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Full Length Research Paper

Using Tobin's Q ratio to testing the stakeholder theory applied to the corporate social performance

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Corporate social responsibility (CSR) is emerging as an important issue in global developments. Given their important role in the global supply chains, Taiwanese enterprises must keep up with the trend and stay connected with the world. Companies that want to grow up, need a socially responsible behaviour and some explicitly proposed tougher rules on disclosure and reporting. This paper brings up a brand new concept, which used Tobin's Q ratio to test the CSP metrics and elaborates the relationships between Tobin's Q and the corporate social performance in the perspective of stakeholder theory. The purpose of this paper is to test the stakeholder theory to see if it as an influence on the ratio of Tobin's Q, and then interpret it with the hypotheses of the corporate social performances metrics. The research suggested positive correlations between the returns on equity and Tobin's Q, as well as donations, environmental expenses and the other corporate social performances metrics. Thus, this paper helped the managers to gain an understanding on the current status and future development of CSR policies in Taiwan.

Key words: Stakeholder theory, corporate social performance, Tobin's Q.

INTRODUCTION

The government invests in infrastructure projects and maintains economic orders so that corporates can survive and thrive in a good business environment. Profitable corporates provide tax revenues to the government and can work with the government to develop the society and economy. Meanwhile, corporates can only attract consumers by addressing their needs, and offering safe and reliable products at a reasonable price and comprehensive after-sale services. On the other hand, any negligence in environmental and ecosystem protections may detriment the sustainability of the society and the safety of human lives. Corporates should look beyond shareholders' interests and assume the responsibilities and obligations for other stakeholders.

According to the framework proposed by World Bank in 1999, there are two types of corporate governance mechanisms. One is centered on the decision-making body (that is, the board) of corporates. It aims to maximize the long-term enterprise value by adhering to the interests of shareholders and other stakeholders in the regulatory framework of laws and contracts. The other mechanism is the market regulations and incentives established by the society to drive the implementation of corporate social responsibilities.

Since the 1990s, CSR started to gain attention from governments, consumers, and profit-seeking and non-profit-seeking organizations. International organizations (for example, United Nations, World Bank, Organization for Economic Cooperation and Development and International Labour Organization) also extend their support and establish a variety of guidelines for CSR initiatives. A survey by fortune, a magazine in the US found that, among the fortune 500 companies in 1977, less than half of them mentioned CSR policies in annual reports. However, nearly 90% of the Fortune 500 companies in the late 1990s included CSR policies as part of their fundamental goals, and provide details of their CSR activities in annual reports (Boli and Hartsuiker, 2001). It showed that CSR has become a focus of large companies in the US.

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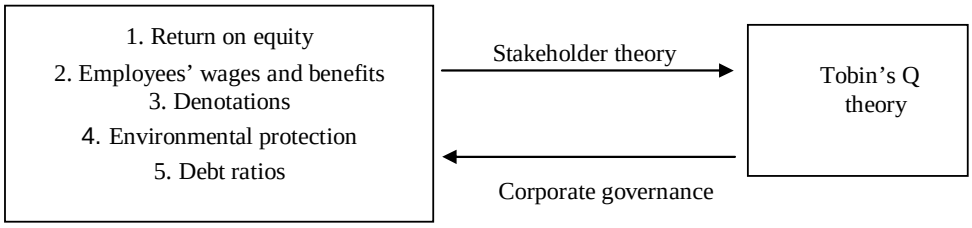

Figure 1. Conceptual framework.

As CSR certification institutions around the world, such as International Standardization Organization (for example, ISO 14000) and Social Accountability International (that is, SA 8000), indicate CSR management has become a critical issue. In Taiwan, CSR remains in its infancy, although listed companies are increasingly aware of this issue. It is necessary to further clarify the meanings and implications of CSR in order to guide the Taiwanese corporates to be in line with the world. From the strategic perspective, corporate performances are no longer measured with single financial metrics. Rather, financial metrics and corporate social performances should be taken into account to ensure long-term competitiveness (Gray, 2000; Paine, 2003; Chen, 2008). This paper helped the practitioners to gain an understanding on the current status and future development of CSR policies in Taiwan.

