Executive Team Characteristics, Internal Control and Corporate Social Responsibility

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Abstract—On the one hand, with the introduction of internal control reports, the state has raised the requirements for the level of internal control of enterprises. The articles on the influencing factors of internal control are mainly divided into two directions, internal and external, and the research on internal factors has executives' characteristics, mainly are personal characteristics, but the construction of the internal control system involves the entire executive team, so it is particularly important to study the influence of characteristics of the executive team on internal control quality. On the other hand, the Internal Control Report refers to the responsibility of enterprises to disclose environmental information. Whether enterprises can take the initiative to assume social responsibility depends on a certain extent on the quality of internal control. Therefore, exploring the relationship between the three can provide a certain theoretical guidance for enterprises to effectively improve the quality of internal control through the configuration of senior management team, and then assume social responsibility.

Keywords—executive team characteristics; internal control quality; corporate social responsibility

I. INTRODUCTION

In the context of economic globalization, an enterprise is not only an economic organization, but also a social organization that carries the survival and development of human society. It must not only maximize its own interests, but also meet the reasonable demands of all stakeholders and undertake the society responsibility. In the past, scholars mainly focused on the study of corporate social responsibility in terms of institutional environment, company characteristics, corporate governance, etc., while ignoring the specific role of senior managers. The corporate behavior strategy is derived from the decision of the senior management team, the executive team plays a decisive factor, so this paper attempts to study the issue of corporate social responsibility from the perspective of the senior management team.

In recent years, China has made remarkable achievements in the construction of internal control systems. On the one hand, it has established a set of internal control system and legal norms based on the "Basic Standards for Internal Control of Enterprises" and supporting guidelines. On the other hand, more and more listed companies are promoting the company's track of standardized and institutionalized operations through the establishment, implementation and maintenance of internal controls. However, the perfect system needs to be implemented, and the establishment of internal control requires the executive team to implement and implement. Therefore, it is necessary to study the impact on the effectiveness of internal control from the perspective of the senior management team.

As a guarantee for enterprises to fulfill their social responsibilities, internal control helps enterprises to identify social responsibility risks and fulfill their responsibilities for product quality and safety, clean production, consumer rights, and community contribution, so that they can fulfill their social responsibility behaviors in a standardized and rational way. By establishing a sound internal control system and improving the quality of internal control, enterprises can integrate the social reputation and the motives for pursuing profits, and improve the efficiency of resource utilization, so that enterprises can fulfill their social responsibilities better and more comprehensively. Therefore, exploring the relationship between executive team characteristics, internal control and corporate social responsibility can not only make up for the gaps in existing theoretical research, but also provide a way for enterprises to build a senior management team to better improve their internal control and fulfill their social responsibilities.

II. RESEARCH REVIEW

A. Executive Team Characteristics

The size of the team is the number of senior management personnel, which is a key indicator of the background characteristics of the senior management team. According to the definition of the executive team concept in this paper, this paper selects the team composed of senior managers with deputy general manager, vice president, chief economist, chief accountant, financial controller and other status and level as the senior management team.

There are two main views on the relationship between team size and internal control. The first view is that large-scale teams have more resources and higher capabilities than small-scale teams to provide suggestions and solutions for solving problems faster and more efficiently. Eisenhart and Schoonhoven (1990) studied high-tech companies and considered that team size was significantly positively

correlated with corporate growth. The second view is that although large-scale management teams have more problem-solving capabilities and resources, and have better information processing and analysis capabilities, ensuring the quality of team decisions and improving corporate performance, but the management team is bigger, often it will make the internal conflict of team members a normal state, which will not help the management team make the right decision. He Weifeng and Liu Qiliang (2010) found that the executive team size was significantly positively correlated with the company's financial restatement in the analysis of executive background characteristics and financial restatement. He Yuanqiong and Chen Yu (2009) argue that based on the empirical research of listed companies in China's manufacturing industry, there is an inverse curve relationship between executive team size and corporate performance.

