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Title	Corporate Social Responsibility And Stockowner-Employee Partnership : An Empirical Analysis
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Citation	地域経済経営ネットワーク研究センター年報, 6, 43-61
Issue Date	2017-03-29
Doc URL	https://hdl.handle.net/2115/66519
Type	departmental bulletin paper
File Information	061Han.pdf

Hokkaido University Collection of Scholarly and Academic Papers : HUSCAP

地域経済経営ネットワーク研究センター年報　第 6 号
北海道大学　2017 . 3

＜ Seminar ＞

Corporate Social Responsibility And Stockowner-Employee Partnership: An Empirical Analysis[1)]

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Introduction



Shareholders and employees are two important groups of stakeholders whose interests seem to be at the opposite ends of the spectrum. Shareholders, also known as stockholders or stockowners (hereafter used interchangeably), are omnipresent entities who generally do not directly participate in the day-to-day operations of the corporation and have the right to a certain portion of the company's profit in proportion to their investment. Employees, on the other hand, are the salaried people employed by the company to perform the actual work. The general notion is that shareholders are profit-driven and only seek to increase the value of their shares, so they tend to frown upon activities that may be in the employees' interests (such as welfare programs, higher compensation packages, etc.) because these might affect their dividends. Managers, a subset of employees that carry out decision-making tasks and play leadership roles, serve as the agents of shareholders. Traditionally, the managers are the middlemen who balance the interests of the different stakeholders.

Though there have been many studies over the years regarding the "agency problem" in the context of aligning shareholders' interests with executive management (i.e. owners and agents), few have focused on the actual relationship between shareholders and employees. This may be due to the aforementioned inherent clash in interests, or due to the fact that these two groups of stakeholders rarely need to interact with one another. However, exploring the possibility of a direct shareholder-employee relationship – as this paper will show – is beneficial and feasible. A shareholder-employee relationship helps promote corporate social responsibility (CSR) because firms must consider the interests of all of the relevant constituents, not just the stockowners (Freeman, 1984). The ISO 26000, which serves as the general guideline for social responsibility, encourages businesses to improve their impacts on their workers. A direct relationship between these two highly important groups of stakeholders, then, merits attention. Additionally, there are various theories about employee motivation to support this assertion. For example, when employees are personally and meaningfully involved with the organization beyond just doing their assigned tasks, their motivation and production are increased (Aggarwal and Simskins, 2001). Long-term employment relationships instill job security, and making efforts to build and maintain group cohesiveness are among the crucial factors to the success of employee participation programs (Levine, 1991). When all of these factors work together, a shareholder-employee relationship can strengthen stakeholder cohesion and lead to long-term financial and non-financial benefits for the corporation.

This paper is intended to provide the basis for exploring a direct relationship between shareholders[2)] and employees

1）This paper is a reduced and revised version of the paper originally presented at the 18th ESHET conference held in Lausanne, Swiss, 29-30 May, 2014

of a corporation. It will propose the possibility of a stockowner-employee (SOE) partnership model through a close study of a Korean corporation, Ssangyong Materials Corporation (hereafter 'Ssangyong'), an industry leader in the field of advanced material industry. Ssangyong undertook a novel and unique means of profit distribution when one of its non-institutional shareholders voluntarily donated a portion of his dividends to be distributed among employees, thereby generating conditions under which a direct relationship between stockowners and employees becomes feasible. The SOE partnership model utilizes the concept of *noblesse oblige* (nobility obliges) and seeks to establish the boundaries of and benefits from direct cooperation between shareholders and employees, not just for the parties involved, but also for another legitimate stakeholder of the corporation: the society at large. Utilizing data from surveys conducted in 2012, before the stock distribution, and afterwards in 2014, this article reinforces the main argument with empirical results to identify *who* are most sensitive to reciprocity.

An Interrelated Network of Stakeholder Incentives

Any discussion on corporate social responsibility is sure to include the mention of Milton Friedman's declaration in his 1970 *New York Times* editorial: "...there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits." Despite this mantra, in recent years, corporate social responsibility (CSR) has become an integral part of business. It has become the norm for most consumers to demand that companies take part in CSR while striving for their business goals (Epstein-Reeves, 2010). From the conventional point of view, it is expected that stockowners would resist CSR since they do not affect "the bottom line" of an income statement, but in reality, shareholder activism has continued to grow significantly (Activist Insight, 2012).

Conversely, over the past two decades, many corporations have been allocating increasingly significant portions of financial resources to increase distributions of corporate cash to shareholders and drive up stock prices; often, in the process of doing so, they fail to invest in the productive capabilities of employees (Lazonick and Sullivan, 2000; Lazonick, 2011). This prioritization of shareholders' and top managers' interests has been heavily criticized; for example, the Financial Stability Board (FSB), which oversees the coordination among the national financial regulators of the G20, identified "perverse" compensation practices as one of the main causes of the global financial crisis. As awareness of corporations' non-financial responsibilities increases, the general trend has shifted towards creating shareholder *value*, rather than shareholder wealth, by implementing practices to improve employee satisfaction, motivation, and work commitment (Pfeffer, 2009). Thus, shareholders are now better positioned to participate in CSR through the promotion of employee welfare. The changes in perception, and to a certain degree, public scrutiny, have created an environment that is conducive to the introduction of a shareholder-employee relationship.

A large body of research supports that highly motivated employees and higher levels of employee satisfaction generate better returns for companies across virtually all industries (see Edmans, 2011). Hence, as employee satisfaction is directly correlated with shareholder returns, a reciprocal relationship between these two groups of stakeholders becomes more likely. On the surface, at least, there are incentives for every party involved: 1) shareholders gain the dual advantage of socially responsible investing and increased shareholder value because 2) employees, who

2）For the purposes of this article, we do not distinguish between institutional and non-institutional investors, since investor interest in CSR can be found across both classes of shareholders. See Ullah and Jamali (2010) for an example of how institutional and individual investors approach social responsibility through Islamic Financial Institutions.

are generally happier and feel more fulfillment towards their jobs, work harder and become more productive, 3) which in turn leads to greater performance for corporations, which can sustain competitive advantage and customer loyalty by building a public image as an ethical company whose investors care about the well-being of employees, and 4) society benefits because these factors contribute to the development of better workplace environments and labor environments in the free market.

Why, then, has there been virtually no attention paid to the interrelationship between shareholders and employees? Previous literature has shown that both shareholders and employees affect corporate performance (Cronqvist and Fahlenbrach, 2007; Edmans, 2011). However, more emphasis is placed on shareholders because market forces such as competition, demands, infrastructure, and finite resources constrain the simultaneous fulfilment for the different stakeholders' different needs (Tobak, 2010). For example, when a company is in trouble, it may respond by turning to cost-saving measures such as massive layoffs and restructuring or outsourcing. While this may keep share prices afloat (and therefore not scare off shareholders and potential investors), employees suffer the full force of the consequences. The implication is that a shareholder-employee relationship is only feasible given a very specific set of conditions. This point is addressed later in the limitations and scope of the SOE Partnership model.