Most of the Taiwanese literature addressing corporate governance and operational performances was based on the perspective of neo-classical economics. Corporate performances are evaluated with the economic metrics that favour the maximization of shareholders' wealth, without considering corporate social performances relevant to other stakeholders. However, it is insufficient to only take the economic profits and maximization of shareholders' wealth into account, as the global community is emphasizing on the long-term sustainability of corporates. Meanwhile, there lack literatures on the correlation between accounting and finance, and corporate social performances in Taiwan. This may be one of the reasons for the slow adoption of CSR. This paper delves into the frequently seen stakeholder issues in the listed companies in Taiwan and referred to the finding as the foundation in exploring the effects of corporate governance on corporate social performances. It was hoped that the results can assist in the integration of corporate governance, stakeholder theory and CSR theories.

RESEARCH HYPOTHESES AND DESIGN

Research hypothesis

The hypotheses are established according to the conceptual framework (Figure 1) and the purposes of this paper in terms of the stakeholder theory and corporate governance. There is still no consistent CSP measurement. In practice, CSP rankings are based on two dimensions: (1) proactive actions to better the society, such as investments in charities; (2) ability to suppress negative elements to the society, such as environment protections and pollution control. Generally speaking, failure to achieve these two goals may result in punitive measures, in legal, economic or social aspects, taken by stakeholders (Godfrey, 2005). According to the survey performed by Global View monthly magazine in 2006, 55.3% of the listed companies disclosed CSR information. The top three CSR priorities in the agenda of the listed companies are financial information disclosures, protection of employees' rights and environmental protection.

In the late 1990s, there were increasing volume of research on the relationship between strategies and market outcomes (Kotler and Lee, 2005; Porter and Kramer, 2002, 2006). The findings linked CSR with corporate performances. Moreover, CSR has been increasingly rationalized and linked with organizational goals over the past 20 years. For example, corporate reputations and stakeholder management are the topics widely discussed recently. Many studies suggested that CSR has positive influence on bottom-line performances (Margolis and Walsh, 2003; Orlitzky et al., 2003). CSR campaigns associated with the environment are widely supported by institutional investors (Lee, 2008) because they are convinced that active environmental management can eliminate unnecessary risks. Control, management and legal actions in this regard can boost competitive advantages (Vogel, 2005). "Social Responsibilities of the Businessman" published by Bowen (1953) is one of an early papers that established theories to connect corporates with the society (Carroll, 1979; Preston, 1975; Wartick and Cochran, 1985). He defines CSR as corporate policies, decisions and actions in compliance with social goals and values. In the 1960s, there were many consumer demonstrations due to the calls for consumers' rights. This presented a great challenge to corporate power and led to the deterioration of the relationship between corporates and the public in the US. Public boycott forced corporate managers to pay attention to social issues and took timely defense actions. Corporate managers even placed public relations in the high-level corporate agenda (Burt, 1983) by voicing the CSR activities through a variety of media (Zenisek, 1979). Davis (1973) believed that if the business environment is damaged, corporates will lose their support and customer bases. Hence, the narrow perspective of shareholder wealth maximization is not sufficient; corporates should also pursue environmental benefits for their long-term interests. Thus, there are five categories of empirical studies on CSR (Decock-Good, 2001; Igalens and Gond, 2005): (1) analysis of contents of annual reports, a method used frequently in accounting (Gray, Kouhy, and Lavers, 1995); (2) pollution indicators as the measurement for environmental aspects; (3) questionnaires to evaluate the perception and acknowledge of senior managers regarding CSR (Maignan and Ferrell, 2000); (4) corporate reputation indicators; (5) data generated by professional evaluation institutes (for example, KLD-Kinder, Lydenberg and Domini). Of course, each measurement has its own limitations and potential biases (Igalens et al., 2005). Carroll (1979) developed a three-dimension CSP model, and this model has been widely accepted in business and sociology domains. This has been extensively use and develop further (Miles, 1987; Ullmann, 1985; Wartick et al.,

1985; Wood, 1991). Trotman and Bradley (1981) found that the size of business is positively correlated with the level of disclosure of CSR information. Shen Hongtao (2007) indicates that the level of voluntary CSR information disclosure of Chinese listed companies is significantly positively correlated with their size and profitability.

Tobin's Q theory

Tobin's Q is the ratio of market value to replacement cost. Regarding the previous research, Tobin's Q is used to assess corporate value and operational performance. Tobin's Q measurement is elegant in its simplicity, and as such has much appeal in investment circles where investors and analysts continuously seek simple means to explain complex economic and business relationships. If the firm's Tobin's Q is greater than one, it indicates that profits from capital investments are greater than the cost of capital investments. Then, the firm should proceed to increase capital stocks. On the other hand, Tobin's Q reflects the intellectual capital of companies (Dzinkowski, 2000). As Tobin's Q of companies is higher, the book value is also higher (Stewart, 1997).Tobin's Q was quickly adopted by a variety of different fields within economics, including micro-economics, finance and the study of investment. Li Zheng (2006) used industry-specific factors, company size, asset and liability ratio, profitability and equity structure as control variables, CSR index as a testing variable and Tobin's Q as dependent variable.

