Discussion on Construction of Enterprise Internal Control System Based on the Stakeholder Perspective

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Abstract
This paper focuses on discussion of construction of inner-enterprise control system based on the stakeholder perspective. Starting with overview of stakeholder theories and the relationship between stakeholders and inner control, this paper probes into the horizontal and longitudinal boundaries of inner-enterprise control system from the perspective of stakeholder. Finally, the paper elaborates on construction of inner-enterprise control system based on the stakeholder perspective from the control, risk and information dimensions.

Keywords
Stakeholder; Inner-enterprise; Control system.

1. Overview of Stakeholder Theories

1.1 Introduction of the theories
Stakeholder theories were originated in the 1980s, and first proposed by Freeman, a famous American scholar, in his related work. At that time, studies on stakeholder theories at home and abroad were officially commenced [1]. This paper gives a simple introduction in the form of table, of the specific connotations, actual types and relevant perspectives concerning stakeholder theories so as to help people get a better knowledge of stakeholder theories. As shown in Table 1.

Table 1 Table on Introduction of Stakeholder Theories

<table>
<thead>
<tr>
<th>Stakeholder Theories</th>
<th>Content of the Theories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connotation</td>
<td>Specifically speaking, the so-called stakeholder refers to the individual or group in the enterprises engaging in some special investment and assuming related risks thereof. Behavior of stakeholder directly relevant to realization of the stated objectives of the enterprises and in return, realization of enterprise objectives would affect behaviors of stakeholder.</td>
</tr>
<tr>
<td>Type</td>
<td>Currently, there are mainly two ways for classification of stakeholder theories, namely Mitchell scoring method and multi-dimension classification, by which stakeholder theories are divided by different dimensions and perspectives.</td>
</tr>
<tr>
<td>Perspective</td>
<td>The existing perspective concerning stakeholder theories mainly refer to combination of stakeholder theories, internal and external enterprise environment and enterprise structure. In view of the above three aspects, stakeholder theories are closely linked to production and operation activities of enterprises and by principle of combination of theory and practice, enterprises can achieve long-term stable development.</td>
</tr>
</tbody>
</table>

1.2 Relationship between stakeholder theories and inner control
At present, most of the experts and scholars studying stakeholder theories think that it is the essence of internal control to grasp bind firmly and residual right in the form of contract and on this basis, internal control can be further divided into two aspects by management and governance. During design of internal control, the objects shall be oriented towards stakeholder theories. However, some researchers hold the opinion that stakeholder is the core of internal control and the key object of enterprise internal control, hence stakeholder shall serve as manager and the served and enterprise internal control plays the role of the managed and server [2].
2. Boundaries of Enterprise Internal Control System based on Stakeholder perspective

2.1 Longitudinal boundaries

Management and operation in traditional theories have been regarded as the key points for study of management control and internal control structure but in practice, shareholders have become an integral part of enterprise governance structure. Especially along with in-depth management reform in an all-round way, connection between internal control and audit has been strengthened. Thus, enterprise governance structure is included into the scope of studies on internal control and by combination of stakeholder theories, the longitudinal boundaries of inner-enterprise control system are formed as shown in Table 2.

Table 2 Longitudinal Boundaries of Inner-enterprise Control System Based on the Stakeholder Perspective

<table>
<thead>
<tr>
<th>Specific Aspect</th>
<th>Content of Boundary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration of inner-enterprise control structure</td>
<td>Three elements are involved in this regard, namely enterprise risk management, internal control and management control. Besides, a top-down internal control structure is established, with the main body of board of directors- senior management- middle management- employees. Meanwhile, risk-oriented internal control thoughts are applied in all the business links of the enterprises.</td>
</tr>
<tr>
<td>Integration of enterprise governance and inner-enterprise control structure</td>
<td>The relationship between enterprise governance and inner-enterprise structure has completely turned into more inclusive with each other closely related from the traditional simple relationship between the internal and the external, environment and the main part. Besides, enterprise governance and internal control structure is obviously similar to each other and under the mutual dependence restriction, the internal control system with the following sequence shareholder- board of director- senior management- middle management-employees is established.</td>
</tr>
</tbody>
</table>

