1.885)	-14.460*** (-3.639)
Roa	10.784 (5.426)	2.155*** (3.010)
NE	-2.067 (-0.912)	2.912* (1.916)
EC	2562.996*** (3.013)	79.684 (0.784)
BS	1.529 (0.509)	3.240 (0.456)

M5 is the empirical research result of the media growth regulation effect of the "growth" group. The correlation coefficient of the interaction term is 2.606 greater than 0, and it is significant at the 5% significance level, indicating that for the growth companies, media supervision Social influence has a positive regulating effect, that is, with the strengthening of the degree of media supervision, the stronger the promotion of social influence of executives to enterprises to actively fulfill their social responsibilities. M6 is the empirical research result of the media supervision and adjustment effect of the "mature period" group. The interactive item

is -0.266 but not significant, indicating that for the mature period enterprises, the media supervision adjustment effect is not obvious.

4.2. Research Conclusion

Whether it is the political connection or social influence of executives, it can promote the improvement of corporate social responsibility performance.

By comparing the correlation coefficients of M1 and M2 executives' political associations and social impacts, it can be found that the correlation coefficients of executives' political associations are smaller than the correlation coefficients of social impacts, indicating that executives' social impacts on corporate social responsibility performance The promotion effect is stronger, which may be caused by the difference in political connection and social impact. Of course, there is no lack of ethical and high-profile managers, but for most managers, the choice of performing social responsibility projects is still inseparable from the consideration of corporate interests. Enterprises actively fulfill their social responsibilities, which helps to enhance their corporate image, enhance their potential competitive advantage, and also provide shortcuts for executives to improve their reputation. In fact, "fulfilling social responsibilities" is increasingly becoming a potential tool for corporate benefit (Jones, 1995) [10]. In this article, the social influence of executives refers to the social influence that is not political in nature, so the political identity possessed by the political connection is not possessed by the social influence. The political identity possessed by political connections brings potential market competitive advantages to enterprises, making it easier to realize benefits than companies with only social influence. When executives have only social influence, on the one hand, they have no hidden political connection Sexual advantage, the other party is also facing huge external pressure. The development of the company and the expectations of the public make it fulfill its social responsibilities, so the improvement of social impact is stronger.

Media supervision has a positive regulating effect on corporate political connections. As mentioned above, executives with political connections are more sensitive to media supervision. As media supervision increases, the actions of executives will become more publicly known, so they must be more cautious and careful to establish their own positive Image, pay more attention to regulating their own behaviors, for the companies they manage, they pay more attention to consumer experience, pay more attention to employee benefits, and are more willing to establish a good corporate image by giving back to the society, such as goodwill donations, environmental protection, etc., and seek long-term interest. Therefore, media supervision will enhance the role of political connections in fulfilling social responsibility.

Media supervision has a positive regulating effect on the social impact of the "growth" enterprise. In the early stages of development, companies did not have a corresponding public relations mechanism and a mature and stable corporate image. The guidance of public opinion has become an important way for the public to evaluate the company. In order to establish a good corporate image and maintain normal operations, companies have to be more sensitive to the media, whether it is Both positive and negative news have prompted companies to fulfill their social responsibilities. However, different companies are in the "mature stage". It is difficult to change the stable corporate image. It is difficult for general media reports to have an impact. Even if there is negative news, if the executives have only social influence but no political background, their experienced public relations Teams and strong capital support will eliminate negative impacts through various means, not just limited to the implementation of social responsibility. Therefore, media supervision has a limited role in regulating the social impact of the "mature stage" of the company.

5. SUGGESTIONS

The government can incentivize managers to actively fulfill their social responsibilities by giving awards to corporate managers, awarding honors or providing government positions. On the one hand, these honors are both an incentive and a responsibility. In this way, the behavior of managers is regulated and the managers are guided to give back to the society. On the other hand, this also has a certain incentive effect for the managers of other companies, especially for managers who develop stable or have a certain scale of enterprises, and gradually realize their self-worth or gain social recognition. One of the goals is that, in the context of China, being awarded by a government department or serving in a government department is one of the signs of achieving self-recognition. Therefore, this is more attractive to certain entrepreneurs and managers. The way is also an important way to encourage them to actively participate in the cause of social responsibility in accordance with the wishes of government departments.

By strengthening the supervision of the media, the promotion of political connections and social influence is strengthened. Use the high sensitivity of government association and social influence to media information, establish a long-term information disclosure system, build an information disclosure platform, broaden public information access channels, and give full play to the supervisory role of the people and the news media. Accurate media information is the guarantee of the role of media supervision. On the one hand, the government needs to strengthen the supervision of the news media to ensure that the information disseminated by the media is true and effective. On the other hand, media workers need to adhere to the moral bottom line, observe professional ethics, and ensure that the reported news is objective. Be rigorous, avoid distorting the news due to personal subjective factors and misleading public opinion, put an end to the phenomenon of false reports or malicious smearing due to personal interests, make full use of media supervision to promote enterprises with political connections and social influence to play a leading role, and actively promote enterprises Engage in social responsibility and fulfill practical activities

REFERENCES

- [1] H.H. Chen, S.H. Jia: The evolution and development of corporate social responsibility: Based on the understanding of comprehensive social contract, *China Industrial Economy*, Vol. 189 (2003) No.12, p.85-92. (In Chinese)
- [2] W.F. Wu, C.F. Wu, M. Rui: The government background and tax preference of executives of Chinese Listed Companies, *Management World*, 2009(03), p.134-142. (In Chinese)
- [3] Mike W. Peng, Peggy Sue Heath: The Growth of the Firm in Planned Economies in Transition: Institutions, Organizations, and Strategic Choice[J]. *Academy of Management*, 1996, 21(2).
- [4] X.Y. Hu: Political identity of private entrepreneurs and financing convenience of private enterprises—Take top 100 private enterprises in Zhejiang Province as an example, *Management World*, 2006(05), p.107-113. (In Chinese)
- [5] Sankar Sen, C.B. Bhattacharya. Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility[J]. *SAGE Publications*, 2001, 38(2).
- [6] J.F. Song: The study of the effects of the media attention on corporate social responsibility (MS., Nanjing University Of Finance & Economics, China 2014) (In Chinese)
- [7] W. You: The study of the effects of the media attention on corporate social responsibility information disclosure (MS., Yangzhou University, China 2015) (In Chinese)

- [8] F.P. Yi, E.M. Xu: Political connection of executives and corporate social responsibility—Empirical analysis based on Chinese Listed Companies, *Research on Economics and Management*, 2014(05): p.5-13(In Chinese)
- [9] H.T. Shen, J. Feng: Public opinion supervision, government supervision and enterprise environmental information disclosure, *Accounting Research*, 2012(20),p.72-78(In Chinese)
- [10] Thomas M. Jones. Instrumental Stakeholder Theory: A Synthesis of Ethics and Economics[J]. *Academy of Management*,1995,20(2).