CHAPTER 3

CSR: The Global and Indian models.

3.1 Introduction

Academic and practitioners have been trying to articulate what is means to be “socially responsible” in relation to a company for the past thirty to forty years.

Among the attempts to classify CSR theories, Klonoski (1991) distinguishes three different kinds of theories. He calls the first category ‘fundamentalism’. It includes all positions that, in one way or another, claim that corporations are only legal artifacts and the only social responsibility of business is increasing profits in compliance with the laws. The second category is made up of those theories which defend the corporation’s moral personhood and point to its moral agency. Consequently, corporations can be held morally responsible for their actions. The third category considers theories in which the social dimension of the corporation is particularly relevant. The roots of these theories are in political and ethical domains.

Windsor (2006) understands that there are three key approaches to CSR theories: ethical responsibility approach, which presents strong corporate self-restraint and altruistic duties and expansive public policy to strengthen stakeholders’ rights, economic responsibility approach, which advocates market wealth creation subject only to minimalist public policy and perhaps customary business ethics and corporate citizenship approach, which invokes a political metaphor that provides neither true intermediate positioning nor theoretical synthesis.

In the third theory, Garriga and Mele (2004) distinguish four groups of CSR theories, considering their respective focus on four different aspects of the social reality: economics, politics, social integration, and ethics. The first one focuses on economics. Here the corporation is seen as a mere instrument for wealth creation. The second group focuses on the social power of the corporation and its responsibility in the political arena associated with its power. The third group focuses on social integration. It includes theories which consider that business ought to integrate social demands. The fourth group of theories focuses on ethics, including theories which consider that the relationship between business and society should be embedded with ethical values.

Over the last forty years we have witnessed a dramatic growth in research on corporate social responsibility. Professor Sandra Waddock, a thought leader in this domain, has linked this intellectual expansion within the business and society arena to the metaphor of a branching tree (2004). In this chapter we examine six branches of the expanding tree by reviewing six contemporary business and society models.

3.2 Sethi’s Three-Tier Model

Early theoretical work specifically addressing corporate social responsibilities is represented by Sethi (1973) who developed a three tier model for classifying corporate behavior which he labeled “corporate social performance”. The three levels of corporate social performance are based on:

a) Social obligation (response to legal and market constraints);

b) Social responsibility (addressing societal norms, values and expectations of performance);

c) Social responsiveness (anticipatory and preventive adaptation to social needs).

Sethi’s second tier requires that a company moves beyond’-compliance and recognizes and addresses societal expectations. The third tier requires that a company develops the competence
to engage effectively with stakeholders and to take proactive measures on their issues and concern.

### 3.3. Carroll’s Pyramid of Corporate Social Responsibility.

Professor Archie Carroll's four-part pyramid is one of the most widely known corporate social responsibility (CSR) model. In this corporate social responsibility model, depicted as a pyramid, he classifies firms' duties into four broad types of social responsibilities: economic, legal, ethical and philanthropic (Carroll 1979; Carroll 1991). These are discussed in order and many aspects focus primarily on larger, publicly-held firms.

**Economic Responsibilities:** Historically, business organizations were created as economic entities designed to provide goods and services to societal members. The profit motive was established as the primary incentive for entrepreneurship. Before, business organization was the basic economic unit in our society. As such, its principal role was to produce goods and services that consumers needed, creating jobs, paying fair wages for workers and making an acceptable profit in the process. At some point, the idea of the profit motive got transformed into a notion of maximum profits, and this has been an enduring value ever since. All other business responsibilities are predicted upon the economic responsibility of the firm, because without it the others become moot considerations.

#### Table 3.1: The Economic Components of Corporate Social Responsibility

| • To perform in a manner consistent with maximizing earnings per share. |
| • Be committed to being as profitable as possible. |
| • To maintain a strong competitive position. |
| • To maintain a high level of operating efficiency. |
| • That a successful firm be defined as one that is consistently profitable. |

Source: Carroll 1991.

**Legal Responsibilities:** Society has not only sanctioned business to operate according to the profit motive; at the same time business is expected to comply with the laws and regulations promulgated by federal, state, and local governments as the ground rules under which business must operate. As partial fulfillment of the “social contract” between business and society, firms are expected to pursue their economic missions within the framework of the law. Legal responsibilities reflect the view of “codified ethics” in the sense that they embody basic notions of fair operations as established by our lawmakers.