Stakeholders' theory and corporate social responsibility (CSR)

The separation of ownership and leadership in the large-scaled corporations produces the so-called agency problems; owing to the industrialist's decreased control over the management. The potential conflicts of interests between the director and the agent give rise to the agency costs, hence, probably affecting the company goal of firm value maximization. Jensen and Meckling (1976) first bring up the agency theory for solving the agency problems. They believe that the management will pursue self-interests and take actions that go against the corporate goal of corporate value maximization. Stakeholder's theory argues that shareholders are just one of the many stakeholders, and corporate should strive to meet the needs of all stakeholders. Therefore, a complete set of corporate responsibility performances should include the legal, ethical and other voluntary metrics which other stakeholders focus on, in addition to the emphasis on financial metrics (Carroll, 1979; Weng et al., 1988). In other words, CSP reflects the responses and attitudes from corporate, through decisions and policies, to the needs and expectations of the society. They include CSR standards, social response procedures, organization and structure of policies, and initiatives to improve the society or avoid any harms to the society (Wood, 1991; Deckop et al., 2006; Godfrey, 2005). Most of the listed companies are controlled by single families (Claessens et al., 2000; Yeh et al., 2001). The greater the deviation between control and cash-flow rights, the more incentives the control shareholders have to embezzle the wealth of minority shareholders. They will invest resources to protect their own interests. Meanwhile, the costs and responsibilities resultant from the deviation are borne by all the shareholders; hence, the threat to control shareholders is weaker. This works against the CSR adoption (Dyer and Whetten, 2006). In contrast, a weak deviation will drive control shareholders to improve company images in order to maximize shareholders' rights; it will prompt them to maintain good interactions with stakeholders, maintain corporate reputations and engage in CSR activities.

Whetten and Mackey (2005), Godfrey (2005) and Trieschmann and Gustavson (1998) also hold similar views. They believe that reputations are beneficial to the accumulation of moral capital and protect companies in the way similar to insurance. This can reduce operational risks and avoid the threatening actions taken by stakeholders (Trieschmann and Gustavson, 1998). Companies can protect assets with continuous CSR activities. The drive for corporate citizens to establish intangible assets, such as identities, images and reputations, will drive CSR activities (Whetten and Mackey, 2002; Whetten et al., 2005). CSR-related literature suggested that company scales and industries are important factors (Carroll, 1979; Waddock et al., 1997; Ullman, 1985). Large companies receive more attention, so they need to respond to their stakeholders and engage in more CSR activities in an open way (Burke et al., 1986). Therefore, this paper established Hypothesis 1 as follows:

H_{1a}: The CSP of ROE and Tobin's Q is positively correlated
H_{1b}: The CSP of EER and Tobin's Q is positively correlated
H_{1c}: The CSP of EP and Tobin's Q is positively correlated
H_{1d}: The CSP of DEBT and Tobin's Q is positively correlated
H_{1e}: The CSP of DONATE and Tobin's Q is positively correlated
H_{1f}: The CSP of BS and Tobin's Q is positively correlated
H_{1g}: The CSP of OUTB and Tobin's Q is positively correlated

Data and operational definition

This paper investigated the 668 listed companies in Taiwan in 2006. After the elimination of 209 companies which were not on the calendar-year system and not offering sufficient variable data, this paper sampled the remaining 459 companies.

(1) The Tobin's Q estimates presented in the following table are based on an estimation method developed by finance professors Kee H. Chung and Stephen W. Pruitt in a 1994 paper entitled, "A Simple Approximation of Tobin's Q". Chung and Pruitt presented a formula that can be calculated using publicly available and easily verifiable company-specific accounting and market pricing data. Chung and Pruitt show that at least 96.6% of the variability of Tobin's Q as calculated more elaborately by Lindenberg and Ross (1981), this explained by the "approximate Q" presented herein. Company-specific Tobin's Q ratios vary significantly from industry to industry and, to a lesser degree, within industries, as shown in the table. The variability across industries is primarily due to the fact that companies in some industries employ relatively little capital and therefore generate unusually high returns on capital. Those types of companies typically trade at higher Q ratios than companies in capital-intensive, cyclical industries. Chung and Pruitt define approximate Q as follows:

$$\text{Tobin's Q} = \frac{(MVE + PS + DEBT)}{TA} \quad \text{where}$$

MVE: the market value of the common equity of a firm; PS : the liquidating value of the firm's preferred stock; DEBT: current liabilities minus current assets, plus book value of long-term debt; TA : the book value of the total assets of the firm.

