Chapter 2

REVIEW OF LITERATURE

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2.1 Introduction

A review of literature is an essential part of any research study. It acquaints the researcher with the related areas of the study and enables to get a better insight into the subject undertaken and different methods and procedures which can be used. It also strengthens the need for further research. A look into the past literature will aid to carry out to study more effectively. It consists of technical writing and data from scientific papers, journal articles, books, reports and internet.

During the last two decades, a good number of research studies have been made on various aspects of business-society relationships. An attempt is made here to present a brief review of some research works that have direct and indirect relation to the research problem. The review of the various literatures read is as presented in the further sections.

2.2 Social Responsibility Concept and Acceptance:

Late Lalbahadur Shastriji had then emphasized the need for businessmen realizing their full range of responsibilities. Various surveys have established that the managers, particularly of large corporations, accept a responsibility for establishing social policies for their corporations.
Walton Clarence C.¹ in Corporate Social Responsibilities, Problems in a Business Society states that in the conduct of affairs, no corporation and no executive would admit to being socially irresponsible. Yet vigorous and occasionally, acrimonious debate attends discussions on the precise meaning of corporate social responsibility. For example, support of higher education is currently hailed as an ideal instance of corporate social responsibility- but some companies avoid it as if it were the Black Plague. They insist that a firm best serves the public interest when it best serves its own private interests through effective service to consumers, adequate profit to stakeholders, fair working conditions for employees and scrupulous observance of the law. To go beyond these commitments is folly. Growing evidences indicates that the modern corporation is consciously placing public interest on a level with self-interest and possibly above it. This development is explained by the fact that a corporation is really as much a social and political entity as an economic unit.

Birch David² in paper on 'Corporate Social Responsibility: Some Key Theoretical Issues and Concepts for New Ways of Doing Business', attempts to bring together some of the leading scholarly sources and


thinkers of last fifty years, who have been influential in corporate social responsibility discussions. These discussions include key social, economic and political concepts and themes. The concepts covered include capitalism, industrial citizenship, business with souls, and corporation as moral agents, large corporations as social enterprises, visionary companies, corporate social performance, interdependence of business and society, social reporting, etc. The author stresses that conceptualizing and practicing corporate social responsibility involves a serious and significant change in our thinking and practice of capitalism.

'Beyond Moralizing: Agendas and Inquires in Corporate Social Responsibility' by Ougaard Morten and Nielsen Michael Elgaard points out that corporate social responsibility is a field in which, practice is ahead of theory and research. The relevant theory does not have clearly defined parameters. Instead, a range of discourses and lines of arguments serve as a background material. There is no one theory of corporate social responsibility and business ethics. Corporate social responsibility is a multi disciplinary subject as it takes into the interest of large groups and has to be approached in a multi-pronged manner.

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Reddy Sumati, ICFAI Faculty Member, talks about corporate social responsibility as a coming age business practice. Though it is not a well-defined field but still several intellectual agendas and lines of inquiries have been done on same. Corporate social responsibility is of interest to various groups, who in turn have different priorities.

Louis 5(1969) was one of the first to survey managers with regard to social problems. His survey of 350 executives polled by Fortune magazine showed that 10 percent felt that the sole business of business was to make profit, 17 percent said that business should also assume social responsibility at the cost of reduced profits.

In 1971, the Harvard Business Review surveyed 3,453 of its subscribers and asked them how valid they thought, each of the following observations were noted:

i. A corporation’s duty is primarily to its owners and only its owners.

ii. A corporation’s duty is secondarily to employees, customers and the public.

iii. A corporation’s duty is to serve as fairly and equitably as it can, the interest of four groups as mentioned above.

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iv. The primary duty of the enterprise is to itself; to ensure its future growth and continued functioning as a profit-making supplier of gods and services. 74 percent responded that the first statement was the least valid of the four. Only 2 percent said it was most valid. 61 percent said that the third statement was most valid.

Sethi Prakash S., Steidlmeier Paul, Falbe Cecilia M.⁶ (1991), in the book Scaling the Corporate Wall brings out the analytical framework with which, to analyze social issues in concern to field of business and society. Business and society draws from a number of fields including management, economics, political science, sociology, philosophy, ethics and law. This diversity is well highlighted as components of ethical approach to business.

2.3 Areas of Social Responsibilities:

Considerable research activity has taken place in recent years with respect to specific social policies of corporations.

