



Research Article

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## Study on the realization of enterprise social responsibility

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### INTRODUCTION

In recent years, enterprises have exerted greater influence on social activities during the pursuit of maximized profit, with their increasingly improved status in economic life. On the positive side, it plays more significant role in solving social employment problems, creating social wealth and increasing the national tax revenues, however simultaneously, it has caused many problems concerning the whole society, for example, environmental pollution, resource depletion, unemployment and polarization between the rich and the poor. With the development of social economy and expansion of enterprise scales, more people begin to rethink the role of enterprises in social life and turn to reposition their responsibilities. "The conflict between enterprise's individual interest and social benefit becomes even more violent, and political and ethical awareness emphasizing on the integrated social interest have become a kind of juristic or philosophical thought, so that the legislation tends to lay particular stress on social benefits, enterprise's social responsibilities are repeatedly mentioned and have attracted broad attention". "Those who advocate such responsibilities hold that profit maximization is one of the purposes that enterprises achieve, beyond that, enterprises also aim to promote the interests of people other than stakeholders". "The theory of enterprise's social responsibility will be the correction of traditional theory on company law and also the result of our rethinking about the functions of enterprises as the most basic production organization. It could be understood that the socialization of enterprise's responsibility is not possible without the traditional company theory that pursuits for profit maximization, similarly, the theory of enterprise's social responsibility would not become prosperous without all sorts of problems occurred during the process of such maximization. Whether the counterview on enterprises undertaking social responsibilities is right or wrong, it cannot be denied that the study on enterprise's social responsibility is formed and developed under this debate. The social responsibility of enterprises has become a kind of global movement and world trend, and is deeply improved at present. We have to envisage such fact with respect to all the theories and practical study on enterprise's social responsibility and seek for the perspective and approach to theoretical research,

Pharmaceutical enterprise, as the broad category constituted by many enterprises, become the typical enterprise that should take social responsibility in that such enterprises manufacture products or provide services that relate to people's life and health. Generally, it is believed in this field that the social responsibility of pharmaceutical enterprises has been given particular meaning because of its particularity, namely, they have to undertake the social responsibilities for the government, ecological environment, shareholders, consumers and employees when seeking reasonable profits, among which, guaranteeing the products quality safety is the primary social responsibility. It is due to such particularity that we have higher anticipations on pharmaceutical enterprise's social responsibility than that of other enterprises, especially in recent years, this industry has occurred many phytotoxicity accidents and commercial bribes, which contributes to people's requirements and expectation for strengthening the constraint and undertaking social responsibilities to break through the theoretical study and become a kind of realistic demand. However, the problem is how to realize these demands and expectations and seek for ways to realize the enterprise's social responsibilities.

First of all, legal ways. The enterprise's social responsibility is the amendment to traditional theory of company law, when the single purpose of profit maximization is substituted by broader purpose orientation; it is inevitable that the institutions will be changed accordingly, from the institution focused on shareholder's interest to the protection and

realization of rights and interests of people concerned. At present, the study on enterprise's social responsibility should not be rested on ethical and moral aspects, but should be promoted to the legalization of moral obligation. Only enterprise is required to undertake social responsibility as the legal obligation, can it be better to promote the performance of obligation and the realization of interests of people concerned. In that case, it could be legalized to how to realize these obligations. From access system of pharmaceutical enterprises to acquisition process of medicines, clinical trial to report of adverse reaction, the inspection and supervision of medicine safety to responsibility investigation of security incident, all these should be included in laws and controlled, including their responsibility for environment and the protection of employee's labor rights and so on, should be standardized gradually through laws. If such responsibility is only regulated by morality, it is difficult and impossible to realize the transfer of enterprise's role. At present, there are few laws related to regulate the social responsibility of enterprises, mainly represented in the department laws, such as *Company Law*, *Labor Law*, *Environmental Protection Law* and *Pharmaceutical Administration Law*. The establishment of laws is apparently far behind demands of time, let alone that of the laws that particularly regulate the social responsibilities of pharmaceutical enterprises; therefore, it is the pharmaceutical enterprise's primary task to study on legal supervision and management of enterprise's social responsibilities in order to realize their social responsibilities. While taking such responsibilities as a kind of legal obligation would contribute to the transfer of enterprise consciousness and establishment of enterprise culture to undertake social responsibilities.

