CHAPTER - II
OBJECTIVES AND METHODOLOGY

The principal aim of this chapter is to crystallise the objectives of the study, elaborate the methodology made use of, explain the technical concepts that are related to the issue under study, highlight the policy implications of the study and make a review of the existing literature on corporate social responsibility.

Objectives and Hypotheses:

The broad objective of the study is to develop the theory of social responsibility and ascertain how much sensitive and responsive managers of large scale industrial enterprises in India are towards social responsibility. More specifically the study aims at:

1) tracing the evolution of business and society for examining the hypotheses—there exists a symbiotic relationship between business and society and that the existence and growth of business depends on the everchanging values of any society;

ii) assessing the concept of social responsibility which is elastic in nature, being dependent upon the public expectations and demands;

iii) examining the philosophic and economic rationale of corporate social responsibility by finding
support to the following two hypotheses:

(a) social responsibility has been evolving in response to the moods, aspirations, and expectations of people through different stages of social development since the dawn of industrial civilisation;

(b) social responsibility is in complete harmony with the economic objective of the corporation;

iv) analysing the various aspects in the management of social responsibility to gain insights into various difficulties in policy making, obstacles in implementation that arise by internal and external environmental factors and enunciate some principles that help design effective performance system;

v) describing the evolution of social audit, explaining the various methods of social audit in vogue, identifying the problems in making the social audit and suggesting some principles that help design effective social assessment system;

vi) tracing the social responsibility movement in India and appraise from managers' point of view the current image of industry and establish the reasons for public demanding industry to usurp social responsibility;

vii) evaluating the social responsiveness of top and middle level managers with a view to identify the differences in perceptions with reference to the following hypotheses:

a) dominant position in the economy, and manipulation of socio-political affairs of the nation by industry are primarily responsible for public demanding
industry to usurp social responsibility;

b) managers are willing to accept social responsibility and they believe it as an important dimension of management in the long run self interest of industry;

c) not all corporate social objectives have the same priority;

d) the order of priority and order of areas of perceived difficulty are different;

e) the obstacles in the implementation of social action programmes are both external and internal;

f) social responsiveness necessitates structural alterations in companies;

g) social action performance can be measured. The social audit serves the purposes of clarifying managers and public, the stand of company vis-a-vis social responsibility;

h) many prefer to have social audit but in its simplified form like checklist type or input-analysis type;

i) lack of proper measurements and prohibitive expenditure involved in making it are primary obstacles for not adopting the social audit method.

viii) finally, suggesting ways for improving the scope of translating the responsiveness into concrete policies for action that will go a long way in the socio-economic development of our country.

Methodology:

The research is exploratory in character. It seeks
to explore the directions in which the concept of social responsibility has found its development and also how far the emergent concept has taken roots into the managerial value systems of large enterprises.

The Sample:

As the concept of social responsibility is assumed to have operational validity in the context of large scale enterprises only, The Economic Times 101 Indian industrial giants in the private corporate sector and all Central Government Undertakings in the manufacturing and trading sector are chosen for study. From an up-to-date list of Chief Executives of these 180 large companies as per the Kothari's Economic Industrial Guide of India, a cover letter and questionnaire related to performance details of the enterprise were mailed (Appendix-I). The letter asked for furnishing a list of names and designations of 10 top level executives and 10 middle level executives for participation in the study of social responsiveness of managers. Many companies regretted their inability to participate while a few companies sent their Annual Reports. From the Annual Reports, the names of executives were drawn at random and the questionnaires were mailed to them direct. The questionnaires mailed were 1000, of which 500 were to the top level executives and 500 to the middle level
executives. As the resulting sample was found inadequate, personal request letters to the Chief executives of companies actively engaged in social responsibility activities were mailed seeking support for research study. Personal distribution and collection of 500 questionnaires were also made at the industrial centres like Hyderabad, Madras and Visakhapatnam, where large companies or their divisions are located. Thus, through all these efforts a sample comprising 216 top managers and 313 middle managers resulted in.