Corson and Steiner⁷ sent a questionnaire to 750 companies covering their social programmes and received responses from 284 of them. In this survey respondents were asked whether they had made


any significant commitments of money and or personal time in 58 activities covering 10 fields of social responsibility. The result showed a surprisingly large commitment to most programmes. The 2 most attention receiving programmes were:

i. Ensuring employment and advancement opportunities for minorities (244 responses)

ii. Direct financial aid to schools including scholarships, grants and tuition refunds (238 responses).

Frederick R\(^8\) argues that the Stakeholder Theory represents the only intellectually and ethically meritorious model for assessing corporate social responsibility. To support his stand, the author presents the legal, moral and social bases of the two competing theories- Shareholder theory and Stakeholder theory.

Moon Jeremy\(^9\) in 'Corporate Social Responsibility and Societal Governance' describes the nature of corporate social responsibility’s contribution to societal governance. With the help of a typology of governance, the changes in the role of government, for-profit organizations and non-profit organizations with regard to governance are traced. Evidence is provided in relation to the increasing

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institutionalization of corporate social responsibility with the growth and development of institutions such as BITC (Business in the Community) and similar organizations around the world. While businesses are motivated by a need to obviate society and stakeholder related transaction costs, governments are motivated by the need to gain assistance in solving problems that they are unable to address alone. The involvement of business in societal governance notwithstanding, there is a few evaluative issues, particularly in democratic regimes, which constitutes areas for further research and debate. These issues include the lack of compatibility of business interest and good governance, equality of provision from businesses as compared to that of governments, dependability of provision and accountability.

Newmann\textsuperscript{10} 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 management of transnational is considering more delegations of authority, local autonomy and employment of higher percentage of nationals in managerial positions as appropriate moves to reduce local tension.

\textsuperscript{10} Newmann W.H., Adapting Transnational Corporate Management to National Interest, Columbia Journal of World Business, Columbia, Summer 1979, pp 82-88.
Coelho Philip R P, McClure James E and Spry John A.\textsuperscript{11} defends the intellectual and ethical merits of the shareholder/stockholder paradigm and compares it to the stakeholder paradigm. The authors bring out an appreciation of the dilemmas in solving certain business issues and make a case for stockholders paradigm in solving these problems. On the other hand, it is argued that the stakeholder's paradigm manages to extend the responsibility of corporations to areas which were not envisaged earlier, thereby complicating the issue of social responsibility.

Bhargava R C\textsuperscript{12}, chairman Maruti Suzuki India Ltd. evaluates corporate social responsibility as a subject of debate. According to him the corporate social responsibility must aim at achieving the targets for which companies were setup, without incurring cost and time overruns. A promoter should certainly not think of his company's responsibilities only in terms of his narrow financial interests, as often happens. Also, charitable acts should not get precedence over protecting the interests of the direct stakeholders and the environment.

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McGuire and Parish\textsuperscript{13} (1971) studied the rapidly accelerating corporate involvement in urban problems of the United States and reported that 9 out of every 10 executives said that the recent increased involvement in business in urban affairs is likely to be permanent.

Moss\textsuperscript{14}(1971) reported in his study of consumer affairs programmes of Fortune's largest 300 industrials, that the companies accorded major importance to quality control, design improvement and bettering customer services.

Buehler and Shetty\textsuperscript{15} (1975) studied 232 major corporations, to determine how and to what extent they were involved in social programmes. This research indicated that the greatest involvement in social programmes concerned quality control to meet consumer expectations, anti-pollution activities, and employment and training.

2.4 Implementation

JRD Tata said "In a poor country like ours, however, in which so many people are economically deprived and opposed, the social


\textsuperscript{15} Buehler V.M. and Shetty Y.K., Managing Corporate Social Responsibility, Managing Reviews, Mumbai, August, 1975.
obligations of organized business and industry as I conceive them must go beyond the accepted duties of making a good product, selling it at a fair price, paying fair wages, providing good working conditions to labor and paying taxes in full. I have, therefore, long believed that those Indian business and industry who have adequate means and resources should consider it a part of their social obligation to contribute in some suitable form to the progress and welfare of the community in which, their enterprise is located.”

