

CSR Governance Framework for Internet Platform Enterprises

Rongjia Su and Quan Yuan*

Education and Training Institute, Sichuan University, China

**Corresponding author: Quan Yuan*

Abstract

The Internet platform economy is a new driving force for economic development, mobilizing entrepreneurial enthusiasm, activating social resources, and promoting integrated development across sectors. This article studies the CSR governance framework of Internet platform enterprises. From a multi-level governance perspective, it deconstructs governance priorities and approaches. This can not only fulfill social responsibility in every transaction of two-sided users of the platform, but also help platform enterprises expand the mission of “technology for good” from the field of public welfare to the overall operation of the platform.

Keywords

internet platform enterprises, ecological governance framework, CSR

1. Introduction

Internet platform enterprises refer to emerging organizations which build multi-sided, two-sided, and cross-industry trading platforms with the support of Internet technology to provide goods or services to market entities for a fee [1]. As the new business system nurtured by the Internet, Internet platform enterprises build infrastructure, connect supply-side enterprises and consumers, gather corresponding social and economic resources, and jointly create value with two-sided users [2]. As a special business ecosystem, interconnected platform enterprises do not provide products or services themselves, but to meet the needs of multi-sided and two-sided markets, break the constraints of time and space, promote the interaction between business users and consumer users, facilitate the transaction of products or services, and jointly create value. Platform enterprises can be roughly divided into trading platforms, information platforms, software platforms and social platforms according to the type of users.

Corporate social responsibility (CSR) is the voluntary activities of an enterprise in business operations, including concern for society and the environment, and interaction with stakeholders [3]. CSR Stakeholders not only include employees, investors, consumers, suppliers and competitors, but also society, government and the environment. The CSR dimensions, among which the most recognized are the four responsibilities summarized in the research of Carroll [4], economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. If further categorized according to stakeholders, CSR can be divided into responsibilities to insiders, including responsibilities to employees, and to financial stakeholders,

responsibilities to external business partners, including responsibilities to consumers, suppliers, market responsibility, and business responsibility, and responsibilities to the public, including environmental responsibilities and philanthropic responsibilities.

Like traditional CSR, the CSR of the Internet platform also starts from economic responsibility and expands to legal, ethical and philanthropic responsibilities. However, because it involves two-sided users and the role of the Internet platform, the social responsibility of platform enterprises has a dual connotation. Internet platform enterprises should not only assume their own social responsibility, but also take social responsibility for the whole platform as the platform leader and coordinator. The CSR rules formulated and implemented by the platform have an impact on the platform enterprises themselves and two-sided users. Because the platform enterprises themselves do not provide products or services, but build and operate a platform, promote the interaction between business users and consumer users, and facilitate the transaction of products or services. Therefore, the target of platform enterprises to fulfill their social responsibilities has changed. Consumers and suppliers are no longer external stakeholders, but become internal stakeholders of platform enterprises, because their quantity and scale play a crucial role in the survival and development of platform enterprises.

Platform enterprises should not only actively fulfill their social responsibilities, but also guide the development of the platform business ecosystem into a sustainable ecosystem, and work with the government to regulate the CSR behavior of two-sided users of the platform. The network effect of the platform economy and the external characteristics distinguish the social responsibility of Internet platform enterprises from traditional enterprises. There are many ways for Internet platform enterprises to fulfill their social responsibilities. It can mobilize the platform's own existing resources to help solve some social problems. For instance, platform firms can fulfill employee responsibilities, including improving the working environment, strengthening social security, implementing equity incentive plans, and providing career development and training. They can also mobilize relevant enterprises, two-sided users and charitable organization to pay attention to social issues and build a socially responsible platform, such as environmental protection activities advocated by Ant Forest, and public fundraising organized by Waterdrop [5, 6]; or joining external CSR activities, such as cooperating with relevant departments to supervise and provide a safe network environment [7].

Although Internet platform enterprises also bear legal, environmental, economic responsibility and social responsibilities like traditional enterprises, the economic responsibility of platform enterprises involves more free and value-added Internet services for multi-market users. Ethical responsibilities include the construction of a socially beneficial intelligent society and environmental protection [1]. Legal responsibilities include combating pirated online resources. At the same time, platform enterprises also assume the responsibility to ensure security, which includes offline supervision, credit rating, and qualification verification [8].