#### Table 3.2: Legal Components of Corporate Social Responsibility

| • To perform in a manner consistent with expectations of government and law. |
| • To comply with various federal, state, and local regulations. |
| • To be a law-abiding corporate citizen. |
| • To define that a successful firm as one that fulfills its legal obligations. |
| • To provide goods and services that at least meets minimal legal requirements. |

Source: Carroll 1991.

**Ethical Responsibilities:** Although economic and legal responsibilities embody ethical norms about fairness and justice, ethical responsibilities embrace those activities and practices that are expected or prohibited by societal members even through they are not codified into law. Ethical responsibilities embody those standards, norms or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights.
In one sense, ethics or values precede the establishment of law because they become the driving force behind the very creation of laws or regulations. In another sense, ethical responsibilities may be seen as embracing newly emerging values and norms society expects business to meet, even though such values and norms may reflect a higher standard of performance than that currently required by law. Ethical responsibilities in this sense are often ill-defined or continually under public debate as to their legitimacy and thus are frequently difficult for business to deal with.

The business ethics movement of the past decade has firmly established an ethical responsibility as a legitimate CSR component. Though it is depicted as the next layer of the CSR pyramid, it must be constantly recognized that it is in dynamic interplay with the legal responsibility category. That is, it is constantly pushing the legal responsibility category to broaden or expand while at the same time placing ever higher expectations on businesspersons to operate at levels above that required by law.

### Table 3.3 Ethical Components of Corporate Social Responsibility

- To perform in a manner consistent with expectations of societal mores and ethical norms.
- To recognize and respect new or evolving ethical moral norms adopted by society.
- To prevent ethical norms from being compromised in order to achieve corporate goals.
- That good corporate citizenship is defined as doing what is expected morally or ethically.
- To recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations.

Source: Carroll 1991.

### Philanthropic Responsibilities:

Philanthropy encompasses those corporate actions that are in response to society’s expectation that businesses be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill. Examples of philanthropy include business contributions to financial resources or executive time, such as contributions to the arts, education, or the community.

The distinguishing feature between philanthropy and ethical responsibilities is that the former are not expected in an ethical or moral sense. Communities desire firms to contribute their money, facilities and employee time to humanitarian programs or purposes, but they do not regard the firms as unethical if they do not provide the desired level. Therefore, philanthropy is more discretionary or voluntary on the part of businesses even though there is always the societal expectation that business provide it.

### Table 3.4: Philanthropic Components of Corporate Social Responsibility

- To perform in a manner consistent with the philanthropic and charitable expectations of society.
- To assist the fine and performing arts.
- That managers and employees to participate in voluntary and charitable activities within their local communities.
- To provide assistance to private and public educational institutions.
- To assist voluntarily those projects that enhances a community’s “quality of life.”

Source: Carroll 1991.

The pyramid of corporate social responsibility is depicted in Figure 3.1. It portrays the four components of CSR, beginning with the basic building block notion that economic performance undergirds all else. At the same time, business is expected to obey the law because the law is
society’s codification of acceptable and unacceptable behaviour. Next is business’s responsibility to be ethical. At its most fundamental level, this is the obligation to do what is right, just and fair and to avoid or minimize harm to stakeholders (employees, consumers, the environment, and others). Finally, business is expected to be a good corporate citizen. This is captured in the philanthropic responsibility, wherein business is expected to contribute financial and human resources to the community and to improve the quality of life.

The four-part definition of corporate social responsibility is visualized in four layers in the “Pyramid of Corporate Social Responsibility” (Carroll, 1991 in Carroll & Buchholtz, 2003) as shown in Fig. 3.1. Carroll and Buchholtz (2003) emphasize that the pyramid should be seen as a whole and the different parts should not be separated since they are not mutually exclusive.

The four-part definition of corporate social responsibility and the “Pyramid of Corporate Social Responsibility” more prominently represent a stakeholder model where the different responsibilities affect different stakeholders. Economic responsibilities affect employees and owners, since if the business is not profitable they are the ones that will be directly affected. Legal responsibilities are vital for the owners but it is also important in the relation to employees and consumer stakeholders. Ethical responsibilities have an impact on all stakeholders but they engage consumers and employees most frequently. Philanthropic responsibilities have their major impact on the community but it also has an effect on the employees since the company’s philanthropic performance affects the employees’ moral.