(2) This paper followed the conventional approach by referring to financial performances as the CSP metrics for corporate responses to shareholders. These metrics included returns on equity (ROE) (Yang, 2004; Waddock and Graves, 1997). Financial performance is measured by using the return on equity (Craighead et al., 2004).

ROE = pre-tax profits/average equity

(3) In addition to employees' wages, companies should also take care of the quality of life for employees by provide benefits. This paper used the human resources spending as a percentage of revenues to measure corporate responses to employees. Such

spending included salaries, overtime fees, duty hour payments, remunerations to directors and supervisors, traffic allowances, year-end bonuses, wages, business incentives, payments to contractors, retirements, compensations, allowance for pensions, training and education expenses, benefits, insurance payments, lunch expenses, employees' event expenses, allowances for meals, medical expenses, and dividends to employees.

EER= human resources expenses/revenues

(4) In Taiwan, ISO14000 is the international standard in environmental management promoted by the government. ISO14001 certification indicates proactive measures taken to protect the environment. A lack of certification implies defenses or reactions in response; therefore, this paper referred to the ISO14001 certification as the CSP metric for environmental protection. Environmental protection (EP) is measured with dummy variables: 1 indicates ISO14001 certification, and 0 indicates otherwise.
(5) Because debt ratio have been suggested in previous articles (Ullman, 1985; McWilliams and Siegel, 2000) to be factors that affect both a firm's performance and CSP. According to Burke et al. (1986), firms attract more attention from stakeholders; furthermore, the leverage of the firm is an important variable, and we adopt the level of debt held by the firm.

Debt ratios (DEBT) = debts/assets

(6) Donations are the most tangible pro-bono spending that can be measured objectively; hence, this paper used donations as the CSP metric for charity work. Donations (DONATE) are measured with dummy variables: 1 means donations during the year, and 0 indicates otherwise. The information is based on disclosures in financial reports.

The board of directors is the core of the internal governance mechanism. The board is responsible for monitoring the management and resolves the agency problem between the management and external shareholders. The functioning of the board can influence whether shareholders receive reasonable returns. Board sizes are another factor determining the quality of the board functioning. Resources-based view argues that the larger the board, the greater the decision quality because of the diversity of backgrounds, technical competences and management calibre of the directors. Studies also showed that the larger the board, the wider the interests of the board. This can avoid collusion between directors and managers, and boost the operational performances of companies (Zahra and Pearce, 1989). Leland and Pyle (1977) assert that, inside shareholders often have better information about the firm's prospects. Thus the asymmetric information (known as signaling theory) has an important effect on capital structure. We believe that there exists a two-sided correlation between the share of inside ownership and Tobin's Q ratio. In the viewpoint of corporate governance, Yermack (1996) showed the size of board and corporate value (approximated by Tobin's Q) has significantly negative relationship.

CSR-related literature suggested that company scales are important factor (Carroll, 1979; Waddock et al., 1997; Ullman, 1985). Large companies receive more attention, so they need to respond to their stakeholders and engage in more CSR activities in an open way (Burke et al., 1986). The measurement of the control variables is as follows: this paper incorporated variables such as board sizes, seats held by external and independent directors, and company scales in the evaluation of financial metrics relevant to shareholders.
(7) Board size (BS) = the number of directors.
(8) Seats held by external and independent directors (OUTB)= Number of external and independent directors.
(9) Company scale (lnREV) =ln (revenues).

METHODS

In the models, the study postulate a relationship between Tobin's Q and the corporate social performance. So the study adopts a multiple regression analysis method to estimate the simultaneous equations.

$$TOBIN'SQ_i = \alpha_0 + \alpha_1 ROE_i + \alpha_2 EER_i + \alpha_3 EP_i + \alpha_4 DEBT_i + \alpha_5 DONATE_i + \varepsilon_i \quad (1)$$

ROE, Return on equity; EER, employees' wages and benefits; EP, environmental protection; DEBT, debt ratios; DONATE, denotations; ε, is the error term.

CSR-related literature suggested that company scales and industries are important factors (Carroll, 1979; Waddock et al., 1997; Ullman, 1985). Large companies receive more attention, so they need to respond to their stakeholders and engage in more CSR activities in an open way (Burke et al., 1986).