Sources of Data:

The data required for the purpose of the study are primary and mailed questionnaire method is employed. The questionnaire used in this study is designed to elicit the views of executives and is concerned with the following areas of research:

a) need for accepting social responsibility
b) priorities of social areas of effort
c) obstacles in implementation
d) purpose of social audit, and
e) obstacles in the development of social audit

The questionnaire was designed (Appendix-I) in such a manner that the executive responding to it needed only to cross a number 1 to 5 to indicate his response for each question or rank order according to his degree of preference
or merely check a blank. Thus while the questionnaire ran 12 pages in length, the time required for completion of the questionnaire was not demanding.

Limitations of the study:

The study is likely to suffer from the following limitations:

1) the findings of the study are based on the questionnaires returned duly filled in. If those who have returned them are those with awareness and zeal towards social responsibility, the findings are likely to have a positive bias towards social responsibility.

2) the issue under study is philosophical in nature. People generally set high standards, though they know they are impracticable. Despite the care taken in structuring the questionnaire to reduce such bias, it still persists, and ultimately reflects in the conclusions.

3) the common limitation with all mailed questionnaire methods is lack of sufficient attention and understanding on the part of respondent due to the impersonal nature of the method which reduces the validity of the study.

Concepts and Definitions:

With a view to delimit the scope of interpretation of the terms of special significance in the study, and avoid semantics confusion the meanings of the terms as defined in
the study are given here.

1. **Social Development:**

   It refers to the way people cultivate human resources at all levels of the economic order.

2. **Social Goals:**

   These are concerned with the development of human life and resources in the organisation of the economy. The achievement of these goals mean broadening the base of human authority and leadership within the corporate system and increasing the level of imagination, sensitivity, strength and responsibility among people who work in the economic order.

3. **Social Problems:**

   These are defined as a gap between society's expectations of social conditions and present social realities.

4. **Social Realities:**

   They mean the set of laws, regulations, customs and organisations along with the appurtenant economic political and social processes that prevail at a given time.
5. **Social Impact:**

The direct or indirect effect of any specific corporate action on society or its individual members.

6. **Values:**

They are culturally derived normative standards which act as a guide in stating objectives or in the pursuit of goals.

7. **Social consciousness:**

It means generally an awareness of human interdependence in society. An increase in this consciousness suggests that people are perceiving more about the complex relationships between themselves and others.

8. **Social Responsiveness:**

It refers to the degree of interest the occupational groups have in acting with understanding and equity toward another.

9. **Social Responsibility:**

It can be basically defined as the capacity of occupational groups to respond to problems between themselves and other groups with some measure of fairness and equity.
The concept of social responsibility has a subjective reference in the notion of responsiveness, a readiness to act with understanding and equity; at the same time, it has an objective reference in the notion of accountability, a means whereby equitable action is observed to take place.

10. **Social Obligation/Accountability:**

It refers to the requirements that corporate groups respond justly through some legal institution.

11. **Social Balance:**

The point at which, at each interface of business and society, society is gaining as much as it is losing as a result of the business operations.

12. **Social Costs:**

Social Costs represent a debit, a diminution of wealth and expense to the Society. They have not been recognised in economic terms and attributed directly to the firm and thus are left to be borne by the society as a whole.

13. **Social Benefits:**

Social benefits represent an addition to the wealth and gain to the society.
14. **Social Audit:**

It is a means to social accountability. It is a commitment to systematic assessment of and reporting on some meaningful, definable domain of the company's activities that have social impact.

15. **Corporation:**

It is used to mean the profit seeking company of the business system. It is employed as a synonym to industrial enterprise.

16. **Top Management:**

It is defined as including only corporate level executives and division top management where divisions have relative autonomy.

17. **Middle Level Management:**

It is defined as the group stretching from below division level management down to but not including what may be called in most companies first level supervisory personnel.

18. **Quality of Life:**

Quality of life is the characteristic that makes life
desirable. It is a concept related to happiness and suggests that there are objective, widely shared criteria for life quality: freedom amid diverse choices, monopsony in consumption, high preference returns on investment, privacy, role and mobility in harmony with one's own preferences. Security, opportunities for self development, balanced maintenance of diverse life forms, clean environment, etc.

Policy implications and other benefits:

In general, corporate policies and practices reflect the values and attitudes of the top management group while the effectiveness of their implementation depends upon the operating management. Thus, if a given top management group believes the role of business and society to be narrowly defined, on the grounds that social responsibility is a hazardous and unprofitable affair, one could safely presume that the company policies and practices will be conditioned by that belief.