This model seeks to help managers with a perceived conflict between a firm’s concern for profits and its concern for society by encouraging businesses to fulfill these responsibilities simultaneously. According to Carroll, this is accomplished by focusing on the pyramid as a whole, not its separate levels. Taken collectively, the four-part pyramid is a framework of how socially responsible corporations should act profitably (economic), legally, ethically, and philanthropically and according to Carroll this vision required effective managerial leadership.
Aupperle, Hatfield & Carroll (1983; 1983) performed the first empirical test of the four-part CSR model by surveying 241 ‘Forbes 300’ listed CEOs using 171 statements about CSR. The statistical analysis supported the model in two ways: One, by confirming that there are four empirically interrelated, but conceptually independent components of CSR and second by giving tentative support to the relative weights Carroll earlier assigned to each of the four components. It is worth noting, however, that in this second conceptualization, Carroll's framework reflects the perceptions of business leaders' about the current relative importance of the four CSR categories, rather than an historical or dependence perspective.

In an effort to extend the earlier empirical analysis (Aupperle et al., 1983), Pinkston & Carroll (1994) performed a similar survey among top managers in 391 US subsidiaries of multinational chemical companies with headquarters in England, France, Germany, Japan, Sweden, Switzerland and the USA. Aggregate findings once again confirmed Carroll's four-part weighted model but interestingly showed Germany and Sweden to be exceptions, where legal responsibilities were ranked the highest priority followed by economic, ethical, and philanthropic aspects respectively. Comparison with the Aupperle, Hatfield & Carroll's (1983) findings also showed that in the intervening ten years, the gap between the relative weights of economic and legal responsibilities had decreased while ethical responsibilities had increased. Philanthropic responsibilities, on the other hand, had decreased in importance during this same period (Pinkston & Carroll, 1996).

Another study tested Carroll's CSR Pyramid on a sample of 303 large, business houses owned by people other than the native people in the USA suggesting the importance of culture (Edmondson & Carroll, 1999). The survey found that while the economic component was rated as most important, ethical responsibilities were prioritized above legal responsibilities, and the difference between philanthropic and legal responsibilities was relatively small.

### 3.4 Wood's Corporate Social Performance Model

The next branch in our business and society tree is Professor Donna Wood's Corporate Social Performance (CSP) model. Wood defines CSP as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships" (Wood 1991, p. 693). Based on this definition, Wood proposed a CSP model that integrates previous corporate social responsibility (CSR) models, such as Carroll's Pyramid above (Carroll, 1979), and other CSP models (e.g. Davis, 1973; Preston and Post 1973, Wood, 1990). The following are the three major parts in Wood's CSP model: First the principles of corporate social responsibility, second the processes of corporate social responsiveness and third the outcomes of corporate behavior (see Figure 3.2).

<table>
<thead>
<tr>
<th>Principles of Corporate Social Responsibility</th>
<th>Outcomes of Corporate Behavior</th>
<th>Processes of Social Responsiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional: legitimacy</td>
<td>Social impacts</td>
<td>Environmental assessment</td>
</tr>
<tr>
<td>Organizational: public responsibility</td>
<td>Social programs</td>
<td>Stakeholder management</td>
</tr>
<tr>
<td>Individual: managerial discretion</td>
<td>Social policies</td>
<td>Issues management</td>
</tr>
</tbody>
</table>

Figure 3.2. Corporate Social Performance Model (Adapted from Wood, 1991)
The model offered by Wood (1991) constitutes a significant advance in corporate social responsibility research. A researcher using the model would first consider the principles that motivate a firm's social responsibility actions at three levels of analysis: institutional, organizational and individual (Jamali and Mirshak, 2007). Therefore the motivation for a firm's social responsibility actions may stem from the principle of legitimacy (institutional level), i.e., from a desire to maintain credibility and legitimacy as a responsible societal actor in a shared environment. As institutional actors, firms are always motivated to sustain legitimacy or their 'license to operate' and to abstain from abusing the consent and power granted by society. Alternatively, the motivation could stem from an organizational sense of public responsibility, particularly for outcomes related to the firm's primary and secondary areas of involvement. While businesses are not responsible for addressing all social problems, Wood argues that "businesses are responsible for outcomes related to their primary and secondary areas of involvement with society" (Wood 1991, p. 697). Wood offers an illustrative example from the auto industry. Primary areas of involvement are reflected in activities related to a firm's core specialization. For an auto manufacturer a primary area of involvement would be addressing problems associated with riding/driving safety since it relates directly to their specialized interest-reliable vehicles. In addition, an auto firm may sponsor driver's education programs. This is an example of a secondary area of involvement, an area that is not part of the firm's core business. Finally, the motivation could stem from the choices of individual managers and their personal responsibility preferences and inclinations. The managerial discretion principle emphasizes managers as agents "that exist in an organizational and societal environment that is full of choices, [their] actions are not totally prescribed by corporate procedures, formal job definitions, resource availabilities, or technologies" (Wood 1991, p. 699) and hence individual managers exhibit different inclinations and propensities and exercise personal discretion and judgment when pursuing Corporate social responsibility.

