CHAPTER - IV

CONCEPT OF SOCIAL RESPONSIBILITY

The principal objective of this chapter is to examine the different views on the concept of social responsibility and to draw distinctions between the two emergent schools of social philosophy of business.

"The dynamic concept of management is essentially the product of modern society and civilization. The ideals that it upholds, the beliefs that it supports and the practices that it propagates are basically parts of our way of life".1 As such, "no absolute presentation or interpretation of the same can be acceptable to all. Every age, every country and every society reads its own norms, moods, desires, hopes and growth in it".2 The effectiveness with which it can operate and contribute to social progress would depend largely on how sensitive it is to the change in the social, cultural and political fabric of the country. A swift value change that took place during 1960s and afterwards has changed the dimensions of the philosophy of

2 Ibid., p.25.
management. A new social dimension has been added and expanded against the vehement criticism by many, stiff resistance by some and total denial by a few. This sudden enlargement in the scope of authority and operation has necessitated the reassessment of the concept of social responsibility.

Semantics Confusion:

As Votaw says:

"the term (social responsibility) is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others it means socially responsible behaviour in an ethical sense; to still others the meaning transmitted is that of 'responsible for' in a casual mode; many simply equate it with 'charitable contributions'; some take it to mean socially conscious or 'aware', many of those who embrace it most fervently see it as a mere synonym for 'legitimacy', in the context of 'belonging' or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behaviour on businessmen at large".  

3 Votaw, Dow, 'Genius Become Rate!', in Votaw, Dow and Sethi, S.Prickash, The Corporate Dilemma; Traditional values versus Contemporary Problems; (New York: Prentice-Hall, 1973), pp.11-12.
Various titles adopted by companies to express their social concern indicate the prevailing confusion; some of the titles are:

Beyond the profit motive, corporate conscience, corporate social responsiveness, the human side of (Company's name), public service, public relations, public responsibility, business morality, consumerism, business and people, social concern, social commitment, corporate citizenship, trusteeship, social action, etc. Subsequently, in their policy making, executives tend to equate their social responsibilities' policy to:

* Company Welfare Policy
* Corporate Democracy
* Image-Building Programme
* Consumer Relations
* Community Relations
* Economic Development
* Social-reforming,
  Public-Service
  Humanistic venture

The confusion is due to the widening of the spectrum of social responsibility. What was once regarded as 'passive adaptation' has now become 'dynamic creativity'.

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The social approach developed first as an 'ethical concept' to make enterprise follow the 'Trusteeship principle' and be a respectable 'corporate citizen'. In later years, it evolved into 'Growth concept' to make powerful enterprises follow the 'Statesmanship principle' and assume the role of 'Change agent'.

All this has happened, since 1960, within twenty years. The early conservative approach to social responsibility may be denoted by 'social values' school whereas the new evolving liberal approach be termed as 'Social Responsibility' school.

Differing View Points:

The divergent views on Social Responsibility reflect in the following descriptions.

H.R. Bowen defined the concept as:

"Obligation to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society".

Koontz & O' Donnell give a negative explanation:

"As a working definition, Social Responsibility may be regarded as the personal obligation of people as they act in their own interests, to

assure that the rights and legitimate interests of others are not impinged.  

Richard Eells opines it as:

"A prudent regard for all the interests that merge in making the business a going concern now and in the future .... to protect and augment shareholder equity".

Lawrence A. Appley opines,

".... the higher motivation which is essential to life, both for an individual and an organisation. Morale, "Esprit de corps", individual and group effort and output all spring from the satisfaction that a genuine service is being rendered - a service that transcends in important the wish for mere financial return".

C.D. Deshmuk compares the concepts of Social Responsibility in two different environments:

"In the USA for instance, there seems to be a prevailing trend to equate Social Responsibility with enlightened self interest .... in the United Kingdom .... the ideas of property have

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undergone a sublimation and frontiers of even enlightened self-interest have been crossed in forming and running business enterprises". ¹⁹

Clarence C. Walton¹⁰ suggests six models to define Social Responsibilities:

1. The austere model (Responsibilities to shareholders)
2. The household model (Responsibilities to workers)
3. The vendor model (Responsibilities to consumers)
4. The investment model (Responsibilities to business itself)
5. The civic model (Responsibilities to community)
6. The artistic model (Responsibilities to preserve arts and creativity)

To these George A. Steiner¹¹ adds one more model that is Eclectic model which is final and obvious model. It incorporates one or more of the first six models.

International Seminar on Social Responsibilities of Business adopts a similar position:

"In addition to making a fair and adequate return on capital business must be just and human, as well as efficient and dynamic. The modern

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business has manifold responsibilities -
(i) to itself (ii) to its customers (iii) workers
(iv) shareholders (v) community and (vi) the state.
The task of management is to reconcile and
harmonise separate and sometimes conflicting
responsibilities". 12

However, from 1970s onward, Social Responsibility
has moved on to a different plane. The emphasis is on
welfare and development of society rather than on furthering
the interests of the constituent groups within the limited
organisational framework.