Expanding the Role of Shareholders

By definition, shareholders or stockholders are individuals or institutions that own shares of a business and are therefore entitled to certain rights and privileges accorded to such ownership. Since the 1960s, a substantial number of shareholders have begun to branch out of their traditional roles as profit-seeking partial owners of companies and have become involved in social and ethical aspects of the businesses that they invest in (Schueth, 2003). Shareholders now hold the power to influence CSR and may even pressure companies to become socially responsible through various mechanisms, such as filing shareholder resolutions. A pessimistic view of this phenomenon is in line with the reasoning for symbolic management; that is, shareholders show vested interest in CSR not for ethical purposes, but for their own benefit and public image. For example, Barnea and Rubin (2010) theorized that shareholders who are directly affiliated with corporations may even overinvest in CSR to seek private gain by improving their own reputations.

On the other hand, an optimistic view states that capitalism has now evolved to encompass such moral aspects. Dunning (2004) proposed the concept of 'responsible global capitalism (RGC)', arguing that knowledge and experience from the past has made it possible to overcome 'moral challenges' of global capitalism and make improvements through the implementation of moral standards. Also, the concept of humanistic capitalism, which fuses humanism with the principles of market-based economy, supports the idea that investors may accept lower financial returns in exchange for social good. These theorizations demonstrate how the future of the morality of capitalism is intricately intertwined with the role of corporations in addressing the challenges to modern capitalism. Hence, shareholder social responsibility (SSR) is beginning to attract greater interest from scholars and practitioners.

As the de facto owners of corporations, shareholders today are pressured to go the extra mile and seek beyond financial interests. Indeed, the decline of shareholder capitalism points to two different roles played by stockowners: the economic role, and the newer social role. In line with this, Glac (2010) identified two ways by which stockowners pursue their social roles: an active approach, namely shareholder activism, and a passive approach, socially responsible investing (SRI). The existence of shareholder activism, which also has a long history of legal precedents, shows

that stockowners may engage corporations to advance social goals, even if the reasons behind the actions may differ (Marens, 2002). There are many cases which showcase how shareholders are no longer content with better corporate performance if they come at the price of questionable ethical standards. A recent example would be the ousting of Mark Hurd, former CEO of computer giant Hewlett-Packard. Though he initially saved HP from financial doom, Hurd did so through aggressive cost-cutting measures which included massive layoffs, pay cuts, and the removal of many benefits. The company's corporate culture, the "HP Way", took a backseat to meeting short-term financial goals, and this volatile environment paved the way to the HP board of directors' firing of Hurd after a sexual assault allegation. Even though Hurd managed to achieve a magnificent turnaround for HP and caused the company's shares to soar, shareholders and the board of directors were unhappy with his unethical behavior.

Additionally, there is research to suggest that even shareholders who seek profit gain may have incentives to partake in social responsibility. A study by the University of Iowa in 2013 found that firms with higher rates of investment in CSR had less risky stock prices during economic downturns, since customer loyalty helped mitigate stock price instability. Thus, corporations with well-established CSR practices can be more attractive to investors. Socially responsible investing (SRI) has also been identified as having a positive impact on returns. The conventional assumption was that SRI forces investors to choose between high returns and social responsibility, and thus choosing the latter can harm returns. This assertion was backed by several studies, but later ones dispelled this notion and showed that SRI can improve returns. One of them was a study by Edmans (2011) which utilized data over a 26-year period to demonstrate that the positive impact of SRI on returns remains consistent over time, even when controlling for risk.

Employees and CSR

Even despite high rates of unemployment and economic instability in the status quo, employees still seek non-monetary objectives from corporations. In a 2012 survey by the nonprofit organization Net Impact, majority of respondents said that a job that enables one to make an impact is "very important or essential to my happiness", and even paycuts would be acceptable in order to work "for a company committed to CSR", "for a job that makes a social or environmental impact", and "for an organization with values like my own". From an organizational behavioral perspective, these behaviors correlate closely with employees' identification of their membership in the workplace. By associating themselves with ethical and socially responsible companies, employees feel a sense of pride and this gives them a deeper sense of fulfillment in their work and leads to greater job satisfaction (Riordan, Gatewood and Bill, 1997). In this context, CSR positively impacts employees because it "provides employees with (1) a sense of security and safety that their material needs will be met, (2) self-esteem that stems from a positive social identity, (3) feelings of belongingness and social validation of important values, and (4) existential meaning and a deeper sense of purpose at work" (Bauman and Skitka, 2012, p.69).

Like shareholders, employees become more invested in the non-financial aspects of companies. In this sense, socially responsible corporations can become more attractive to potential employees and encourage greater organizational commitment from current ones. CSR has been linked to organizational citizenship behavior (OCB), wherein employees voluntarily engage in actions that go beyond their job descriptions (Swanson and Niehoff, 2001), as well as better employee performance and ultimately, corporate performance (Gond, El-Akremi, Igalens and Swaen, 2010). Therefore, corporations that want to motivate employees can leverage CSR to their benefit.

The ‘business case’ for CSR argues that corporations undertake actions to respond to the societal expectations of good corporate citizenship if there are benefits for doing so (Carroll, 1991). Employees are obviously valued for their contributions to the bottom line, but society now expects corporations to pay due attention to employees’ well-being. Though CSR is often associated with environmental awareness and philanthropy, ethical labor practices are important because they demonstrate the corporation’s willingness to not only comply with legal regulations but also to care about employees. Holme and Watts (2000) defined CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.” In a nationwide survey by the National Consumers League in 2007, it was found that when Americans are asked to define corporate social responsibility, the most commonly given answer was “commitment to employees”. Also, in *Corporate Social Responsibility: A Case Study Approach* (edited by Chris A. Mallin), ‘employee health related’ and ‘other employee welfare related’ are listed as categorical subgroups of CSR. Hence, employee welfare is a critical component of CSR, and this aspect of CSR is addressed in the case presented in this article.

Towards a Comprehensive Shareholder-Employee Relationship

Now that the interrelated network of incentives for stakeholders of a company has been established, it is possible to pose this question: Can shareholders and employees – two groups of stakeholders who are traditionally at odds with one another, according to classical management theory – engage in reciprocity? Since shareholders are the owners of a company, they represent the highest level in terms of rank or superiority. Even top management must cater to the shareholders and if there are conflicts of interest, managers must balance them and they often do so with more weight given to shareholders’ needs. Changing the dynamics of the relationships within an organization to allow room for interaction between shareholders and employees may positively impact employee perception and motivation. Employees may not have a clear idea of whom it is that they ‘truly’ work for, since shareholders are not typically visible to them.