Further, the alibi for many top managers for not being socially active, can be the lack of spirit and enthusiasm among operating managers. It is true that philosophical outlooks differ from one level to another level of hierarchy, the factors responsible being the position, nature of responsibility, extent of authority,
degree of maturity - of mind, length of experience, relationship of social areas with the job held etc. But all these are in fact, frivolous reasons for not accepting social responsibility. If operating group is positively inclined the top management can imbibe the new spirit of social responsibility to attain results.

In India, pronouncements of some top executives in favour of social responsibility are read in journals and newspapers. But how far the top management of Indian industry is socially responsive is not clearly established by any study. The systematic study of the attitudes of top management if proves the prevalent general belief correct, it will set pace to changes in outlook of operating managers to consider positively the challenge of social responsibility.

Further, the positive acceptance of operating management, will encourage top management to formulate liberal philosophy and progressive social policies within the permissible limits of the company. It is in this context that the study finds its relevance. Being first of its kind in India,

1) It will set pace to the generation of an atmosphere of understanding for top and middle level managers about the way the
challenge of social responsibility is perceived and help formulate meaningful policies for implementation.

ii) It helps trade unions to reexamine their position and policies in the emergent context and carve for themselves an appropriate role in facilitating the corporation play an effective socially responsible role.

iii) It provides to the government the necessary insights into the problem of motivation of the corporate enterprises in discharging social responsibilities and help formulate policies that create the needed incentives and opportunities for socially responsible companies.

iv) It gives public to understand the opportunities and limitations of corporate executives in making firms socially responsible and extend their cooperation in solving societal problems.

v) It spurs interest among researchers to make a thorough study of the executive attitudes and company performances in each area of social effort and thus lead to the systematic compilation of data on social responsibility which hitherto so far not available for improving the science and art of social responsibility management.

Survey of Literature:

Beginning in 1950s, there has been a continuous flow of literature on corporate social responsibility. However,
research on corporate responsibility has started only in the early 1970s. Compared to the conceptual discussions, the research studies are meagre. The review of literature is made with the help of a two fold classification of the works into:

1. Conceptual studies, and
2. Research studies.

Conceptual Studies:

Based on the concern and treatment of the theme corporate social responsibility, the conceptual studies may be subdivided into two groups: first, concerning with the philosophy of social responsibility and the second, dealing with the social policy making aspects of the firm.

Under the first group come the writings of ethicists, legal experts and political economists and a few managers. In 1948, Glover\(^1\), launched an attack on big business and its functioning while Waynes\(^2\) suggested an ethical framework

\begin{itemize}
  \item Glover, J.D., \textit{The Attack on Big Business}, (Boston; Division of Research, Harvard Business School, 1948).
\end{itemize}
for policy decisions. Goyder\(^3\), envisioned a responsible company and elaborated the need for being responsible in the developing context of a nation. Bowen\(^4\) pioneered the doctrine of social responsibility for businessman which required businessmen make decisions and implement policies in the context of social values. Supporting and elaborating the concept of 'prudent regard for social values' several writings followed, which include the contributions made by Selekman\(^5\), Johnson\(^6\), Bartels\(^7\), Hodges\(^8\), Garret\(^9\) and Pettit\(^10\).

Writers who have taken the growing power and influence of corporations in the economy as the focal point for study and made an analysis of the sources of power and the ill consequences by the use of such power and the means

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7 Bartels, Robert., Ethics in Business, (Columbus, Ohio: Bureau of Business Research, College of Commerce and Administration, 1963).
9 Garret, Thomas M., Business Ethics, (Bombay: The Times of Indian Press, 1970).
to curb it include Berle, Mason, Chayes, Kaysen, Rostow, Vanek, Nadar, Wilbert Moore and Galbraith. The central theme of these works is that corporations have become powerful economically and politically, by virtue of their size and resources and have made the market mechanism impotent. The State should envisage necessary measures in this direction to provide 'carrot and sticks' to make corporate power benevolent and thereby improve the market.

15 Rostow, Eugene, To Whom and for What Ends is Corporate Management Responsible? in The Corporation in Modern Society, op.cit.
mechanism, establish industrial democracy and reduce the perpetuation of social ills. Prominent among another set of writers who have advocated the corporations to usurp voluntarily social responsibility to match the power in their possession in order to avoid public regulation are Davis and Blomstrom\(^20\), Drucker\(^21\), George Steiner\(^22\), John Steiner\(^23\), McGuire\(^24\), Walton\(^25\), Jacoby\(^26\), Monsen\(^27\), and Eells\(^28\). The philosophical arguments of these writers explained and elaborated the Iron Law of Responsibility - 'who do not use power in a manner which society considers responsible will tend to lose it'.