Kenneth R. Andrews explains:

"By Social Responsibility, we mean the intelligent
and objective concern for the welfare of the
society that restrains individual and corporate
behaviour from ultimately destructive activities,
no matter how immediately profitable, and leads
in the direction of positive contributions to
human betterment, variously as the latter may
be defined". 13

Peter F. Drucker crystallises the change in the following
description:

"Early discussions of Social Responsibilities of
business centred in three areas:

12 Mukharji, P.B., Social Responsibilities of Business,
13 Andrews, Kenneth R., The Concept of Corporate Strategy,
(Homewood, Illinois, Dow Jones-Irwin, Inc., 1971), p.120.
1. The perennial question of relationship between private ethics and public ethics;
2. The responsibility which the employer bears toward his employees by virtue of his power and wealth;
3. The leadership responsibility of the businessman with respect to the culture of the community;

The new concept of Social Responsibility demands that business take responsibility for social problems, social issues, social and political goals, and that it become the keeper of society's conscience and the solver of society's problems. 

Sethi and Post use the term 'Social Obligation' to refer to the early viewpoint and 'Social Responsibility' to denote the emergent paradigm. The definitions and distinctions of these two terms as given by them are given below:

"Corporate behavior in response to market forces or legal constraints is defined as social obligation ... The traditional economic and legal criteria are necessary but not sufficient conditions of corporate legitimacy ... Social responsibility implies bringing corporate

behaviour up to a level where it is in congruence with currently prevailing social norms, values and expectations of performance. Social responsibility does not require a radical departure from the usual nature of corporate activities or the normal pattern of corporate behavior. It is simply a step ahead — before the new social expectations are codified into legal requirements. While the concept of social obligation is proscriptive in nature, the concept of social responsibility is prescriptive.\(^{15}\)

Keith Davis attempts to elaborate the concept through a two-fold classification of the tasks as under:

"Social responsibility begins where the law ends. Social Responsibility .... refers to businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. Thus, social responsibility has two rather different faces. On the one hand, businessmen recognize that since they are managing an economic unit in society they have a broad obligation to the community with regard to economic developments affecting the public welfare (such as full employment, inflation, and maintenance of competition). A quite different type social responsibility is, on the other hand a

businessman's obligation to nurture and develop
human values (such as morale, co-operation,
motivation, and self-realization in work).
Accordingly, the term, "Social Responsibility" refers to both socio-economic and socio-human obligations to others.16

Committee for Economic Development suggests three concentric circles of Social Responsibility:

"The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic function—products, jobs and economic growth.

The intermediate circle encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities; for example, with respect to environmental conservation; hiring and relations with employees; and more rigorous expectations of customers for information, fair treatment, and protection from injury.

The outer circle outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment. Society is beginning to turn to corporations for

help with major social problems such as poverty and urban blight". 17

Boone & Kurtz distinguish and establish social responsibility:

"Social responsibility means that management considers social effects, as well as economic effects, in its decisions. Both societal and ethical issues are closely related and similar in meaning and impact. However, social issues are somewhat broader. Social issues that confront business near the end of the 1970s are:

1) People-oriented management
2) Ecology and environmental protection
3) Consumerism
4) The energy crisis and natural resource utilization." 18

In his attempt to clarify the concept of social responsibility Keith Davis has introduced two terms: 'socio-human' and 'socio-economic', the term socio-human is not appropriate because it is the very existence of human beings and their urge to be sociable that has given rise to the 'socio' point of view. Therefore, the term

'Socio' is already pregnant with the 'human concept'. A useful classification would be: Socio-technical obligations, Socio-economic obligations and Socio-political obligations. This is what precisely the Committee for Economic Development has conceived. Socio-technical obligations refer to the efficient and peaceful operating facet of business, whereas the socio-economic obligations refer to the effective and ethical policy perspective. Together, these two inter-related obligations describe the 'Productive function' of the enterprise, while the socio-political obligations explain the 'Distributive function' of the enterprise. Though the Committee for Economic Development has called the emerging concept 'amorphous', it has not left it in the nebulous state. The credit for providing what may be called the first comprehensive list of program areas goes to it. The program areas are: Economic growth and efficiency, Education, Employment and Training, Civil rights and Equal opportunity, Urban renewal development, Pollution abatement, Conservation and Recreation, Culture and arts, Medical care and Government. Kurtz and Boone by adopting a prescriptive approach have established in clear cut terms the various tasks to be performed by enterprises to fulfil the socio-political obligations. The recent management literature

suggests more or less the same tasks under the caption 'Social Responsibility'. 
Scope & Tasks of Social Responsibility:

To obtain much more clarity from the confusion created by the rapid outgrowth of social responsibility into a new engaging task, it is proposed to draw the lines of demarcation between the 'Social Values' approach and 'Social Responsibility' approach. 20

Social Values
1. Concern for Sound Relations:
   It is concerned with 'Ethics' and intends to transform the business institution into a moral community, acceptable to public.