Traditionally, it was difficult to stipulate a shareholder-employee relationship because neither party was substantially involved in the organization. Shareholders invested money to get returns, and employees invested labor to get wages. Assuming that the profit of a company is the ‘pie’, giving wages to the employees would mean giving them more slices of the pie and leaving less for the shareholders. The opposite also holds true; more of the pie for shareholders leaves less for employees. Managers decide how to divide this pie in a way that keeps everyone happy, but because shareholders are those who provided (or at least contributed to) the funding to make this pie, they are often prioritized and the employees who worked to make the pie may be neglected. However, Yan and Weiping (2011) found that consistency of both shareholder and employee benefits leads to performance improvement. Their analysis of 5 years of financial data of 90 Chinese companies indicated that firms which coordinated the benefit distribution between shareholders and employees had better performance; moreover, overtly shareholder-focused firms performed worse than their more balanced counterparts.

Another argument for exploring this relationship is its potential impact on employee productivity. When employees are recognized and valued by the very people who own the corporation, it empowers them because they feel ‘important enough’ to become recipients of attention from such important individuals. Because employees have difficulty associating corporations with personal values, having a clear picture of the people that they work for can motivate

employees. Moreover, the knowledge that shareholders pursue socially responsible goals adds another layer to employees' social identification with organizations.

The Soe Partnership Model

The SOE partnership model in this paper proposes a means for stockowners to recognize that their gains are not the independent result of wise investment decisions, but rather, from the hard work and effort of employees. Socially responsible stockowners can use the profits from their investments for philanthropic activities to further social good, and there is no doubt that this brings benefits to society. However, the SOE partnership concentrates on creating synergy within the corporation itself, not the market economy. When stockowners voluntarily give back to employees in this manner, they recognize the value of employees and their contributions in a direct way. In the case of Ssangyong, the shareholder chose to give a portion of his shares, both directly employees and also as funds for employee welfare. While the latter is also a form of SOE partnership, we argue that the case presented in this paper strengthens the potential for reciprocity because the shareholder's action reaches individual employees by gifting them directly with stocks in addition to benefiting their overall welfare.

It is important to note that the SOE partnership is different from conventional models for improving employee engagement such as employee stock ownership plans (ESOP), stock options, and other similar plans that extend ownership to employees. Employees who own stocks as part of their pay package may be incentivized to care about long-term corporate performance because it directly affects their pay. This does not reflect 'responsible' liberalism, as examined in this study, because it simply becomes a form of compensation. Rather, the SOE partnership is more consistent with the concept of *noblesse oblige* ('nobility obliges'), which states that a person of noble status must fulfill social responsibilities and leadership roles. We argue that the *voluntary* actions of stockowners will positively impact employees more so than monetary compensation measures, such as bonuses, and potentially influence employees to have greater interest in socially responsible initiatives.

The previous sections have shown that there are many good reasons why such a partnership could be pursued. However, it is important to note that certain conditions must be met in order for the SOE model to come into fruition. For example, employees' existing perceptions of shareholders will influence how the shareholders' actions are viewed (i.e. as socially responsible actions). Even though there are incentives for shareholders and employees to participate, the SOE model hinges on the *positive outlook* of stockowners and employees with respect to their relationship, because they must see each other as *potential partners*. Thus, it would be unrealistic to generalize that this type of partnership would be applicable to all shareholders and all employees. As the findings from this paper show, certain groups of employees are more responsive to share the norm of reciprocity than others.

We hypothesize that those share the norm of reciprocity and develop the sense of partnership or solidarity will show greater sensitivity to the idea of corporate social responsibility and shareholder responsibility, while also supporting the dual reciprocal relationships between: corporation and society, and shareholders and society. This hypothesis is tested empirically through two survey studies conducted on a Korean company; the first survey was conducted in 2012 while the second survey was conducted in 2014, roughly two years after stock distribution, to see if the potential for reciprocity improved over time after the shareholder's voluntary donation of a portion of his stocks. The surveys aimed

to analyze whether the stockowner-employee (SOE) partnership is possible, and, if so, what effects it may have on business administration and social consciousness. The methodology is discussed in the next section.

Methodology

The methodology strategy employed in this article draws on two surveys conducted in June 2012 and in May 2014. The respondents of the survey were all employees of Ssangyong Materials Corporation. The company was chosen for the study because of its unique conditions: one of the shareholders contributed 100,000 stocks (worth around $300,000 USD) for the welfare of the employees (*Asian Economy News*, March 14, 2012), and transferred another 100,000 stocks to all the 283 employees of the company, with each employee receiving 353 stocks. The shareholder stated that this was his way of acknowledging that his returns were due in part to the hard work of the employees (*Asian Economy News*, March 14, 2012). This attracted large-scale media attention, and a follow-up report showed that the productivity of the workers of the company had increased (*Joongang Daily Newspaper*, October 15, 2012). With these conditions in place, this company was deemed as the most conducive subject for a study about the dynamic roles of shareholders that extend beyond traditional norms.

The questionnaires were constructed to include various items such as the perceived fairness of business administration, job satisfaction, corporate social responsibility (CSR), attitude toward the shareholders and stock market, and *noblesse oblige*, among others. All questionnaires were in Korean, and the relevant portions were translated into English for this study. We analyzed the data to attempt to measure the possibility of a shareholder-employee (SOE) partnership and its implications.

The population sampled in the study remained mostly consistent throughout the two survey periods. Having secured the cooperation of the company's management, it was possible to survey all employees, and <Table 1> shows the socio-demographic characteristics of respondents in in Study 1 (2012 survey) and Study 2 (2014 survey).

<Table 1> Socio-Demographic Characteristics of Respondents (Unit: %)

		Study 1, 2012 n=280	**Study 2, 2014 n=264**
Sex	male	92.1	93.2
	female	7.9	6.8
Total		100.0	
Age	19 - 29 years old	12.9	5.7
	30 - 39 years old	34.3	31.3
	40 - 49 years old	40.4	47.3
	50 - 59 years old	11.4	14.8
	over 60 years old	1.1	0.8
Total		100.0	
Education	high school or below	41.1	40.2
	university or above	57.9	59.5
Total		100.0	
Job description	production work	60.4	72.3
	clerical managerial work	39.6	27.7
Total		100.0	

Two caveats of the sample are the low proportion of female workers (7.9% and 6.8% in both surveys) and the low proportion of workers in their twenties and workers over the age of 60 (compared to the demographics of the Korean population as a whole). However, while homogeneity of any sample loses the benefit of variation, it has the advantage of intentionally avoiding the noise associated with factors related to gender and age. For example, Kareh et al. (2014) utilized gender as a mediator of employee responses to CSR. A 2010 survey by Consumerology Report showed that there is a generation gap in respondents' attitudes towards CSR, with young consumers under the age of 30 showing more cynicism than baby boomers. Therefore, while it is difficult to generalize the results of this survey, this study also offers a unique opportunity to closely examine the consciousness of a relatively homogeneous (with regard to gender and age) group of employees in a reputable Korean company. The next sections detail the findings from the surveys.