Among the economists, who have devoted attention to Corporate Social Responsibility, Milton Friedman[^2] is the strongest opponent. He regarded it a cost, a theft of shareholder's income and a subversive doctrine. Robert Heilbroner[^30], Kenneth Arrow[^31], Boulding[^32], Samuelson[^33], Wassily Leontieff[^34], however, believed in the sense of social responsiveness as a prerequisite to responsible State and discussed the need for government initiative in making corporations social activists.

The second category of writings, the primary concern of which is management of social responsibility found impetus from the study of committee for Economic Development[^35] and


Committee on Economic Priorities\textsuperscript{36}, Corson\textsuperscript{37}, Chamberlin\textsuperscript{38},
Seidler\textsuperscript{39}, Bowman\textsuperscript{40}, Duncan\textsuperscript{41}, Humble\textsuperscript{42}, Andrews\textsuperscript{43}, Sturdivant\textsuperscript{44},

\begin{itemize}
  \item \textsuperscript{41} Duncan, Jack W., \textit{Decision Making and Social Issues}, (Boston, Mass: Houghton Mifflin, 1976).
\end{itemize}
Bauer, Abt, Sethi, Ackerman, Sawyer, Beesely and Evans have discussed the wide ranging issues like social problems, social impacts, social balance, social action strategies and measurement of social performance, social audit and so on and so forth in the context of organisational policy-procedure framework and laid foundation for the 'Social Responsibility function'.


In India, Seminars and study sponsored by India International Center, proceedings of the National Convention of All India Management Association, proceedings of the XVIII All India Commerce Conference, proceedings of the Sixth National Convention of Company Secretaries, and the proceedings of Convention of Cost Accountants, The Economic Times' focus on social responsibility and Industrial Times' interviews on Rural Development, have not only provided the basic ideological framework but also examined the operational problems of social responsibility. Noteworthy contributions performance-wise and philosophy-wise have been made by industrialists like Mafatlal and Ramakrishna Bajaj.

54 See The Chartered Secretary, Vol VII, No.12, March 1978.
59 Bajaj, Ramkrishna, Social Role of Business, (Bombay: Maharasthra Chamber of Commerce 1970)
Among the writers mention may be made of Sethi, Davar, Mukhopadhyaya, Agarwal, Chakraborthi, Kakkar and Kakkar, Murao.


Research Studies:

Little research has been done on Corporate Social responsibility policies and implementation. The research in this area in USA was pioneered by Committee for Economic Development in 1971. It studied the attitudes of managers toward various aspects of social policy and social audit. It made a broad classification of the areas of social action for the guidance of corporations.

Sturdivant and Ginter studied (i) the attitudes of top management toward social responsibility and

(ii) the relationship between the economic performance and social responsibility of business corporations. The sample of study comprised 67 companies which are classified, on the basis of ratings made by a journalist Mosokowitz, into three categories: Best, Honorable and Worst. Only 23 companies responded and 130 filled in questionnaires were returned. The findings deduced from the questionnaire consisting of 66 questions confirmed the strong correlation between top management attitude and social performance of companies. By taking data from the 'Fortune' magazine for a ten year period on Earnings per share growth as an indicator of economic performance, the companies were compared. It was found that socially responsive companies enjoy better economic performance.

Sandra L. Holmes[^5] studied the executive perceptions of corporate social responsibility with reference to the significance, areas of effort and organisational arrangements. Questionnaires were mailed to top executives in 560 companies selected at random from the 800 firms listed in the Fortune Directory of the 500 largest Industrial Corporations and the 50 largest companies each of the categories of commercial

banks, life insurance, diversified financial retailing, transportation and utilities. The addressee sample was proportionately stratified so that questionnaires were mailed to 350 of largest firms and to 35 of the 50 firms in each of the remaining categories. Completed questionnaires were returned by 192 (34%) of the sample. The study established that business executives prefer to be socially responsible as long as profit objective does not suffer and that establishment of separate department will be more suitable than other arrangements for the discharge of social responsibility.