It is also worth noting that when Internet platform enterprises are at different stages of development, they place different emphasis on the legal, environmental, economic and social responsibilities. In the early stage of development, platform enterprises will pay greater attention to economic responsibility, focus on expanding the size of two-sided users, optimize the efficiency of resource allocation, and reduce platform transaction costs, thereby promoting value creation, increasing corporate profits, and meeting the expectations of internal stakeholders. With the continuous development of the platform and the growth of the two-sided market, Internet platform enterprises will take the initiative to fulfill their legal and ethical responsibilities. Because young managers with an international vision and high ethical standards will take the initiative to abide by laws and regulations, pursue technological progress and innovation [1]. With the continuous growth of the platform, the number of users are relatively stable, the business ecosystem of the platform is increasingly mature, and the external stakeholders have higher expectations for Internet platform enterprises to fulfill social obligations. It is hoped that these enterprises can use social influence to address social issues and create social value.

2. Research Progress on CSR Governance on the Internet Platform

The operating environment of the Internet platform is different from that of traditional enterprises, the CSR governance model of the Internet platform gradually focuses on multi-stakeholder collaborative

governance. Scholars have built relevant governance paths from the perspectives of laws and regulations, internal monitoring and government supervision. In terms of laws and regulations, Gao [9] put forward the concept of third-party obligations under administrative law and proposed to combine third-party obligations with platform responsibility and platform governance. Regarding internal control, Chao, Lin, and Wang [10] used the leverage balance model to explain how platform enterprises fulfill their social responsibilities; among them, the support point of leverage is platform employees, and both sides of the leverage are two-sided users. When the status of two-sided users changes relatively, the leverage should be tilted, and platform enterprises need to change the way of management and elements of social responsibility to balance the leverage. Platform enterprises need to innovate the internal management model. Wang and Zhang [11] put forward the concept of greenhouse environment. The greenhouse environment is an intermediate layer between the internal management of the organization and the external environment. Platform enterprises need to design a small market within the large social market and establish a management mechanism for sellers to standardize their behaviour. These mechanisms are integrated to form a greenhouse management model. Platform enterprises should establish an effective greenhouse management model through the coordinated matching of rule settings, program settings, management arrangement and system integration. However, internal governance depends on the initiative and voluntary willingness of enterprises to implement social responsibility. Government supervision should consider the degree of intervention and the appropriateness of its intervention method [12]. At the level of government supervision, Liu and Xia [13] pointed out that when formulating regulatory policies, the government should adhere to the bottom-line thinking. When there are problems involving personal information leakage, potential safety risk, and market monopoly, it should solve specific problems, instead of completely denying the new business model. Li and Tao [14] and others mentioned the concept of fourth-party governance. They pointed out that, in addition to the characteristics of general enterprises, large-scale platform enterprises also have more public powers to provide public management services, and do not belong to the three types of legal persons defined by the General Principles of the Civil Law. Therefore, they refer to large-scale platform enterprises as fourth-party persons, and the various public powers they have are collectively referred to as fourth-party governance. They also pointed out that to ensure the implementation of fourth-party governance, the government needs to build an online supervision platform, and large platform enterprises must share their big data systems with the supervision platform in real time to gradually build a comprehensive big data supervision platform. The social responsibility of Internet platform enterprises not only involves economic issues at the market level, but also social issues related to the public sphere. It is difficult to achieve effective governance results by relying solely on individual enterprises, related industries or government agencies. Therefore, the concept of CSR governance on the platform needs to be transformed from one-sided governance in the individual context and multi-sided governance in the group context to collaborative governance in the Internet platform context. The multiple stakeholders of the Internet platform need to give full play to their respective advantages, cooperate with each other, and form a network of multi-stakeholder collaborative governance.

3. CSR of the Internet Platform and Diversified Governance Framework

The social responsibility of the platform enterprises can be managed from the three levels of individual, contextual and systemic levels, to establish the governance framework of individual, business ecosystem and social ecosystem, which can curb the internal factors that lead to the irresponsible behavior of individuals, and eliminate the external contextual and systemic factors that lead to the irresponsible behavior of enterprises [7]. When choosing a CSR governance framework, platform enterprises can not only adopt the individual CSR governance framework based on the platform's attributes, but also embed themselves within the social system [2].