Post James E. and Baer Edward\(^{16}\) investigated the complex policy problems in social performance of International Infant Formula Industry and came to the conclusion that public issues evolve through a life cycle consisting of predictable stages. The study identified the convergence between public policy and corporate policy and also the influence of factors.

Ackerman\(^{17}\) (1973) examined the problem of policy formulation in great depth in two large companies in connection with policies in two areas, namely, environmental pollution controls and equal employment opportunity. He conducted interviews over a number of


years with managers, paying special attention to specialist who were responsible for implementing policies and examined all pertinent documentation in the companies. Ackerman concluded that the implementation process covers through distinct stages and can take from 6 to 8 years for full and satisfactory implementation.

Lovdal, Bauer and Treverton\textsuperscript{18} (1977) found that many major corporations have public responsibility committees. They believe the idea of such a committee is sound but that most companies are surviving without such a committee. They also believe that such committees are today in a formative state and that because of their potential values they will grow in usage.

Post and Mellis\textsuperscript{19} (1978) made an in depth examination of the interaction between the management at Polaroid corporation and a coalition of women’s group within the company from 1958 to 1972 on the issue of equal employment opportunity. The study found that corporate responsiveness to social issues passes through the three stages of general responsiveness-cognizance of the issue, commitment to response and implementation of action.


\textsuperscript{19} Post E.J. and Mellis M., Corporate Responsibilities and Organisation Learning, California Management Review, Volume XX, No.3, California, 1978, pp 57-63.
2.5 Economic Performance and Organizational Size

Each act of organization be it for profit earning or for social welfare incurs cost. This cost is extracted from the company’s finances which, in turn is based on the economic performance and growth of the company. This part deals with various works in this regard.

Aldag and Jackson\textsuperscript{20} developed a 54-item Social Attitude Questionnaire administered it on a sample of 254 business executives from a large number of industries. It is found that firm’s size indices are positively correlated to traditional orientation (profit maximization and efficient production). Sturdivant and Ginter secured responses from 130 top executives in 67 companies to 65 statements dealing with business, education and social order etc. they identified 13 factors explaining 43 per cent of total variance.

However, K.P. Goenka calls it "the businessman's burden" while Lalchand Hirachand and Shankar Ranganathan consider it as charity that is incompatible with business interests. S.V. Dempo opposed to the view that industrialists should undertake social responsibility for they are a special class in the society.

Gomolka\textsuperscript{21} measured size by the number of employees. Four categories were used in the study: 1-10 employees, 11-25 employees, 26-75 employees and 76-500 employees. He found that "Companies with 1-10 or 11-25 employees engage in fewer social responsibility activities than companies with 26-75 o 76-500 employees". These studies related organizational size to the total number of social activities of the firms involved in. they, however did not measure the actual degree of involvement in socially responsive behavior.

McGuire Jean B.\textsuperscript{22} discusses about Corporate Social Responsibility and Firm Financial Performance. Various arguments have been made regarding the relationship between firm's social responsibility and their financial performance. One view is that the firms face a trade-off between social responsibility and financial performance. Those holding this view propose that firms incur costs from socially responsible actions that put them at an economic disadvantage compared to other, less responsible, firms. A second, contrasting viewpoint is that the explicit costs of corporate social responsibility are minimal and that firms may actually benefit from socially responsible actions in terms of employee morale and productivity. A third perspective is that the costs of socially


\textsuperscript{22} McGuire Jean, Corporate Social Responsibility and Firms Financial Performance, Scaling the Corporate Wall, Prentice Hall Inc., USA, 1991.
responsible actions are significant but are offset by a reduction in other firm costs. In short, a firm has an investment in reputation, including its reputation for being socially responsible.

Malkeil and Quandt (1971) studied the performance of the mutual funds, these purchasing securities only of corporations they consider to be socially responsible. If social responsibility is a good business, their performance is to be attractive. They found a negative association between economic performance and social responsibility.

Shapiro's (1973) studies were also an extension to the topic and asserted on their conclusions.

Council of Financial Aid to Education (1972) studied the relationship between organizational size and a particularly socially responsive behavior, charitable donations. A negative relationship was found between organizational size and charitable donations.

Elbirt and Parket (1973) found a positive relationship between size and socially responsible behaviors. Size was measured by dollar

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volumes of sales. Large firms were defined as those having $1 billion and above in sales, small firms as those having $250 million and below in sales.