Results

This study narrows its scope to examine how employees see major shareholders. In the previous sections, we argued that shareholders' roles can be divided into the economic role (linked to the relationship between shareholders and the corporation) and the social role (linked to the relationship between shareholders and other stakeholders in society, as well as employees). The starting point of this study is the identification of how employees of a corporation view the social interests or the social role of the shareholders. From the perspective of employees, can shareholders and employees engage in partnership and have solidarity?

To answer this question, we measured employees' perceptions to shareholder partnerships at two different time periods. While both surveys measured how employees perceived the SOE partnership, as proposed in this article, and evaluated CSR, they serve different purposes. The first survey was conducted in June 2012, shortly after the shareholder's announcement of his stock donation. We determined that there was insufficient time lag to directly measure the effects of the shareholder action on employees, but the first survey was valuable nonetheless because it enabled us to gauge employees' existing perceptions and perspectives regarding the duality of shareholder roles. Thus, the results from this survey served as our starting point of analysis. The second survey was conducted in May 2014, roughly two years later. Under the key assumption that employees had become more attuned to the impact of the shareholder action, we analyzed the response to the stock donation in greater detail. Thus, the two surveys combined demonstrate how communicative rationality can facilitate a partnership between the two groups of corporate stakeholders.

Study 1: The 2012 Survey

1. The Possibility of the Stockowner-Employee (SOE) Partnership

We conceptualized the possibility of partnership between shareholders and employees along three dimensions. We structured the first survey to categorize employees based on their existing notions as well as their views on the social role of shareholders in order gauge their potential for partnership. To provide a comparison, we also measured employees' attitudes towards the economic role of shareholders and contrast the views on shareholder-employee partnership with shareholder-corporation partnership.

The first dimension for the SOE partnership is employees' experience in stock ownership. We predict that prior experience enables employees to empathize with shareholders, thereby providing a condition for possible partnership between the two parties. The second is employees' perception of the social interests and/or practices of the shareholders. We predict that if employees view shareholders as socially responsible, then there is a greater likelihood of successful partnership through shared norms of reciprocity. The third is the relationship between the changes in stock prices and the interests of employees. We predict that when employees are set to gain from rising stock prices due to their own stock ownership, it will be easier to achieve cooperation for partnership since the interests of shareholders and employees are better aligned. Thus, employees who score high in all three dimensions represent the group most conducive to the SOE partnership.

These three dimensions were measured through specific questions on the 2012 survey questionnaire, which provided the basis for our exploratory analysis. The first dimension was measured through the following statements, to which respondents could answer "yes" or "no": 1) "I have experience investing in stocks"; 2) "I am presently investing in stocks"; and 3) "I am a member of employee stock ownership association of my company". We assigned 1 point to every "yes" answer (resulting in a scale range of 0 to 3 points) and converted the sum into scores on a 100-point scale. The average score was 52.9 points, and we found that among the 280 employees, 162 people (57.9%) had scores of 51 points and above and are therefore deemed as the most suitable for partnership.

The second dimension was targeted by asking employees to rate the following statements about the shareholders using a five-level Likert item with minimal adjustments in wording for each statement: 1) "They are practicing the spirit of sharing"; 2) "They are contributing to the social development"; and 3) "They understand the situation of the employees". We added up the points of all six answers of the first and second dimensions and converted them into scores on a 100-point scale. The average score was 38.1, and we found that 42 people (15.0%) had scores of 51 points and above, and are therefore most suitable for partnership. Lastly, a sole statement measured the third dimension, which we deemed to be directly measurable through employees' responses: "Employees benefit if the stock price rises." We found out that the average was 45.8 points and 80 people (28.6%) had scores of 51 points and above.

After analyzing the responses of the 2012 survey, we classified respondents into four types based on their receptivity to the SOE partnership:

1) *SOE impossible*: not satisfied any of the three dimensions (25.4%)
2) *SOE somewhat impossible*: one out of three dimensions (51.4%)
3) *SOE somewhat possible*: two out of three dimensions(19.6%).
4) *SOE possible*: all three dimensions (3.6%).

The analyses show that only 23.2% of employees consider the SOE partnership as 'somewhat possible' or 'possible'. The remaining 76.8% consider the SOE partnership 'somewhat impossible' or 'impossible'. This outcome was expected since at the time of the first survey, employees did not have an acute awareness of reciprocal sensitivity with shareholders *resulting directly* from the shareholder's voluntary stock donation. Rather, we point out that these results are indicative of employees' existing perceptions of the possibility of the SOE partnership. To put it in another way, nearly one fourths of employees responded positively to the possibility of the SOE partnership even before being

sufficiently exposed to shareholders' reciprocal sensitivity. We deem this to be a promising starting point for our conjecture.

In contrast, employees showed greater responsiveness to the the possibility of the stockowner-corporation (SOC) partnership, which is based on the economic role of the shareholders. This was also expected, since the SOC partnership reflects the traditional role of shareholders in the corporation. To measure this aspect, we used the same three dimensions but modified the questions for the second and third dimensions to reflect the associated differences. The second dimension, regarding actions of the shareholders, was measured by employees' responses, also through a five-level Likert item, to the following statements: 1) "The shareholders, as sound investors, expand the value of the corporation"; and 2) "The shareholders perform the role of monitoring the business administration of the corporation". We found out that 176 people (62.9%) who scored 51 points or more satisfied the partnership between shareholders and corporation. The third dimension, i.e. the relationship between rise in stock price rise and the corporate profits, was measured by asking employees to evaluate two statements on the same scale: 1) "If the stock price rises, the business administration of the corporation gets better"; and 2) "If the stock price rises, the image of the corporation gets better". When the scores were converted to the 100-point scale, 196 people (70%) satisfied the condition.

Likewise, respondents were classified based on their responses to show receptivity to the SOC partnership by combining aggregate scores of the three dimensions. Compared to the SOE partnership, the proportion of employees who considered the SOC partnership as 'possible' was 33.6% (94 people). Additionally, 46.8% (131 people) thought the SOC partnership as 'somewhat possible'. These two groups together show that 80.4% of respondents perceive the SOC partnership positively, indicating that the traditional economic role of the shareholder remains more prevalent among employees' perceptions.