2.2 Horizontal boundary

Horizontal boundary of inner-enterprise control system are neither all the stakeholders of the enterprises nor all the stakeholders in contractual relationship with the enterprises. With reference to relevant studies involved in the works of Liu Zhiyuan, a professor in department of accounting of Nankai University, and from the perspective of stakeholder, the author thinks that the horizontal boundary refers to the individual or group who can keep balance with the enterprise all the time in collective choice, including customers, shareholders or creditors or managers maybe the ones who play more than one roles above.

3. Inner-enterprise Control System Based on the Stakeholder Perspective

The crucial part of the inner-enterprise control system is the internal control structure, based on the stakeholder perspective, internal control structure of enterprise and enterprise governance structure is organically integrated and joint form the elements of inner-enterprise control system. This paper gives a brief discussion on all control elements from the control, risk and information dimensions so as to help enterprises in construction of internal control system.

3.1 Control dimension

As shown in Table 3.

Table 3 Inner-enterprise Control System under the Control Dimension

<table>
<thead>
<tr>
<th>Control Targets</th>
<th>Specific Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Objective</td>
<td>Enterprise objectives are established at the level of enterprise and targeted at realizing benefit maximization of enterprise owners and optimization of relationship between enterprise owners and other stakeholders.</td>
</tr>
</tbody>
</table>
Governance Objective | The governance objectives are established at the level of governance and targeted at making enterprise objectives more concrete, that is to say, transforming enterprise objectives into quantified strategic indexes.

Management Objective | Management objectives are established at the level of management and targeted at setting specific quantitative indexes of relevant objectives and measurement methods.

Four control elements are involved in this dimension, namely control objective, control subjects, control activities and control environment. Under the guidance of enterprise objectives, requirements on construction of inner-enterprise control are the control objectives, which can be further divided by strategic and tactical aspects. Enterprises shall record the control objectives in report, include them into operation and compliance objectives, on the other hand, control subjects assume corresponding risks to put forward long-term robust improvement and development of the enterprises.

3.2 Risk dimension
Inner-enterprise internal control system can only finish effective management and risk management by accurate identification of risks, and in the process, identification of management decisions, risks emerging from practical production and operation activities and risks in external factors such as change of market environment and customer’s requirement shall be conducted respectively. After accurate identification of all sorts of risks, enterprise managers shall make corresponding assessment of the impacts and consequences thereof, especially carefully analyze adverse results that may occur. In the meantime, enterprise managers shall get a precise grasp of the development trend for the enterprise in the face of risks and prepare risk assessment factor figure in order to enhance enterprise risk management capability and adopt effective schemes to tide over the problems in the occurrence of risks [4].

3.3 Information dimension
As to construction of inner-enterprise control system based on the stakeholder perspective, information interchange and force of supervision and management is to be strengthened, that means, control subjects shall utilize modern information technologies for effective collection and management of data, information exchange information management organ and learn from experience and utilize advanced technologies in the industry to realize effective control of form and content of information on the basis of continuous expanding of information communication channels. Meanwhile, subjects involving the control system shall monitor full-course implementation of the inner-enterprise control system. Whenever any abnormality in execution of control elements in the internal control system is found, relevant personnel shall be gathered to analyze the problem and bring forward corresponding solution in a timely manner.

4. Conclusion
To sum up, enterprises mainly control and prevent all sorts of risks inside the enterprises by internal control system, such as financial risk, financial risk and operation risks so as to ensure smooth implementation of daily production and operation activities and push forward long-term stable development while creating continuous profits for the enterprises in the end. From the perspective of stakeholder, and in combination of the overview of horizontal and longitudinal boundaries of inner-enterprise control system, this paper sets it clear that enterprises shall establish strategic objectives at different levels, accurately identify all sorts of risks and strengthen information interchange, supervision and management so as to establish a sound internal control system, effectively reduce the enterprise risk and achieve the fundamental goal of economic benefits maximization.
References