This paper incorporated variables such as board sizes, seats held by external and independent directors, company scales, relevant to shareholders, incorporated company scales and industries as control variables to estimate the simultaneous equations.

$$TOBIN'SQ_i = \alpha_0 + \alpha_1 ROE_i + \alpha_2 EER_i + \alpha_3 EP_i + \alpha_4 DEBT_i + \alpha_5 DONATE_i + \alpha_6 \ln BS_i + \alpha_7 OUTB + \alpha_8 \ln(REV_i) + \varepsilon_i \quad (2)$$

ROE, Return on equity; EER, employees' wages and benefits; EP, Environmental protection; DEBT, debt ratios; DONATE, denotations; lnBS, size of the board; OUTB, seats held by external and independent directors; lnREV, company scale.

EMPIRICAL RESULTS

The descriptive statistics of each variable are given in Table 1. Table 2 summarizes the Pearson correlation coefficients between each pair variables. The study finds close relationships between most of the CSP metrics and Tobin's Q, these correlation coefficients are significant at the 1% level. The empirical results based upon the multiple regression analysis method which examines the CSP metrics influence on the ratio of Tobin's Q are shown in Table 3. The Return on equity, Environmental

Table 1. Descriptive statistics.

Statistic	Sample size	Mean	Standard deviation	Minimum	Maximum
Tobin's Q	459	2.03	1.33	-0.19	18.3
ROE	459	7.27	19.44	-170.1	77.14
EER	459	8.03	13.66	0.22	192.31
EP	459	0.07	0.26	0.00	1.00
DEBT	459	38.1	17.98	3.91	97.02
DONATE	459	0.329	0.47	0.00	1.00
BS	459	9.57	2.59	5.00	20.00
OUTB	459	0.99	1.44	0.00	5.00
lnREV	459	15.29	1.50	8.83	20.60

Table 2. Summary of Pearson correlation coefficients.

	TONBIN'Q	ROE	EER	EP	DONATE	DEBT	lnBS	lnOUTB	lnREV
TONBIN'Q	1								
ROE	0.246**	1							
	(0.000)								
EER	-0.059	-0.211**	1						
	(0.205)	(0.000)							
EP	0.140**	0.020	-0.020	1					
	(0.003)	(0.673)	(0.673)						
DONATE	-0.037	0.056	0.007	-0.003	1				
	(0.432)	(0.229)	(0.886)	(0.944)					
DEBT	-0.353**	-0.310**	0.045	-0.045	0.080	1			
	(0.000)	(0.000)	(0.339)	(0.335)	(0.086)				
lnBS	0.107*	0.044	-0.090	0.245**	0.072	-0.054	1		
	(0.021)	(0.351)	(0.054)	(0.000)	(0.122)	(0.251)			
OUTB	0.182*	0.104	-0.047	0.003	-0.015	-0.012	0.194*	1	
	(0.018)	(0.178)	(0.546)	(0.972)	(0.849)	(0.874)	(0.011)		
lnREV	0.272**	0.291**	-0.459**	0.159**	0.102*	0.107*	0.304**	0.028	1
	(0.000)	(0.000)	(0.000)	(0.001)	(0.029)	(0.022)	(0.000)	(0.721)	

Sample size, 459; the value in the parentheses is the p value, and *** means significant at the 1% level.

protection, and Denotations all have significant positive influences on Tobin's Q ratio. Thus H_{1a}, H_{1c}, H_{1d}, and H_{1e} are not rejected, nor is $H_{1.}$ These evidences affirm the hypothesis of TOBINS'Q is positively correlated.

This paper controlled variables such as board sizes, seats held by external and independent directors, and company scales in order to perform a multiple regression analysis. The study find that Tobin's Q ratio has a significant positive influence on the other part (board sizes, seats held by external and independent directors and company scales) of CSP (Table 4). Meanwhile, VIF was the indicator to assess the collinearity of regression models 1-1, 1-2. When VIF was greater than 10, there was a high degree of collinearity. The highest VIF value in this paper was 1.574, indicating a lack of collinearity problems. Two models, that is D-W value was 1.834, indicating a lack of auto-correlation in error items and a compliance with independence requirements.