When we cross-analyze the two sets of data, we get three plausible attitudes of employees towards the role of shareholders: 1) an *optimistic* attitude showing positive responses to *both* the SOE partnership and the SOC partnership (22.5%); 2) a *realistic* attitude showing positive response to the SOC partnership but negative response to the SOE partnership (57.9%); and 3) a *pessimistic* attitude showed negative responses to both the SOE partnership and the SOC partnership (18.9%). Interestingly, among the respondents who were negative towards the SOC partnership, none were positive towards the SOE partnership; hence, there was no group of respondents which responded negatively to the SOC partnership while responding positively to the SOE partnership. These findings are organized in <Table 2>.

After excluding the 'pessimistic' group, which we deem to be unresponsive to any form of partnership and therefore unlikely to share the norm of reciprocity, we utilized the remaining two groups as a basis to analyze the remaining survey data. Thus, the 'optimistic' group represents the SOE-positive group, while the 'realistic' group represents the SOE-negative group, with both groups being positively receptive to the SOC partnership. The following analyses show the differences between these two groups in their evaluations of CSR.

<Table 2> Employees' Attitude toward the Role of the Shareholders from the 2012 Survey (Unit: % (Frequency))

Toward Shareholders -Corporation / Toward Shareholders- Employees	**Positive**	**Negative**	**Total**
Positive	Optimistic 22.5(63)		23.2(65)
Negative	Realistic 57.9(162)	Pessimistic 18.9(53)	76.8(215)
Total	80.4(225)	19.6(55)	100.0(280)

2) *Evaluation of* Corporate Social Responsibility

Topics on CSR have been actively discussed in Anglo-America and West Europe since the 1980s. However, there has yet to be an internationally established universal standard. For example, what is “social” in “social responsibility”? This in itself is debatable. Its focus depends on the history, culture and institutional arrangement. Discussion may diversify according to how the corporation sets its agenda, how social responsibility is socially shaped, and who is the responsibility addressed to, among others.

We conceptualized the ‘meaning’ of social responsibility of the corporations within the context of the Korean society and selected 15 items to measure the prevalent attitudes towards CSR. We asked the employees to rate the items based on a) importance and b) the extent that the item is realized in the corporation. The survey questions were designed to measure awareness towards CSR as well as the evaluation of Ssangyong’s social responsibility. We provided a five-point Likert scale and converted the results into a 100-point scale. Analyzing the results, we found out that there is a consistent discrepancy between two groups, i.e. the ‘SOE-positive’ group and the ‘SOE-negative’ group, regarding their evaluation of CSR. These outcomes are summarized in <Table 3>.

In line with our reasoning, the SOC partnership did not turn out to impact the employees’ awareness of CSR. While we cannot claim that the SOE partnership impacts the necessity of the CSR items, the results demonstrate that positive

<Table 3> Evaluation of CSR, 2012 (Unit: Max. 100 points)

Domains of Corporate Social Responsibility	Positive to SOE partnership	Negative to SOE partnership	Average
Proper Economic Activities of the Corporation	71.7	61.1	63.6
1. Making Corporate Profits	74.6	63.7	66.3
2. Increasing Shareholders’ Gain	68.8	58.4	60.8
Interests of Employees (Coexistence of Labor-Management)	62.7	50.6	53.4
Economic Goods	64.3	54.7	56.9
3. High Wage	62.7	53.7	55.8
4. Welfare Benefits	65.8	55.6	57.9
Management Response to Employees’ Needs	56.7	44.2	47.1
5. Job Security	72.3	62.4	64.7
6. Training Human Capital	58.5	40.9	45.0
7. In-House Daycare Centers	39.2	29.2	31.5
Human Rights and Communication	67.2	53.0	56.3
8. Grievance Settlement	61.2	45.7	49.3
9. Prohibition on Discrimination	68.8	56.7	59.6
10. Guaranteeing Trade Union Activities	71.5	56.4	59.9
Corporate Ethics	72.7	58.4	61.7
11. Transparent Management	68.1	52.0	55.7
12. Regulating Environmental Pollution	77.3	64.8	67.7
Corporation and Society (Coexistence with the Society)	58.7	43.4	46.9
13. Job Creation	56.6	39.5	43.5
14. Reinvestment to the Community	52.7	39.7	42.7
15. Win-Win with Subcontractors	66.9	51.0	54.7
Average	64.3	51.3	54.3

responsiveness towards the SOE partnership consistently influences evaluation of CSR. Study 1, therefore, showed that there is a correlation between attitudes towards the SOE partnership and the evaluation of CSR. Other results from Study 1 are elaborated in the Discussion section.

Study 2: The 2014 Survey

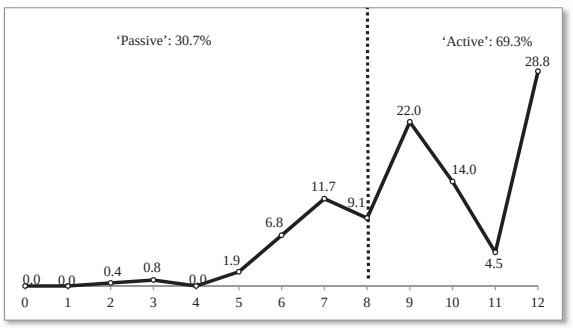
1. The Possibility of the Stockowner-Employee (SOE) Partnership

The second round of surveys utilized a revised and updated questionnaire. Although most of the questions were the same as Study 1, unnecessary items were removed while new ones were added. The most significant addition was the question: “At this point in time, how do you evaluate your feelings towards the shareholder’s voluntary stock distribution about two years ago?” The responses to these questions were measured using different items, and we focused on the following: 1) “My sense of pride about the company increased”; 2) “I was motivated to work harder”; and 3) “I expressed my sense of pride to family and friends”. These items were designed to measure employees’ perceptions of how the shareholder’s voluntary stock distribution had influenced their thoughts and actions regarding the company. Unlike Study 1, Study 2 measured the effect of the shareholder’s stock distribution directly.

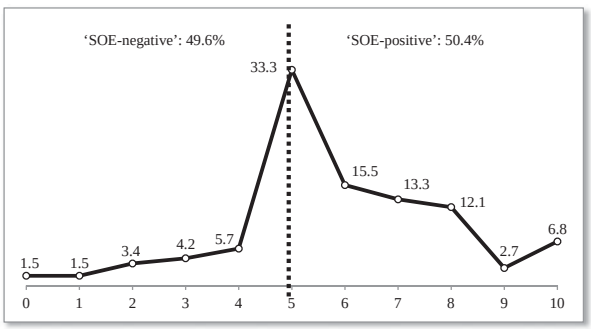
Responses corresponded to a five-level Likert scale based on the degree of agreement or disagreement with the item. “Strongly Disagree” was coded as 0, while “Strongly Agree” was coded as 4 points. By combining the three items, we constructed a 12-point scale, visualized in <Figure 1>, which divided respondents into ‘passive’ (scoring between 0 to 8) and ‘active’ (scoring above 9) respondents. The results show that the vast majority of employees responded more positively, and hence were categorized as ‘active’ respondents (69.3%).

