

A core issue in stakeholder theory is how firms can engender joint interests among competing stakeholders. We draw on theories of normative influence and reciprocity to identify how firms positively influence the relations between their internal and external stakeholders. We propose that firms can send credible corporate signals, such as philanthropy and sustainability reporting, to exert social influence on employees, but that employees' own treatment by their firm and career prospects are also important in shaping their behavior toward the external community. We investigate these arguments in the context of Chinese firms' donation behavior following the 2008 Sichuan earthquake. Empirical analysis shows that the credibility of corporate signals differs. Sustainability reporting that adheres to global standards has a direct bearing on employees' behavior. In contrast, corporate giving by itself has no general influence on the willingness of employees to donate. However, firms that have either positive employee relations or have employees with superior career prospects and make donations to earthquake relief stimulate their employees to make their own donations too. In so doing, firms gain from the efforts of internal stakeholders to serve external stakeholders. We discuss the implications of our study for stakeholder theory and, in particular, the jointness of stakeholder interests.

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