Responsiveness according to Wood (1991) constitutes an action dimension that is needed to complement the normative and motivational component of social responsibility. It is conceptualized as comprising three facets - environmental assessment, stakeholder management and issues management, which are effectively interlocked (Jamali and Mirshak, 2007). Responsiveness is rooted in knowledge about the external environment and in rigorous environmental scanning / analysis. This knowledge could then be used to devise strategies for adapting to the environment or conversely changing it. Stakeholder management is another tenet of responsiveness and can be investigated by examining particular kinds of stakeholder management devices (e.g. employee newsletters, public affairs officials, and corporate social reporting). Issues of management on the other hand entail an investigation of the firm's approach to devising and monitoring responses to social issues (Jamali and Mirshak, 2007). These three types of evaluations provide managers with a breadth of information about the organization's context (environmental assessment), relevant actors (stakeholder management) and interests (issues management). In short, corporate social responsiveness processes describe three dimensions of action or “how to do” corporate social responsibility.

The outcomes of corporate behavior are in turn of direct and obvious interest in the assessment of CSP. According to Wood's CSP model, outcomes are divided into three types: the social impacts of corporate behavior, the programs companies use to implement responsibility and the policies developed by companies to handle social issues and stakeholder interests. Whether corporate behavior is having positive or negative impact should objectively be assessed (positive impact as in the provision of jobs, the creation of wealth or technological innovation and negative impact as in toxic wastes or illegal payments to politicians). The nature of programs selected for investment of resources to achieve specific ends is also important as is the extent of the integration of social issues and impacts within the body of company policy.
The third level of the model hence discusses three concrete outcomes of corporate behavior relating to social policies, social programs and social impact and is the part where a company can visibly and tangibly demonstrate its corporate social performance.

Wood’s CSP model sought to integrate various social responsibility principles (institutional, organizational and individual), identify specific processes organizations can or do use to enhance responsiveness (environmental assessment, stakeholder management, and issues management) and categorize the types of outcomes related to a firm’s corporate responsiveness (impacts, programs, and policies). Wood proposes that the combination of these three elements or constituents corresponding to the three parts of the model (principles of corporate social responsibility, processes of corporate social responsibility and outcomes of corporate social responsibility) are going to determine the overall corporate social performance (CSP) of the organization. In other words, as stated at the outset of this section, CSP is a function of the specific configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s societal relationships (Wood, 1991, pp. 693). Corporate social performance is likely to differ significantly across organizations due in part to differences in how these three levels or parts of the CSP model are indeed organized.

The CSP model is a synthesis of relevant developments on CSR up to the 1980s. Actually, it provides a coherent structure for assessing the relevance of research topics to central questions in the business and society field (Swanson, 1993, p.43). However, this model suffers from several weaknesses. The first comes from the vagueness of the concept of CSR. However, this is not the most important, since this can be partially solved by integrating stakeholder perspectives within those traditional approaches (Carroll, 1991, 2004).

More important is the weakness of the lack of integration between ethical normative aspects and business activity. Wood's institutional principle, which searches for legitimacy, does not advocate the moral motivation of respect (Swanson, 1993: p. 48). But, apart from that, this theory only emphasizes the social control of business by paying attention to public responsibility. As Freeman and Liedtka (1991) have suggested, CSR appears exclusively to give a human face to capitalism, but with a complete separation of economics and ethics.

### 3.5. Freeman's Stakeholder Model

The fourth branch in our business and society tree is Edward Freeman's stakeholder model or stakeholder theory. Some of the central concepts associated with what is known today as stakeholder theory began to gain currency during the mid-1980s (Freeman and Reed, 1983; Freeman, 1984). Freeman's work (1984) helped to re-conceptualize the nature of the firm to encourage consideration of new external stakeholders, beyond the traditional pool like shareholders, customers, employees, and suppliers, legitimizing in turn new forms of managerial understanding and action (Jonker and Foster, 2002). Organizations from this perspective are expected to manage responsibly an extended web of stakeholder interests across increasingly permeable organization boundaries and acknowledge a duty of care towards traditional interest groups as well as silent stakeholders - such as local communities and the environment (Simmons, 2004).