While 30.7% of employees were ‘passive’ respondents, many of them still showed higher levels of response, with most employees in the ‘passive’ group clustered at around 6 to 8 points on our 12-point scale. Based on these outcomes, it can be concluded that the employees perceived the shareholder’s stock donation to be highly influential.

In similar vein to Study 1, we also asked employees about their views on the possibility of the SOE partnership. On an eleven-point Likert scale, employees were asked to rate the following statement: “Although shareholders and employees are vastly different groups of stakeholders, some proponents say that a partnership between the two is possible. How would you rate your opinion on this possibility?” Answers ranged from “no chance of a relationship” (coded as 0 points) to “high likelihood of partnership” (coded as 10 points). 0 to 5 points were categorized as ‘SOE-



<Figure 1> Distribution of Passive and Active Respondents (Unit: %)



<Figure 2> Distribution of SOE-Negative and SOE-Positive Groups (Unit: %)

negative', while 6 points and above were grouped as 'SOE-positive'. <Figure 2> shows the distribution of these two groups.

Surprisingly, almost exactly half of respondents responded positively to the possibility of the SOE partnership (SOE-positive: 50.4%) while the other half responded negatively (SOE-negative: 49.6%). Although there are some differences in measurement, this is still a remarkable change from Study 1, with the number of SOE-positive employees nearly doubling (up from 23.4% of employees who rated the SOE partnership as 'possible' or 'somewhat possible' in Study 1).

We constructed <Table 4> after cross-analyzing the two sets of data to test the relationship between the two variables. Utilizing the response to the shareholder's stock donation as the dividing point, the analysis yielded a statistically significant (χ^2 = 8.320) relationship between the response and attitude towards the possibility of the SOE partnership. Overall, employees who had an 'active' (positive) response to the shareholder's stock distribution were more positive towards the possibility of the SOE partnership.

<Table 4> Cross-Analysis of Responses (Unit: %)

Response to Shareholder's Stock Distribution	Attitude Toward the Possibility of the SOE Partnership		
	Negative	**Positive**	**Total**
Positive (Active)	61.1	77.4	69.3
Negative (Passive)	38.9	22.6	30.7
Total	100.0(131)	100.0(133)	100.0(264)

2) Evaluation of Corporate Social Responsibility

Using the same 15 items (from Study 1, but without the sub-categorizations) to measure the prevalent attitudes towards CSR, we measured employees' responses to different aspects of Ssangyong's CSR, this time on the basis of their response ('active' or 'passive') to the shareholder's stock distribution. The results are summarized in <Table 5>, with responses converted into a 100-point scale. The *F*-test results show that most of the relationships are statistically significant.

<Table 5> Evaluation of CSR, 2014 (Unit: Maximum 100 points)

Domains of Corporate Social Responsibility	'Active' Respondents	'Passive' Respondents	Total	*F*-Test
1. Making Corporate Profits	69.3	61.1	66.8	15.90***
2. Job Creation	58.2	48.5	55.2	14.98***
3. High Wage	60.7	51.9	58.0	14.00***
4. Job Security	69.3	62.7	67.2	7.87**
5. Training Human Capital	51.5	43.5	49.1	10.01**
6. Welfare Benefits	62.7	53.7	59.9	12.55***
7. In-House Daycare Centers	35.8	28.4	33.5	6.24*
8. Prohibition on Discrimination	58.1	50.3	55.7	8.47**
9. Grievance Settlement	49.2	39.2	46.1	13.82***
10. Guaranteeing Trade Union Activities	65.0	57.4	62.7	7.56**
11. Reinvestment to the Community	43.6	35.5	41.1	9.46**
12. Win-Win with Subcontractors	54.2	45.4	51.5	11.86***
13. Regulating Environmental Pollution	64.5	54.9	61.6	15.15***
14. Transparent Management	56.3	42.6	52.1	21.92***
15. Increasing Shareholders' Gain	58.7	50.9	56.3	9.31**

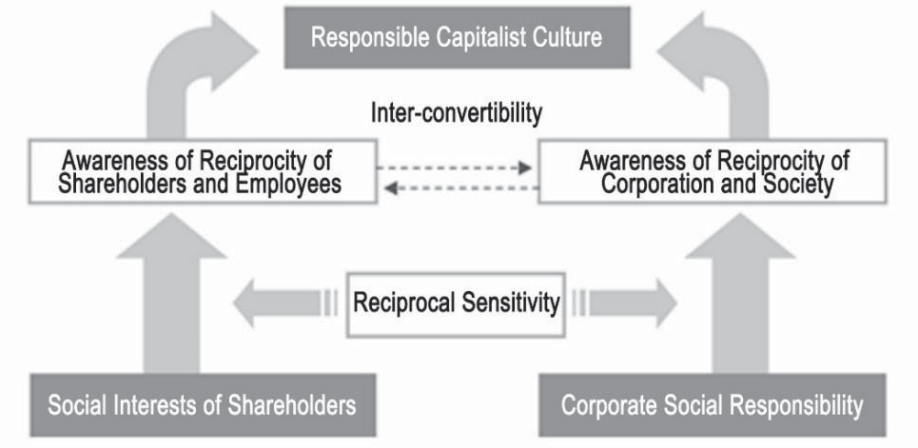
As a whole, employees who are 'active' respondents also evaluate CSR dimensions more positively. It is important to note that these results only show the employees' *opinions* of how important each CSR dimension is and how well the company is pursuing it; thus, they do not indicate the actual CSR outcomes of Ssangyong. However, we propose another way to look at the data: employees who are 'active' respondents tend to have more positive perceptions, in general, than 'passive' respondents. Thus, even if both groups are evaluating the items under the same conditions (that is, as employees of the same company), they perceive the reality differently. Other results from Study 2 are elaborated in the Discussion section.