Secondly, internal governance within the enterprise. The social responsibility is concerned about people other than stakeholders, among which, the employees are the most important part, and even some scholars believe that the labors are the most direct and significant people other than stakeholders. It is therefore regarded as an effective way to arrange the operating mechanism of the company's organizer from concerning the interests of employees. Human has attracted more and more attention during the competition of modern enterprise, and human resources have become the key factor for enterprises to improve the core competitiveness. The enterprise can remain invincible for longer time when labors win necessary encourage from the enterprises, make use of the adapt circumstance and conditions to exert their talents, loyalty and creativity. "Human capital has higher ability of increasing operation value than traditional material capital, without which that ability of material capital will be reduced greatly, and that's why capitalist would like to share their exclusive residual claim with owners of human resources, to arouse the enthusiasm and creativeness of employees including the operators in the enterprise. When the owners of human resources could gain residual value with their own labors, human resources would become human capital." In addition, with respect to the relationship between risks and profits, traditional theory of company law holds that shareholders gain the residual profits from the company and undertake the corresponding risks, while labors only keep the relation of capital wage labor with the enterprise and get the wages equal to factor price, beyond the corporate governance structure. However, the introduction of human capital prompts the investment of human capital to take the relevant risks of enterprises operation, "especially under the circumstance that the investment of highly customized human capital is distinctly important to the creation of enterprise wealth, employees are also shareholders and they get the residual values and become the undertaker of residual risks." Promoting labors to participate in corporate governance conform to the inherent requirement of modern social and economic development. As early as 1973, Schmitthoff, a well-known scholar, pointed out that the time taking company as the means of making money had gone forever. "Nowadays, company has become the tool to realize the social progress, which could be realized only when capital, operators and labors cooperate with each other within the law institution."<sup>4</sup> The social responsibility that enterprise takes for employees is mainly reflected in the protection of employee's labor rights, including ensuring the employees to realize their employment right, free employment choice right, claim for labor reward, right of rest, right to safety and hygiene of labor and right to social security, as well as the moral obligation higher than legal standards and performed by enterprises for their employees.

Thirdly, promote social responsibility standard. It is necessary to promote gradually social responsibility standard to realize the enterprise's social responsibility. With the globalization of economy, it is widely accepted that enterprises should take social responsibility. Fortune and Forbes would refer to "social responsibility" standard when they ranking the enterprises. Transnational corporations begin to ask for their suppliers to accept the investigation of relevant labor standard and corporate social responsibility. In other words, with the integration of world economy, the requirement for enterprise social responsibility shall be measured with quantized standard to coordinate with various measurement standards within different countries and regions. At present, there are three kinds of standards related to social responsibility in the world, standard of governmental and intergovernmental organization, including the relevant conventions made by International Labor Organization, Declaration of the Rights of Man and of the Citizen by the UN; civil standards established by non-governmental organizations, including UNGC, Ethical Trading Initiative (ETI) Principles and SA8000 standards for supply chain established by various transnational corporations, such as Nike and IKEA. Furthermore, ISO conducted the release ceremony of social responsibility guidance at the theme of "joint responsibility and achieving sustainable development" at Geneva International Conference Center, Switzerland, which signals the publication of official social responsibility standard. In addition,

Global Compact promoted by Kofi A Annan was formally initiated in general headquarters of the United Nations in 2000, up to now, there are more than 100 countries entry into the Global Compact. In China, there are over 30 enterprises entry into that compact, such as Haier, Baosteel, Sinopec and others. In July 2007, HM3000 Chinese Corporate Social Responsibility Standard, the first corporate social responsibility standard, was published after many years of theoretical research and practical operation. It is clear that Chinese enterprises have to implement the internationalized social responsibility standard in the world to reduce the barriers in the cooperation between China as the largest supplier of labor intensive industry and transnational corporation, and also establish external environment for national industry to go to the world and enhance the international competitiveness. We could learn from developed countries, establish the organization to implement the social responsibility appropriate for the development situation of pharmaceutical enterprises in China, and establish standards for pharmaceutical enterprises based on SA8000 and HM3000, which not only contributes to greatly regulate the pharmaceutical enterprise behaviors in China, but also help the administrators to correctly understand and effectively evaluate their behaviors. Actually, paying attention to social benefits is not contradictory to the enterprise's profit purpose. In the long run, enterprise could win favorable social benefits and improve the social recognition by undertaking social responsibility, while the improvement of the overall social environment would also provide power for the development of enterprises, which will be within a virtuous circle. Undoubtedly, it is win-win for enterprises to help to improve the social environment through their governance.