Stakeholder theory is a set of ideas that helps managers and organizations identify important internal and external constituencies, referred to in the theory as stakeholders. A stake in this context can be defined in three ways: a claim of some sort, an investment which entails some sort of risk, and a tie or bond. Stakeholders are accordingly defined as any constituency in the organization's internal and external environment that is affected by the organization's decisions and actions. A stakeholder, according to Freeman, is someone who is affected by or has an
impact on the choices and/or operations of an organization. Figure 3.3 illustrates a range of stakeholders that organizations have to take into consideration.

Figure 3.3. A Stakeholder Approach (Adopted from Freeman, 1984)

The range of people and groups which managers have to take into account in their decision-making has gradually widened over time. Clarkson (1993) makes an interesting distinction in this respect between primary and secondary stakeholders. A primary stakeholder group is one without whose ongoing involvement and contribution the company cannot continue to exist (Clarkson, 1993). Primary stakeholder groups are usually made of shareholders, employees, customers, suppliers, in addition to governments and local communities. Secondary stakeholder groups are those that impact, or are impacted by, the company, but they are not involved in business deals with the company and are not essential to its continued existence (Clarkson, 1993). Clarkson indicates that the media and a broad array of special interest groups can be considered as secondary stakeholder groups using this definition. These groups have the capability to activate public opinion in support of, or in confrontation to, a company's actions. Therefore effective stakeholder management also entails scanning and monitoring the changing concerns of secondary stakeholders.

While attention should be accorded to all stakeholders, secondary stakeholders are often not given the same level of importance as those of primary stakeholder groups. Here comes the notion of stakeholder prioritization which is dependent on attributes of power, legitimacy and urgency. Mitchell et al (1997) on the theory of stakeholder identification and salience proposes that the cumulative number of the three attributes of power, legitimacy and urgency contributes to a stakeholder's claim being salient from the perspective of management. Power is the extent to which a stakeholder can gain access to coercive, utilitarian or normative means to impose its will on an organization. Legitimacy refers to which stakeholders really count based on accepted and expected structures or behavior. Urgency in turn refers to something compelling or calling for immediate attention, with urgency increasing according to Mitchell et al (1997) when a relationship is time sensitive and when that relationship or claim is important or critical to the stakeholder. Prioritizing thus has an important time dimension as not all stakeholders are equally important at all moments. During crises or special circumstances, the interests of some stakeholders may assume more salience and urgency than others.

However Kenneth Goodpaster (1991) raised concerns about two different interpretations of stakeholder management, or stakeholder analysis: the Strategic Interpretation and the Multi
Fiduciary Interpretation. In the Strategic Interpretation companies maintain shareholders in the central position and then consider other stakeholders as a way of best serving the responsibilities towards those shareholders. In other words, from this perspective, stakeholders are seen as a means towards serving the interests of the shareholders. The Multi Fiduciary Interpretation, on the other hand, holds that those who make the decisions in a company have obligations to the various stakeholders of the company and not just the shareholders.

Freeman's recent work with co-authors Jeffrey Hanison and Andrew Wicks (2007), titled “Managing for Stakeholders”, captures a new evolution in stakeholder theory-enterprise strategy which seeks to reconcile the strategic and multi-fiduciary interpretations. The specific ordering of the words in the title, managing for stakeholders is purposeful. The authors make the case that "building and leading a great company has always been about managing for stakeholders" (2008) and point out that the best way to maximize shareholder value and profit is by optimally honoring the interests of the clients/consumers; in line with this, they maintain that there is no inherent conflict between the interests of financiers and the interests of other stakeholders. But conflict is still possible. A business can still be led in a way in which it "cuts corners" in serving consumers, or underpays employees in order to service the shareholders' interests. Freeman, Harrison and Wicks (2007) speak of stakeholder management as always being part of the success of successful companies, yet the same cannot be said of all companies and this is part of the reason why they are not successful.

Several authors, accepting the basic stakeholder framework, have used different ethical theories to elaborate different approaches to the stakeholder theory like Feminist Ethics (Wicks, Gilbert, and Freeman, 1994; Burton and Dunn, 1996), the Common Good Theory (Argandofia, 1998), the Integrative Social Contracts Theory (Donaldson and Dunfee, 1999), and the Principle of Fairness (Phillips, 1997).

In order to make this theory practical, seven principles of stakeholder management have been proposed by The Clarkson Center for Business Ethics (1999):

Principle 1: Managers should acknowledge and actively monitor the concerns of all legitimate stakeholders, and should take their interests appropriately into account in decision-making and operations.