Discussion and Conclusion

Inter-Convertibility of SSR and CSR

As the results from Study 1 and Study 2 show, shareholders are capable of influencing not only CSR activities of the corporation, but employees' evaluations of those activities. In this regard, we propose that there is inter-convertibility between the social responsibility of shareholders and CSR; that is, a liaison effect. The SOE partnership or reciprocity is an expression of SSR, and just as we assume that corporations evolve from profit-centric models to pursue more socially responsible initiatives, we can surmise that shareholders also take greater interest in social goals in addition to income-generating operations of the firm. Developing this line of reasoning enables us to establish several propositions, and <Figure 3> illustrates the visualization of our conceptual framework:

1) As more and more corporations begin to set more socially responsible initiatives, shareholders also pursue their interests in social responsibility.
2) 'Reciprocal sensitivity' is an intervening variable. Those who have higher reciprocal sensitivity respond more positively of the SOE partnership than those who do not.
3) Those with higher reciprocal sensitivity to CSR respond more positively to the corporation-society reciprocity (partnership) than those who do not. The corporation-society reciprocity (partnership) covers corporation ethics, ecological environment, and social coexistence, starting from labor-management coexistence.
4) Awareness of the SOE partnership and awareness of the corporation-society partnership are inter-convertible, thereby stimulating each other.



<Figure 3> Conceptual Framework of the Inter-Convertibility of SSR and CSR

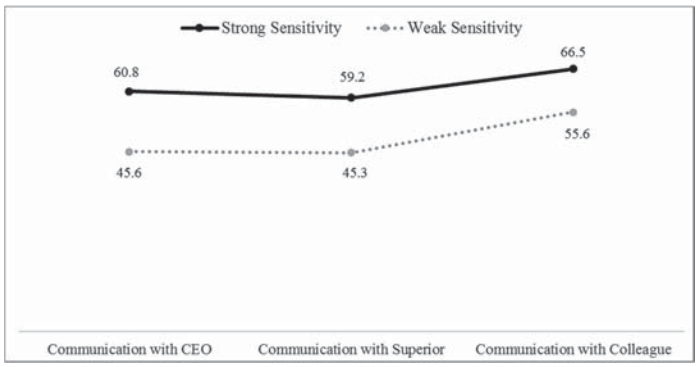
5) Synergetic effects of the SOE partnership and reciprocal sensitivity encourage positive work behaviors, such as organizational pride, among employees. This contributes to the formation of a responsible capitalist culture.

The key of this explanatory model is in the role of 'reciprocal sensitivity', because those groups who have high reciprocal sensitivity are more positively responsive towards the SOE partnership as well as reciprocity between the corporation and the society (through positive evaluations of CSR activities pursued by the corporation).

Reciprocity and Communication

Going back to the root of the research question in this article, we sought to examine which groups showed the highest reciprocal sensitivity based on the results from Study 1 and Study 2. In Study 1, employees in the 'SOE-positive' group – i.e. employees who considered the SOE partnership as 'possible' and 'somewhat possible' – can be described as the group with highest reciprocal sensitivity, since these employees were the most receptive to a reciprocal relationship between shareholders and employees. Similarly, in Study 2, employees who were 'active' respondents to the shareholder's stock distribution (and subsequently more receptive to the SOE partnership) represent those with higher reciprocal sensitivity. Both Study 1 and Study 2 consistently demonstrated the importance of communication as a critical component of reciprocity.

The communication structure and flow of the workplace is closely related to reciprocal sensitivity. In Study 1, those who indicated higher levels of communication with the CEO, superiors, and colleagues consistently showed stronger reciprocal sensitivity, as shown in <Figure 4>. In other words, those who get along well with others, rather than being alienated or excluded, respond more actively to the shareholder-employee and corporation-society reciprocity (partnership). Communication and understanding of others, then, forms a central pillar of reciprocity and partnership.

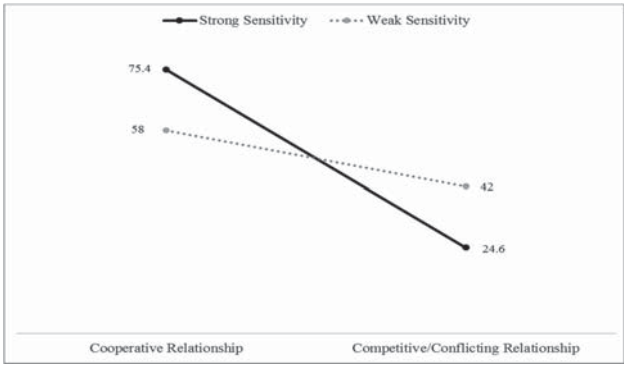


<Figure 4> Reciprocal Sensitivity and Communication (Study 1; Unit: Max. 100 points)

Study 2 takes the analysis a step further and yields a statistically significant ($\chi 2 = 8.093$) relationship between reciprocal sensitivity and communication. When employees were asked to describe the nature of the relationships between managers and employees, those with higher levels of reciprocal sensitivity were more likely to indicate the relationship was cooperative (75.4%, as opposed to the 24.6% within the group who saw the relationship as competitive and/or conflicting) than those categorized as 'passive' (58% for cooperative, as opposed to 42% for competitive and/or conflicting).

We interpret this as a sign of that the group with higher reciprocal sensitivity enjoys better communication. Previous research has found that managerial communication has a direct effect on employee perceptions of different facets of the organization, such as procedural justice, and directly affects employee commitment (Gopinath and Becker,

2000). Thus, we equate positive perceptions of manager-employee relations with higher levels of communication, thereby showing another consistent result of reciprocal sensitivity's positive correlation with communication. Our findings are illustrated in <Figure 5>.