3.1 Individual Level

At the Individual level, the targets of governance include platform enterprises at level I, two-sided users at level II and business ecosystem members at level III. The value orientation, behavioral logic, internal governance and ability to perform responsibilities of these individuals are all internal factors that lead to irresponsible social behaviour. Therefore, the key to the governance of CSR at the individual level lies in the guidance of values and the enhancement of CSR awareness, to spur the intrinsic consciousness and

motivation of individuals to fulfill their responsibilities, and to adopt a responsible behavior towards society [7].

At the individual level, when dealing with social and public problems, the individual resources of the enterprise are the main resources of governance. As far as the platform is concerned, the main focus is on its own basic functions. For the supporting members of the platform's business circle, it is necessary to maximize the support of stakeholders, such as shareholders, employees and other internal resources. CSR governance at the individual level should make full use of the rich resources and professional capabilities of the platform to actively participate in the governance of social problems in a direct or indirect way.

In the prevention and control of COVID-19, major Internet platform enterprises actively shoulder social responsibility and take the initiative to provide various support based on their own resources and capabilities to ensure public health. In addition, these Internet platform enterprises rely on their unique digital technology capabilities to promote social governance and innovation. The LinearFold algorithm developed by Baidu has greatly shortened the time of whole gene sequencing of the COVID-19 virus. Tencent, Alibaba, JD.com and other Internet platform enterprises have developed billions of computing power resources to provide computing support and big data analysis support for drug and vaccine research and development [15].

3.2 Contextual Level

At the contextual level, the activities of platform enterprises, two-sided users and other members constitute the platform business ecosystem. The operation model, competition practices, rules and the platform business ecosystem will affect the psychological and behavioral patterns of its members. Rules designed to merely pursue profit and vicious competition within the platform will weaken the collective CSR awareness in the platform's business ecosystem and cause irresponsible social behaviour of members of the business ecosystem. Therefore, the focus of CSR governance at the contextual level is to strengthen the collective social responsibility awareness of the business ecosystem and avoid the destruction of the value of the entire business ecosystem due to the irresponsible behavior of two-sided users. It is necessary to create a healthy, interactive, win-win business ecosystem.

Platform enterprises, which are in the core position of the platform business ecosystem, play the dual role of leadership and governance at the contextual level. They need to guide the dominant and supportive users in the main position of the platform to form behavioral patterns that are responsible for society. At the same time, it is necessary to go beyond individual-level resources and functions by acquiring, mobilizing, and integrating resources within the business ecosystem, thus realizing the dual governance framework of "platform individual + platform business ecosystem".

In the process of fighting the COVID-19 epidemic, major Internet platform enterprises exert influence on the behavior of users in the business ecosystem, give full play to the role played by platform enterprises, strictly supervise the medical products and services provided by sellers, and prevent any opportunistic behavior. Taobao, Pinduoduo, JD.com and other e-commerce platforms supervise and regulate the quality and price of epidemic prevention materials supplied by their platform sellers by establishing and implementing a negative list system and user evaluation system, and effectively prevent sellers from producing and selling poor-quality epidemic prevention materials, raising prices, and false advertising and other irresponsible behaviors to society [16].

3.3 Systemic Level

For the CSR governance at the systemic level, platform enterprises need to stand from the perspective of society, supervise the vicious competition between platforms through appropriate institutional guidance and arrangements, and create a benign competitive atmosphere; and optimize the allocation of social resources based on the business ecosystem, so that the business ecosystem can provide support for the social system, give full play to the role of social resource allocators under the social ecosystem, and encourage diverse participants in the social ecosystem to take part in the solution of economic, social and environmental problems, to realize the value creation of society and the environment.