Principle 2: Managers should listen to and openly communicate with stakeholders about their respective concerns and contributions, and about the risks that they assume because of their involvement with the corporation.

Principle 3: Managers should adopt processes and modes of behavior that are sensitive to the concerns and capabilities of each stakeholder constituency.

Principle 4: Managers should recognize the interdependence of efforts and rewards among stakeholders, and should attempt to achieve a fair distribution of the benefits and burdens of corporate activity among them, taking into account their respective risks and vulnerabilities.

Principle 3: Managers should work cooperatively with other entities, both public and private, to insure that risks and harms arising from corporate activities are minimized and, where they cannot be avoided, appropriately compensated.

Principle 6: Managers should avoid altogether activities that might jeopardize inalienable human rights (e.g., the right to life) or give rise to risks which, if clearly understood, would be patently unacceptable to relevant stakeholders.

Principle 7: Managers should acknowledge the potential conflicts between (a) their own role as corporate stakeholders and (b) their legal and moral responsibilities for the interests of all
stakeholders, and should address such conflicts through open communication, appropriate reporting and incentive systems and, where necessary, third party review.

Several strengths can be mentioned regarding stakeholder theory. First this theory seems ethically superior to maximizing shareholder value because it takes into consideration stakeholder rights and their legitimate interests, and not only what is strictly required by law. This theory at least in its original formulation, is more respectful of human dignity and rights. It is in line with Handy’s argument that the language and the measures of business need to be reversed. A good business is a community with purpose and a community is not something to be "owned". A community has members and those members have rights, including the right to vote or express their views on major issues (Handy, 2002, p. 32). A second strength is that the stakeholder theory superseded the conceptual vagueness of CSR by addressing concrete interests and practices and visualizing specific responsibilities to specific groups of people affected by business activity (Blair, 1993; Clarkson, 1993). As a third strength it can be pointed out that this is not a mere ethical theory disconnected from business management, but a managerial theory related to business success.

Along with these strengths, this theory also has weaknesses. First, some critics of stakeholder theory argue that it cannot provide a sufficiently specific objective function for the corporation, since the balancing of stakeholder interests abandons an objective basis for evaluating business actions (Jensen, 2000; Sundaram and Inkpen, 2004). A second weakness is that stakeholder theory has also been accused of being an excuse for managerial opportunism (Jensen, 2000, Marcoux, 2000, and Sternberg, 2000). A manager is able to justify self-serving behavior by appealing to the interests of those stakeholders who benefit. Hence the stakeholder theory according to Sternberg, 'effectively destroys business accountability . . . because a business that is accountable to all, is actually accountable to none' (2000: p. 31.). As a third weakness, the criticism is that stakeholder theory seems to be primarily concerned with the distribution of final outputs (Marcoux, 2000). The fourth weakness is that several criticisms come from accepting that managers bear a fiduciary duty to all stakeholders and that all of them ought to be treated equally, balancing their interests (Marcoux, 2000, 2003; Sternberg 2000). The fifth weakness is that, it has also been objected that stakeholder theory admits a pluralistic set of interpretations (e.g. feminist, ecological, fair contracts, etc.). Hummels (1998) argues that each interpretation provides us with a different set of stakeholders and stresses the importance of specific values, rights and interests. Hence, different stakeholder interpretations lead to different distribution of benefits and burden, of pleasures and pain, of values, rights and interests (p. 1404). Another weakness of this theory concerns stakeholder representation in corporate decision-making. Etzioni (1998) argues that although the theory can justify stakeholder taking part in corporate governance, it cannot be implemented without affecting the common good: ‘while all stakeholders and not only shareholders have fair claims to a voice in corporate governance, recognizing such claims may be damaging to the well-being of the economy and hence injurious to the common good. It might be further maintained that such consideration should outweigh the fairness claim’ (Etzioni, 998, p. 688).

Stakeholder theory helps managers to view, firms' impacts on the society as well as its interconnections with the society through the perspective of key internal and external groups. The needs of shareholders cannot be met without satisfying to some degree the needs of other stakeholders. Stakeholder theory has thus recently turned attention to important considerations beyond direct profit maximization in support of the socio-economic view.
3.6. Waddock’s Total Responsibility Management and Corporate Citizenship Models

The fifth in our business and society tree is the Total Responsibility Management (TRM) framework proposed by Waddock et al (2002). As illustrated in Figure 3.4, TRM involves three major components, namely inspiration, integration and innovation / improvement. Inspiration involves the vision setting, management commitment and leadership processes; Integration refers to how this responsibility vision is integrated in turn into strategies, employee relationships and operating practices and management systems. The innovation component is concerned with the crafting of a continual improvement orientation and the establishment of appropriate metrics for gauging such improvement. Total Responsibility Management (TRM) according to this perspective thus starts with a measure of inspiration through a dose of leadership and top management commitment and vision setting, while this is a good start, this is not enough to make corporate social responsibility sustainable and hence the need for integration or incorporating corporate social responsibility into daily strategies and operating systems. The innovation component is needed to track progress along specific metrics and reinvigorate - spirit of continuous improvement. When combined the three components or ingredients would make for a total responsibility management model or approach.