B. Internal Control and Corporate Social Responsibility

The implementation of an effective internal control system not only can reasonably guarantee the rationalization and standardization of corporate social responsibility behavior, but also promote the responsibility of enterprises in fulfilling clean production, safe production, product quality and community, and also help enterprises identify, assess and respond to social responsibility risks. . Therefore, the implementation of the internal control system will affect the effectiveness of corporate social responsibility. Liu Lianxi (2001) recognizes the important influence of corporate governance systems and mechanisms on the realization of corporate social responsibility. Lu Daifu (2002) proposed the need to construct a corresponding corporate governance system to ensure that enterprises fulfill their social responsibilities and solidify social responsibility into a system. Only can we solve the problem of corporate social responsibility. Tian Chao et al. (2010) proposed to establish a social responsibility internal control system to regulate the social responsibility decision-making, implementation and processing of enterprises, and achieve sustainable development of enterprises. Hua Shuanglian (2011) conducted a systematic study on the internal control theory of corporate social responsibility, and divided the internal control level of corporate social responsibility into strategic, management and operational layers, and explained the strategic control level and control focus. Wang Haibing and Wu Zhongxin et al. (2011) linked the satisfaction of stakeholders' reasonable needs with the value added of enterprises, and constructed a human-oriented internal control strategy framework, which explained the importance and feasibility of enterprises using internal control systems to fulfill their social responsibilities. Wang Jiacan et al. (2012) proposed the interaction between corporate social responsibility and internal control. On the one hand, internal control can improve the level of corporate social responsibility. On the other hand, corporate social responsibility can improve the internal environment of the enterprise and improve the quality of internal control.

III. CONCLUSION

Starting from the five elements of internal control, large-scale teams can play an important role in improving internal control over control environment, risk assessment, control activities, information communication and supervision than small-scale teams. There are mainly the following reasons: (1) Each executive has different perspectives on issues due to differences in age, gender, and length of service. They may feedback the problems of internal control of the company from various angles and increase the exclusion of internal issues. (2) In the process of solving problems, the more people involved, the more opportunities to correct, and prompt enterprises to quickly adjust their strategies to cope with external environmental changes. In terms of internal control risk assessment, control activities and information communication, the large team size exchanges experience, discusses the company's operation and financial risks from all levels of the company, and increases the supervision of the company's bad operations, which can inhibit the company's individual events and individuals.(3) The ability to understand a certain problem is improved, and the selectivity of the strategic solution is enriched, so that the perspective of solving the problem will be broader. Large teams often provide more suggestions for improving the company's internal control system than small teams, which will also improve the quality of internal control of the company.

Internal control is a comprehensive management activity of the enterprise. It runs through the whole process of business management, involving production control, capital control, financing and investment control, human resource control and many other aspects. The quality of internal control affects the daily operation and personnel, management, production and sales, and many other aspects of the enterprise. Therefore, high-quality internal control can prevent companies from complying with the system or even illegal activities, and when such behavior occurs, it means that the company has not fulfilled or has not effectively fulfilled its social responsibilities. Therefore, the higher the internal control quality of the enterprise, the higher the degree of assurance that the enterprise fulfills its social responsibility. As can be seen from the foregoing, reasonable assurance of the realization of corporate strategy is one of the objectives of internal control of enterprises, and the realization of corporate strategy depends on the fulfillment and continuous performance of corporate social responsibility.

From the perspective of the executive team size, when the senior management team is large, integrating the information received by each executive will provide a more detailed and deeper understanding of the reality and a deeper understanding of the value of social responsibility information disclosure. And the relatively large-scale executive team has a more comprehensive knowledge structure and management experience, can provide more capabilities and resources, and more comprehensive understanding of stakeholders. At the same time, large-scale executive teams can provide a variety of decision-making programs, thus avoiding the one-side of individual decision-

making and making decisions that are more conducive to achieving enterprise value. From the age of senior management team, the older the senior, the richer the experience of executives. More proficient in dealing with the complicated affairs, and more aware that unethical behavior will endanger the long-term development of the company, and better handle the needs of stakeholders such as employees and consumers, so there is more willingness to bear the corresponding Social responsibility; from the average education level of the senior management team, the higher the average education level, the team has a high level of cognitive complexity, and can fully consider and fully understand the interests of all stakeholders and propose corresponding solutions. . The executive team with a higher average education level is also more concerned with the realization of its own value, scientific judgments on various opportunities and threats, and avoiding negative impact on society. Therefore, from the analysis of these aspects, it can be seen that the values and cognition of the executive team reflected by these characteristics of the executive team will have an impact on corporate social responsibility.

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