Finally, establish supervision mechanism. It is necessary to have external supervision in addition to the intrinsic power of the enterprises to undertake the social responsibility, especially under current circumstance that economic benefit and long-term social benefit are conflicted, the behaviors of enterprises are beyond control driven by the instinct of self-interest, in that case, the external and effective supervision system would play important role in restraining the self-interest behaviors of enterprises. To supervise the undertaking and implementation of social responsibility of pharmaceutical enterprises, at least the following systems should be established: firstly, independent audit system, at present, there are no information disclosure requirements in China with respect to social responsibility performed by pharmaceutical enterprises. They can only publish the information through the listed company's report of social responsibility, which means that unlisted company has no compulsory obligation of information disclosure and no statutory channels for information disclosure, so that large numbers of unlisted companies are out of the supervision of social responsibility. Moreover, with respect to those information forced to be disclosed by listed companies, the integrity is under suspicion because of lack of independent audit system. However, these questions can be solved by promoting independent audit system of social responsibility for pharmaceutical enterprises. We believe that such independent audit shall study and evaluate the completeness, reliability, comparability of performance, innovativeness, readability and nature of contents of the report for social responsibility, to form the overall evaluation on responsibilities for product quality, responsibilities for product price, environment responsibility, shareholder responsibility and quality of reports (readability, innovativeness and reliability). Moreover, the audit shall be of multi-level, which social responsibilities must be performed, which are the core or priority responsibilities, which could be taken as expandable responsibilities, and how these responsibilities should be satisfied, and such hierarchical audit standard could reflect the different economic development stage, scales and strengths of pharmaceutical enterprises. Some scholars believe, "social responsibilities of pharmaceutical enterprises to consumers (including responsibilities for product quality and product price), government, shareholders and environment are compulsory, while the responsibilities to community and charity are expandable". As to large-scaled and fully reinforced enterprises, they have heavier responsibilities for environment, community and charity, which is consistent with people's general cognition, great power comes great responsibility. Henry Su, an ethicist, had put forward three principles that measure equality<sup>7</sup>, one of them is that if everyone is responsible for their common goals in the society constituted by different groups, those who have the maximum resources shall contribute the most. Following this principle, large-scaled enterprises with the most social resources shall undertake the most social responsibilities and increase social benefit. Secondly, specific indicator system. The scientific evaluation on the social responsibility of pharmaceutical enterprises depends on the establishment of specific indicator. Professional institutions and trade association in the society shall refer to the generally applied social responsibility standards, take into account of industrial characteristics and development stages in pharmaceutical industry, and form operable and quantized evaluation system appropriate for pharmaceutical industry. According to the established evaluation system, this industry could perform the social responsibilities according to the standards, and we could make objective assessment and comparison with respect to whether these enterprises carry out the production according to *Chinese Pharmacopoeia* and GMP, whether they have established the monitoring system on adverse drug reaction, established and performed drug recall system, as well as the enterprise's investment and contribution on environmental protection. Thirdly, favorable incentive and restriction system. When enterprise's social responsibility is mentioned repeatedly from moral aspect, the issue will be discussed on how to stimulate the enterprises to form the overall external environment for undertaking social responsibility. Necessary incentive mechanism is the efficient path to contribute to the performance and compliance of moral and legal obligations, from which, when people win affirmative and positive evaluations, their behaviors

will be strengthened. Promoted jointly by media, consumer organizations, trade associations, environmental protection organization, labor union and many non-governmental organization (NGO), the enterprise's external image and honor formed through social evaluation will be appreciated, when enterprises undertake social responsibility and integrate in the conscious activity, the external evaluation will be transferred into intrinsic power to work, positive external incentive changes into self-restriction strength, which will become the significant methods of cultivating the social responsibility of modern enterprises. Meanwhile, in the long run, such transfer would be the approach to cultivate enterprise culture for modern enterprises. As to pharmaceutical industry, improving the consumer's consciousness of rights safeguarding, strengthening the power of pharmaceutical profession association, and reinforcing the supervisory mechanism of media's praising virtue and punishing vice, are all effective ways to promote enterprises to perform the social responsibilities.

In a word, the study on the social responsibility of pharmaceutical industry shall focus on how to undertake other than why to undertake. Kimsawa Ryu, a famous Japanese scholar, states, "the enterprises have already gotten rid of the simple private territory, however, as the powerful link of social institutions, their operations is not only subject to the trust of capital provider, but also the trust of all the society including the capital provider.....in other words, enterprises are not permitted to seek for their profits one sided, whether in theory or practice, but shall combine with all sorts of production factors efficiently in coordination with economy and society, and aim to produce cheap and fine goods and provide service. Only these forms of enterprises can be called modernized enterprises, and the social responsibility of operators is to complete that task." Pharmaceutical enterprises shall be the typical enterprises that complete those tasks because of the particularity. If the undertaking of social responsibility of pharmaceutical enterprises shall be established according to the "core node enterprises" argued by some scholars, the whole pharmaceutical enterprises, as an industry, shall be the core node for establishing enterprise's social responsibility in the whole society, to drive the whole body. Continuing study on the realization social responsibility of pharmaceutical enterprises not only promote the pharmaceutical enterprises to undertake their social responsibilities positively, but also provide the establishment mode of social responsibility for other industries in the society.

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