![Figure 3.4. Total Responsibility Management (Adapted from Waddock et al 2002)](image)

Professor Sandra Waddock has been a prolific writer on the topic of the social responsibilities of business. One of her more recent contributions in this respect is the notion of Corporate Citizenship. She defined corporate citizenship as follows:

“Leading corporate citizens are companies that live up to clear constructive visions and core values consistent with those of the broader societies within which they operate, respect the natural environment and treat well the entire range of stakeholders who risk capital in, have an interest in or are linked to the firm through primary and secondary impacts. They operationalize their corporate citizenship in all of their strategies and business practices by developing respectful, mutually beneficial relationships with stakeholders and by working to maximize sustainability of the natural environment. They are responsible for their impacts and are willing to be held accountable for them” (Waddock, 2002, p 3).

This notion of citizenship requires firms to go beyond traditional discretionary responsibilities (i.e. doing good) and incorporates commitments to human rights, environmental sustainability, and anticorruption measures. Second, a foundational layer of Corporate Citizenship revolves around the establishment and maintenance of high quality stakeholder relationships by the
corporation. Specifically, Waddock stresses that corporate responsibilities should be
demonstrated through all company’s practices that affect various stakeholder groups (Waddock
2006). Due to their importance, corporations must develop a proactive plan to engage all
stakeholder needs through boundary spanning techniques (Waddock 2004). Boundary spanning
refers to various interactions with external stakeholders across organizational boundaries to
exchange important information. Examples of boundary spanning can include organizational
functions, like Government Affairs which foster stakeholder relationships between the firm and
government agencies or involvement in inter-sector collaborations and partnerships, like the
United Nations Global Compact-the world's largest voluntary corporate responsibility initiative.

The notion of corporate citizenship thus constitutes an extension of the TRM model illustrated
in Figure 3.4 because it articulates more clearly that firms should be good citizens and there
should ethical interactions with stakeholders. This notion of Corporate Citizenship (CC) has
been intensely debated and contested in the business and society field. According to Carroll
(1979), CC is a lineage of corporate social responsibility aimed at clarifying a businesses’ role
in society. A limited view on CC is Carroll's definition of "being a good citizen" thus
representing the philanthropic dimension or the apex of his pyramid. A more sophisticated and
broadened view is the one presented by Matten and Crane (2003) according to which
citizenship is regarded as being a member of a political community implying that corporations
are legal entities with rights and obligations and CC thus "describes the role of the corporation
in administering citizenship rights for individuals" (Matten & Crane, 2003, p. 172-173). This
notion of the politicization of the business firm has arguably attracted much criticism and
opposition.

The first strength of the corporate citizenship and global business citizenship concepts is
probably the name itself. While some practitioners can see concepts such as 'business ethics'
and 'social responsibilities' as opposed to business, corporate citizenship can be said to
highlight the fact that the corporation sees or recaptures its rightful place in society, next to
other 'citizens' with whom the corporation forms a community (Matten et al 2003,p. 111). A
second point is in overcoming the narrow functionalist vision of business which reduces it to an
economic purpose. Without forgetting the basic economic responsibility of business, the notion
of corporate citizenship emphasizes the social and ethical dimensions of business and its role in
respecting and defending human rights and in contributing to social welfare and human
development within society. A third good quality is its global scope, which seems especially
appropriate in the current business globalization. From an economic perspective, it is
emphasized that citizenship activities avoid risks, enhances corporate reputation and long-term
programs are strategic investments comparable to research and development and advertising. In
certain conditions, they can help globalizing companies neutralize their alien futures by
strengthening community ties and by enhancing their reputation among potential local
employees, customers, and regulators.

A general criticism of the notion of corporate citizenship notion is that it is a diffused concept,
which includes many different topics: public-private partnership, corporate contributions,
corporate ethical practices, corporate community economic development, corporate
voluntarism, corporate community involvement and corporate brand, image and reputation
management (Windsor, 2001a, p. 39 and 41). Another point which could be considered a
weakness in this theory is the lack of clarity about who is responsible for creating the standards
for global citizenship (Munshi, 2004).