During the epidemic, major e-commerce platforms rely on the professional ability of the business ecosystem and the advantages of rich resources to strengthen the willingness of ecosystem users and diverse

social actors to help prevent and control the epidemic, and encourage them to actively participate in solving social problems. E-commerce platforms such as Alipay and Meituan have included public welfare platforms, such as COVID-19 assistance platforms, donation information release platforms, and recipient platforms into their business systems, and use platform resources to call for diversified social actors to contribute to the supply of epidemic materials. Live streaming platforms, including Kuaishou and Douyin, make full use of the user resources of platform streamers to actively disseminate the knowledge of epidemic prevention and control to the public [16].

4. Conclusions

In addition to choosing the governance model from individual, contextual and systemic levels, platform enterprises can also choose different governance approaches according to different development stages. For example, in the pre-event stage, institutional governance can be selected to prevent irresponsible social behavior through the formulation and implementation of relevant systems. During the in-event stage, technology and organizational governance can play a role. Information technology can be used to establish a technological system with real-time monitoring to support the CSR governance; through organizational governance, the governance boundaries and priorities can be clarified. The post-event stage mainly relies on the institutional approaches. Internet platform enterprises need to design and implement rules and regulations applicable to platform transactions, which can not only play a preventive role, but also help deal with routine issues and emergencies, to ensure that members of the business circle have well-established channels for entry and exit, accountability mechanisms, reward and punishment systems.

References

- [1] Hu, Y., Hao, Y., & Chen, W. (2021). A Comparative Study on Corporate Social Responsibility between Internet Platform Enterprises and Traditional Manufacturing Enterprises: Based on the Background of Constructing a Dual Circulation New Development Pattern. *Journal of Chongqing University (Social Sciences Edition)*, 1-12.
- [2] Yang, Z. (2018). Corporate Social Responsibility of Platform Enterprises: Boundaries, Governance and Evaluation. *Economist*(5), 79-88.
- [3] Van Marrewijk, M. (2003). Concepts and definitions of CSR and corporate sustainability: between agency and communion. *Journal of Business Ethics*, 44(2-3), 95-105.
- [4] Carroll, A. B. (1991). The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39-48.
- [5] Zhu, X., & Li, M. (2020). Legitimacy and Content Analysis of CSR in E-commerce Platform Enterprises. *Social Science Research*, 28-36.
- [6] Liu, C., Guo, B., & Zhong, W. (2014). Collaborative Mechanism of Corporate Social Responsibility in China's E-commerce Retail Enterprises. *Economic Issues*, 60-63.
- [7] Xiao, H., & Li, P. (2019). Ecological Governance of Corporate Social Responsibility in Platform Enterprises. *Management World*, 35, 120-144.
- [8] Zhou, X. (2019). Safety Assurance Obligations and Legal Liability of E-commerce Platforms. *Academic Research*, 66-73.
- [9] Gao, Q. (2014). On Third-Party Obligations in Administrative Law. *East China University of Political Science and Law Journal*, 38-56.
- [10] Chao, G., Lin, D., & Wang, L. (2017). Corporate Social Responsibility Behavior Models of Platform Enterprises: A Case Study Based on Two-Sided Markets. *Journal of Management Case Studies*, 10, 70-86.
- [11] Wang, X., & Zhang, Q. (2016). Greenhouse Management Model of Platform-based E-commerce Enterprises: A Case Study of Alibaba Group. *China Industrial Economics*, 108-125.

- [12] Yang, Z., & Xu, Y. (2018). Governance of Corporate Social Responsibility under the Platform Economy. *Enterprise Economy*, 37, 78-86.
- [13] Liu, Y., & Xia, J. (2016). Research Trends in Sharing Economy Theory and Policy. *Economic Perspectives*, 116-125.
- [14] Li, G., & Tao, T. (2018). E-commerce Platform Ecosystem and Platform Governance Policy. *Management World*, 34, 104-109.
- [15] Qu, S., & Yang, D. (2020). Intelligent Response to Public Health Emergencies: Theoretical Review and Trend Analysis. *Reform*, 14-21.
- [16] Yang, Z., Yin, X., & Chen, J. (2020). Innovation in CSR Governance of Platform Enterprises under COVID-19. *Chinese Journal of Management*, 17.

Funding

This research received no external funding.

Conflicts of Interest

The authors declare no conflict of interest.

Acknowledgment

This paper is an output of the science project.

Copyrights

Copyright for this article is retained by the author (s), with first publication rights granted to the journal. This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).