Table 3. The influence of the CSP metrics on Tobin's Q of corresponding period.
TOBIN'S Q = $\alpha_0 + \alpha_1 ROE_i + \alpha_2 EER_i + \alpha_3 EP_i + \alpha_4 DEBT_i + \alpha_5 DONATE_i + \varepsilon_i$

Dependent variable	Model 1.1	
Independent variable	TOBIN'Q	VIF
	17.707**	
ROE	3.225**	1.165
EER	-.268	1.048
EP	2.869**	1.002
DEBT	-6.553***	1.121
DONATE	-.478*	1.014
R^2	0.161	
Adjusted R^2	0.152	
F	17.392***	1.514
D-W	1.834	
N	459	

*** Represents significant at the 1% level.

Table 4. The influence of the other part of CSP on Tobin's Q of corresponding period.
TOBIN'S Q = $\alpha_0 + \alpha_1 ROE_i + \alpha_2 EER_i + \alpha_3 EP_i + \alpha_4 DEBT_i + \alpha_5 DONATE_i + \alpha_6 lnBS_i + \alpha_7 lnOUTB + \alpha_8 lnOUTB + \alpha_8 ln(REV_i) + \varepsilon_i$

Dependent variable	Model 1.2	
Independent variable	TOBIN'Q	VIF
	-1.216**	
ROE	3.47**	1.227
EER	1.58	1.356
EP	-.79***	1.059
DEBT	5.86*	1.393
DONATE	.39***	1.021
lnBS	-2.05**	1.241
lnOUTB	2.72**	1.068
lnREV	6.42**	1.574
R^2	0.408	
Adjusted R^2	0.378	
F	13.856***	
D-W	1.834	
N	459	

*** Represents significant at the 1% level.

Conclusions

Most literature measured corporate performances from the perspective of neo-classical economics by using financial metrics to evaluate the maximization of shareholders' wealth. CSP metrics with other stakeholders were not taken into consideration. Therefore, this paper believed it was necessary to construct a comprehensive set of CSP metrics. As companies are composed of agency contracts with shareholders (major shareholders and minorities), employees, creditors and communities, the management of these relationships to enhance operational performances should be the most paramount goal of corporate governance. Since operational performances depend on earnings (incomes and profits) minus expenses (expenses and losses), the interactions with stakeholders can be divided into earnings boosters and expense reductions. CSR activities are a way to communicate messages to stakeholders, so that they act to benefit the long-term development of companies.

The paper brings up a brand new concept, which used Tobin's Q Ratio to test the CSP metrics and elaborates the relationships between Tobin's Q and the corporate social performance in the perspective of stakeholder theory. Tobin's Q is the ratio of market value to replacement cost and is used to assess corporate value and operational performance. The research finding concludes the following: the research suggested positive correlations between the returns on equity and Tobin's Q, as well as donations, environmental expenses and the other corporate social performances metrics.

The Logit regression model in this paper constructed to assess the agency problem associated with Tobin's Q Ratio could also evaluate corporate responses to social groups and communities as measured by CSP metrics such as credit ratings, donations and environmental protections. Prices, qualities, after-sale services and brands are the key determinants of consumers' decisions.

CSR activities can convey the message that manufacturers assume their responsibilities to consumers, as well as enhance company profiles and attract more consumers. If payments are made on a timely manner, suppliers will be more willing to offer competitive prices. If companies can create a good working environment, career development and benefit schemes, they can attract and retain high-calibre talents. Community stakeholders take a cooperative attitude with CSR-active companies and avoid actions detrimental to company operations. All these can reduce expenses of companies. The finding strongly supports the proposition that, it is access to funds in excess of a company's immediate needs, that is, the main motivating force for management to decide to devote increased resources to CSR activities.

This paper made both academic and practical contributions. CSR is emerging as a key issue in globalization. The implementations and information disclosures in CSR in Taiwan are still in infancy. However, Taiwan plays a pivotal role in global outsourced manufacturing, with markets and partners overseas. Taiwanese companies have to keep up with the global trend to survive in world trades. Failure to keep up with the pace means pressures and difficulties and a disconnection with the world. This paper examined the stakeholder problems commonly seen among listed companies and presented its arguments in the context of key CSR issues in Taiwan. Attempts were made to integrate financial data and CSR surveys published by Global View monthly magazine.

This study demonstrates that these findings are largely

the consequence what is the true starting point in the relationship and the inclusion of these variables and different stakeholders enable us not only to determine the true strength of the relationship between CSR and future performance but also to gain a better insight into what it is that causes management to invest in CSR activities. In other words, this paper extended stakeholder problems in the observation of CSP to meet with the current needs of the society. Therefore, it is necessary to take into consideration the balance between CSP obligations to all stakeholders in the design of internal corporate governance mechanisms in order to sustain long-term advantages.

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