To summarize, corporate citizenship is a powerful notion for business and society relationships
but this model requires further development to overcome the criticism.
3.7. The 4CR Multi-dimensional Corporate Responsibility Model

The 4CR multi-dimensional corporate responsibility perspective is aimed at establishing a coherent approach to addressing the various strands of corporate responsibility and their integration with strategic management. The approach is based on a revised Carroll model for corporate responsibility, as shown in the following diagram. (Fig. 3.5).

The 4CR model retains four corporate responsibility layers but the discretionary responsibilities in the Carroll model are replaced by the sustainability responsibilities. The main reason for the revision is that the sustainability aspects which were not included in the Carroll Model represent today a major corporate responsibility which is distinctly different from the other responsibilities.

Further corporate sustainability cannot be merged with the ethical layer since ethical responsibilities are primarily inward looking, asking companies to put “their house” in order, particularly with respect to labour standards, health and safety, environmental impact and anticorruption. Sustainability responsibilities are distinctly different, outward looking, addressing intergenerational responsibilities and the need for multi-stakeholder coalitions to create capacity for sustainable development. The first area of responsibility representing economic performance is Corporate Competitiveness. Next, Corporate Governance (CG) represents legal responsibilities. Good Corporate Governance promotes transparency to stakeholders which creates a crucial link between corporate governance with corporate social responsibility and corporate sustainability.

Corporate social responsibility and corporate sustainability share the same approach, involves the assessment of the company’s economic, social and environmental impact, taking steps to improve it in line with stakeholder requirements and reporting on relevant measurements.
Corporate social responsibility represents commitments and activities on health and safety, human rights, consumer and environmental protection and reporting. Corporate sustainability is specifically associated with support for sustainable development (eco-efficiency and fair globalization) and the long term performance stability and survival of the corporation.

3.8 Conclusion

Each model has its specific terms, origins, and combinations of supporting theory. On a broader level, each model shares an overall emphasis in describing and prescribing the relationship between business and society. This shared normative equation consists of the following elements: Value + Balance + Accountability = Proper Role of Business in Society (Schwartz and Carroll, 2008, p. 173). Each model or “branch” in this section is concerned with how businesses can create sustainable value for society. Value according to the Schwartz and Carroll “is created when business meets society's needs by producing goods and services in an efficient manner while avoiding unnecessary negative externalities” (Schwartz and Carroll, 2008, p.168). Additionally, business must achieve appropriate balance which requires attending to various and sometimes conflicting stakeholder interests and moral standards (Schwartz and Carroll, 2008, p.169). Accountability is when a company attempts to fulfill their responsibilities whether economic, legal, ethical, and philanthropic institutional, organizational, and managerial model. Moreover, according to Schwartz and Carroll, the firm must take responsibility for actions during this process of trying to meet its responsibilities, particularly negative ones which should be rectified.

The undifferentiated application of western CSR models in the Indian context has often led to contradictory findings and inconsistency in CSR literature for two reasons. Fighting emerging markets like India face a multitude of critical issues with regard to globalization, poor infrastructure and basic services (Davies 2002). They often show evidence of deficient regulatory frameworks. Secondly, there are significant differences between the West and India in the context of cultural environments, moral judgments and the role that corporate entities play in the relevant societies. But nevertheless with the rise of globalization, stakeholder model emerged in India. It has brought with it a growing consensus that with increasing economic rights, business also has a growing range of social obligations. Citizen campaigns against irresponsible corporate behavior along with consumer action and increasing shareholder pressure have given rise to the stakeholder model of corporate responsibility. The role of corporations is currently undergoing an important transformation as stakeholders develop and modify their perceptions of the place and responsibilities of such organizations in society. (Brønn and Brønn , 2003). The responsibility of business has become central to the agendas of corporations, governments, supranational organizations, such civil society groups as non-governmental organizations (NGOs) and the general public.

Researchers and academics have been studying the subject of CSR for more than 30 years. Most of these studies have concentrated on CSR of western countries such as USA, Europe and Australia. Recently, researchers have started focusing on the CSR practices of developing countries such as Bangladesh, Malaysia, Singapore, India, Indonesia, Thailand, Nigeria and Uganda .These studies had investigated the CSR practices of top companies in each country. The next question is about examining some of these research works carried on by the researchers and academics and identifying the research gaps if any. This question is the focal point of the next segment.