2. A modification:
   It merely provides an overlay on the traditional economic mission of business. The traditional entrepreneurship and profit ethic is amended to include the concept of social trusteeship and social ethic to make business a good proposition.

Social-Responsibilities
1. Concern for Egalitarianism:
   It is concerned with development of society. It intends to bring about a social change to improve the 'quality of life'.

2. A Challenge:
   It intends to utilise the management competence and business surpluses to bring about a change to improve the society. The scope of action is extended beyond 'trusteeship' to that of 'Statesmanship'.

3. Utilises social surplus:

It opens new vistas investing the surplus funds for the benefit of society. It is a long range investment plan for socio-economic development.


3. Makes Profits Genuine:

It sets limits to profit-making by providing a value framework for decision-making. It restrains the mad pursuit of maximisation.

4. Governed by principle of Conscience:

President Wilson of USA profounded four principles for the proper conduct of business.

1. The principle of publicity:

General public should be kept informed of what is happening in a business.

2. The principle of comparative service:

Business should render service equal to the price received.

3. The principle of conscience:

The ruler of business be of highly ethical standard.
5. List of Priorities will be developed and responsibilities are discharged. Accordingly, priorities change from company to company and from time to time.

6. Social responsibilities can be undertaken by enterprises having standing, competence, and resources. It is a fair weather concept. The responsibilities can be performed in a sequential manner in order of priority.

7. Goals:
   A. Sound Financial Management
      (Fair ROI, Sufficient reserves and surpluses, Fair Dividends, Avoidance of illegal political-commercial payments, Good relations with shareholders and investors, Disclosure of fair and adequate information etc.)
B. Sound Personnel Management
(Fair employment practices, minority and women employment and advancement, employee education and training, employee satisfaction and productivity, health and safety, opportunities for personal and professional development, participation in decision-making, leisure, recreation etc.)

C. Sound Marketing Management
(Fair competitive practices, fair prices, adequate and accurate consumer information, consumer counselling and service, handling consumer complaints, credit policies against legal standards, guidance and support to distributors etc.)

D. Sound Production Management
(Upgrading quality of working life, production of standard goods, meeting established environmental standards, determining impact of new products on pollution levels etc.)

B. Internal Employee Service Programs
(Legal aid, family planning etc.)

C. Job Creation
(Hiring and training of the hard core unemployed and disadvantaged, assisting self-employment agencies etc.)

D. Encouraging Consumerism
(Consumer education, support to consumer councils etc.)
E. Sound Research Management
(Advancement of technology that conserves resources, improves the quality of environment and raises the living standards of people)

F. Sound Public Relations Management
(Disclosure of information related to composition of the Board of Directors, Structure and Composition of Committees, Employee Stock Ownership, Cooperating with Government, Developing good relations with those in the community etc.)

E. Support of Minority enterprises
(Supply of technology, assisting in marketing etc.)

F. Pollution Abatement
(Creating agencies for developing improved systems of environmental management etc.)

G. Resource conservation measures
(Augmenting the supply of replenishable resources, preserving animal life and ecology of forests etc.)

H. Society Improvement Programs
(Contributing to the promotion of education, health, arts, sports, religion etc.)
I. Rural Development
   (Cooperating with other agencies, Adoption of villages etc.)

J. Foreign Investments
   (Establishing profit-making ventures abroad in areas of needed social improvements, Developing cross-cultural, cross-national system of management to integrate developing nations etc.)

8. Definition:
   "Designing and pursuing decisions, policies and programs of the enterprise with a prudent regard to values, norms and expectations of the society".

8. Definition:
   "Developing society in its plurality of interests, faiths, beliefs and values and objectives for enhancing the happiness, freedom and material, mental, moral and spiritual growth of the people".
CONCLUSION:

Traditionally, it is believed that the organisational boundaries are logical limiting areas for the operation of management. With the dawn of new era—the people's era, has come the new realisation that, 'Management represents the totality of human behaviour inasmuch as it voices the industrial development of the world as well as the welfare of the people resulting from such growth.' In the new context of human values, social responsibility of management is something more than adhering to the ethical principles and expressing concern for the development of the society. In its modern conception, it revolves round the socio-political-economic-cultural ideals of society and deals with the planning and controlling of activities directed toward the establishment of egalitarian society. The new concept opens up new vistas of operation for the business managers and demands them, 'to apply human effort for the most productive use and to consolidate all the available resources for the optimal welfare of mankind.'

22 Ibid., p.294.
Further developments in the philosophy of social responsibility depend upon the value change and the expectations of public on one hand and the performance and achievements of business on the other. Social responsibility in the sense is not a one way traffic; it is evident from its emergence as 'a new ideology and a new technology' from its original form of 'a moral principle that kept businessman out of jail.'

23 Davis, Keith. 'Some Basic Trends Affecting Management in the 1980s', College and Graduate School of Business Administration, University of Minnesota, Alumni Series, May 7, 1976.