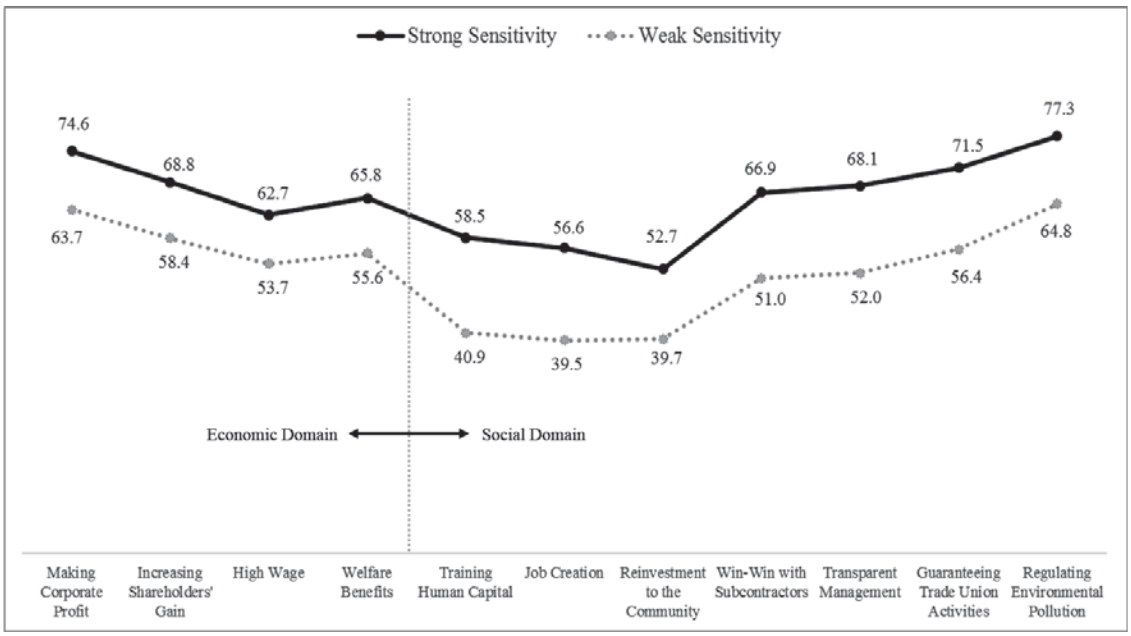


<Figure 5> Reciprocal Sensitivity and Communication (Study 2; Unit: Max. 100 points)

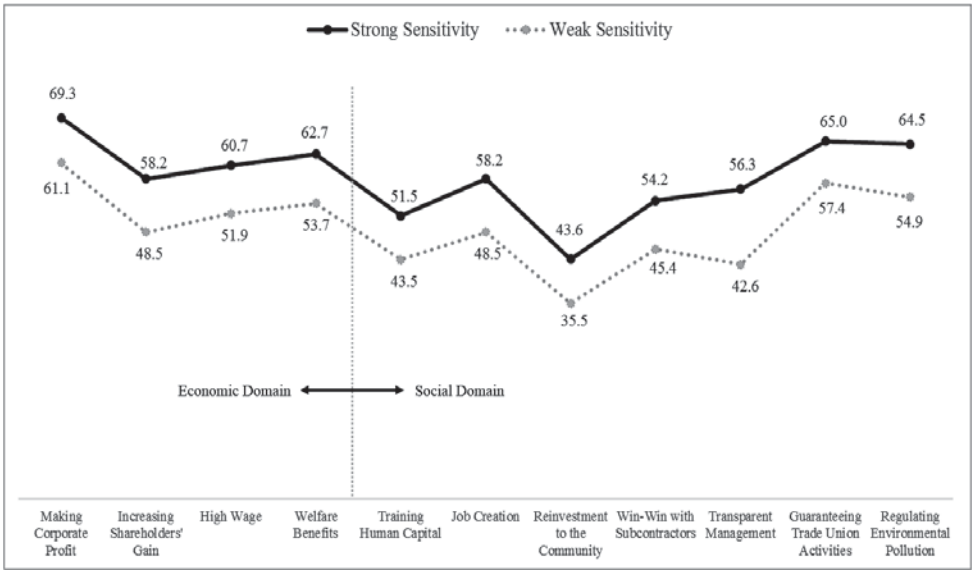
Corporation-Society Reciprocity (Partnership)

The previous findings suggest that the function of reciprocal sensitivity is not accidental. The empirical data show that reciprocal sensitivity can contribute to social coexistence and integration, and both Study 1 and Study 2 indicated that reciprocal sensitivity positively influences evaluation of CSR.

In Study 1, it is noticeable that the impact of reciprocal sensitivity on the evaluation of CSR is more pronounced for 'social' items than 'economic' items. While economic aspects are undoubtedly importantly, those who showed strong reciprocal sensitivity consistently evaluated the economic issues of CSR roughly 10% than those with weaker sensitivity. For social issues of CSR such as job creation, reinvestment to the community, win-win with a subcontractor, transparent management, guaranteeing trade union activities, etc., the gap widens to a 15 to 20% difference between the two groups. <Figure 6> illustrates these findings, which produce two conclusions: first, that reciprocal sensitivity is consistently linked to evaluations of CSR, and second, that the impact of reciprocal sensitivity is stronger in the social domain of CSR. Study 2 yields similar findings, and as stated in the findings section of this paper, most of the relationships between reciprocal sensitivity and evaluation were found to be statistically significant. These results are summarized and illustrated in <Figure 7>.



<Figure 6> Influence of Reciprocal Sensitivity on the CSR Evaluation (Study 1, Unit: Max. 100 points)



<Figure 7> Influence of Reciprocal Sensitivity on the CSR Evaluation (Study 2, Unit: %)

Implications and Future Study

In summary, the major findings of the two surveys show that the SOE partnership is conditioned and shaped by the norm of reciprocity, and those with stronger reciprocal sensitivity enjoy higher levels of communication and evaluate CSR more positively than those with lower reciprocal sensitivity. The road to responsible liberalism and capitalism, then, is dependent upon the development of reciprocal sensitivity in different actors of the corporate sector. Furthermore, the potential for the SOE partnership provides another avenue for corporations and shareholders to pursue CSR-related goals, and the results from Study 2 indicate that the shareholder's voluntary stock distribution positively influenced employees' social identification with the organization as well as their perceptions of CSR. When the shareholder took action, the positive perception of the likelihood of the SOE partnership nearly doubled; thus, our findings are a call for action to all shareholders to engage more directly with employees through the medium of CSR.

Additionally, the findings from this article provide fertile ground for numerous directions of further study in not only philosophical and sociological research, but also management research. Our findings are relevant to practitioners of management because the results of Study 2 indicated that employees were positively affected by the shareholder's action. Analysis of the relevant items yielded statistically significant relationships between 'active' (positive) respondents to the shareholder's stock distribution and higher levels of job satisfaction, organizational pride, perceived socioeconomic success, motivation, etc. In a 2015 article in the Korean newspaper *Joongang Ilbo*, Ssangyong and the results of our study were highlighted as a successful case of shareholder action for social responsibility.

Our study provides an exploratory analysis of the potential for reciprocity between shareholders and employees. While the financial impact on Ssangyong Materials Corp. is difficult to attribute directly to the shareholder's action (the company saw record results in the following years, but as corporate financial performance is dependent on myriad factors including industry conditions and economic climate, this change cannot be seen as a direct result of the stock distribution), responses from managers and employees indicated a net positive effect in the form of positive employee behaviors.

We interpret our findings under the assumption that employees became more attuned to reciprocal sensitivity because of the shareholder's action, but as with any case study, the generalizability of our results is limited. Nonetheless, the consistent findings across the two studies at different points in time suggest that our proposed relationship is indeed valid and significant. Our study provides a rich and unique source of data to examine the impact that shareholders can have on employees, a relationship which has rarely been touched upon in extant literature. We suggest that scholars who wish to examine the direct effect of shareholder action more closely implement research designs such as quasi-experiments, with shareholder action as the treatment variable, in conjunction with the case study method.

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