A study by Collins and Ganotis76 in 1972 noted that within the single-company studies ($1 Billion in sales) older, upper-level executives were in general more prone than their younger, junior executives to see that 'corporate commitment is necessary to solve social problems'. The younger executives were more likely to favour governmental action instead. Specifically, two areas - pollution control, and minority hiring exhibit the same pattern of attitudes toward corporate commitment, with the junior executives being less enthusiastic.

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Lyman E. Ostuland refuted the above study. He tested the hypothesis, 'Top management is more sympathetic than middle level management to social responsibility', by taking a sample of Fortune 500 corporations. An eight-page questionnaire with attitudes on various areas like significance of social responsibility, priorities and obstacles in implementation using a five point rating scale to measure the extent of responsiveness was mailed. With the help of the resulting sample comprising 458 top managers and 557 middle level managers, he established that the middle level management is more or less equally interested as top management in corporate social responsibility. He conducted the study again with reference to the middle level and the first level executives and found that the first level managers are also equally interested in social responsibility as the middle level managers.

Newmann conducted a study on social issues of transnational enterprises and concluded that profit-sharing, local employment and local ownership are major areas of social concern and that managements of transnationals are

considering more delegation of authority, local autonomy and employment of higher percentage of nationals in managerial positions as appropriate moves to reduce local tensions.

Studies relating specifically to social audit and reporting were also made. A 1973 survey of corporations undertaken by John Corson and George Stenier79 for the Committee for Economic Development found that 76% companies have made attempts within the period since January 1, 1972 to report on social activities. Ernst & Ernst80 have studied social measurement disclosures in the annual reports of fortune 500 companies for three years (1971-73) and found that the number of companies making such disclosures has increased. The percentage of companies making such disclosures increased from 51% in 1971 to 58% in 1972, with a nominal increase to 60% in 1973.

A study by Sidney Jones81 of annual reports issued by 55 of the larger companies in the Fortune 500 covered

80 Ernst and Ernst, 'A Special Study of Measurement Disclosures in Annual Reports', Monograph.
the period 1960 to 1970, found that roughly 25% of the 1970 reports contained a special section devoted to company social responsibilities. Also it showed that dominate concerns in 1960 were support of education, employee education and safety; by 1970 the emphasis had shifted to pollution control and hiring of the disadvantaged.

Harry A. Lipson's\textsuperscript{82} random survey of 50 corporations revealed that 26% more firms in 1973 included one or more social goals in their corporate plans for 1973, over one half of these firms had doubled the number of social goals from 1970 to 1973. Nobel Elías and Marc Epstein\textsuperscript{83} studied annual reports of a sample of 47 companies and found that the most frequently mentioned areas were: Environmental quality, Equal employment opportunities, Product safety, Educational aid, Charitable donation, Industrial safety, Employee benefits and various support programmes.

In India, there are only two research studies so far made, related to the area of corporate social responsibility. R.B. Upadhyaya\textsuperscript{84} described the Trusteeship theory of Mahatma Gandhi and examined its applicability in the context


\textsuperscript{83} Elías, Noble and Epstein, Marc, 'Dimensions of Corporate Social Reporting', Management Accounting, LVI (March 1975) p.36.

of business by making a critical analysis of the evolution of the business philosophy from the time of industrial revolution and concluded that it can be pragmatic philosophy of social responsibility for business corporations. Arun Monappa\textsuperscript{85} conducted a study on ethical attitudes of Indian managers, first of its kind in India, which is modelled after the study of Prof. Baumhart,\textsuperscript{86} Loyola University of Chicago, USA. The sample included in all 115 managers (54 senior and 61 middle level executives) ranging from medium to large companies in different age groups and with varied educational and religious backgrounds. The study indicated that the Indian manager has set high ethical standards for himself - if he had not put his belief in good ethics into action; it is because the environment has not influenced him into doing so. The major limitation of the study is its sample size. The sample was small and hence generalisations lack the required validity.

It is obvious from the above detailed exposition of the research works, research in social responsibility is very little. In India, a beginning is to be made in various directions in the field and the present study aims at being a pioneer in this regard.

\textsuperscript{85} Monappa, Arun, \textit{Ethical Attitudes of Indian Managers}, (New Delhi: All India Management Association, 1977)