Buchuler and Shetty\textsuperscript{26} (1974) using average return on total assets as the measure of organizations' income, found no significant relationship between organization income and degree of involvement in social action performance.

A study of Fogler and Nutt\textsuperscript{27} (1975) of investors' evaluations of paper companies after substantial publicity was released about their pollution tendencies established positive relationship between social responsibility and economic performance. They found there was no unfavorable reaction to publicity about pollution in terms of changes in price/earnings ratios, mutual funds purchases or short-run price changes.

Parket and Eilbirt\textsuperscript{28} (1975) collected data from 96 major companies concerning social issues. They found that, in terms of a

\begin{thebibliography}{99}
\item \textsuperscript{26} Buehler V.M. and Shetty Y.K., Motivations for Corporate Social Action, Academy of Management Journal, America, Volume 17, 1974 pp 767-771.
\item \textsuperscript{27} Fogler H.R. and Nutt F.A., Note on Social Responsibility and Stock Evaluation, Academy of Management Journal, America, 1975, 18, pp 155-159.
\item \textsuperscript{28} Parket I.P. and Eilbirt H., Social Responsibility, The Underlying Factors, London, 1975.
\end{thebibliography}
number of economic indices, respondents to their survey outperformed the remainders of the fortune 500 list. They concluded that, since their respondents were likely to be more socially responsible than were non-respondents, these findings provided evidence of a favorable relationship between social responsibility and economic performance.

Fortune Magazine's ratings (1983, 1986) of corporate reputations analysis emphasized relationship between perception of firm's corporate social responsibility and measure of their financial performance. It was seen that the firm's prior performance, assessed by both stock-market returns and accounting based measures, is more closely related to corporate social responsibility than in subsequent performance. It also showed that measures of risk are more closely associated with social responsibility than previous studies have suggested.

2.6 Social Reporting

Mere actions do not suffice the organizational responsibilities. It needs to be not reported well and then evaluated. Thus like a commercial audit a social audit is also equally important. However before this audit takes place an evaluation is required based on the kind of reporting.
Lance Moir in ‘Social Responsibility Initiatives- The Risks of Reporting: Excluding Community Organizations’ attempts to arrive at a framework of corporate social performance to support managers in thinking through and reporting social issues. Several initiatives in the area of social accounting are examined by placing them in the context of literature on corporate social reporting and corporate social performance. Corporate social responsibility activities as reported in the corporate social responsibility reports are analyzed for their content, nature of companies and the content of their reports and extent of disclosure. It is argued that there is a risk in focusing mainly on measurable business outcomes and that this risk may lead to the exclusion of certain community organizations from business involvement. It calls for a continuing focus on both accountability and benefits to society. This implies a deeper examination of the perceived and reported benefits of corporate social responsibility, both to business and to society.

Sethi Prakash S. tries and develops A Conceptual Framework for Environmental Analysis of Social Issues and Evaluation of Business Response Patterns. According to him a conceptual framework is developed to analyze and evaluate business response


patterns under different temporal and sociocultural conditions. Corporate are classified along three dimensions: corporate behavior or social obligation, social responsibility and social responsiveness. The contextual component (external environment) is analyzed by dividing the elapsed time between the emergence of a problem and its ultimate solution into four categories: the preproblem stage, the problem identification stage, the remedy and relief stage and the prevention stage.

A study by Jones Sidney\textsuperscript{31} (1971) of annual reports issued by 55 of the larger companies in the fortune 500 covered the period 1960 to 1970 and found that roughly 25 per cent of the 1970 reports contained a special section devoted to company social responsibility. Also it showed that the dominant 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.

\textbf{2.7 Others}

There are certain other related issues on which the works are available and can help us understand the concept of social responsibility and also aid in research.

Silverstein David\textsuperscript{32}, in Managing Corporate Social Responsibility in a Changing Legal Environment argued that the dichotomy between the traditional profit-maximization and social welfare approaches to corporate responsibility is accentuated by a static view of the law. A better understanding by the managers of the dynamic nature of the legal system, along with the conscious attempt to make sophisticated predictions about the changing legal environment, can help eliminate the gap between the social welfare and profit-maximization views. In general, incorporating predictions about legal changes in managerial decision making should shift many decisions in the direction of social welfare. This article also proposed a 'litigation audit' for managers consisting of identifying relevant evolving legal issues, forecasting the probable direction and speed of their evolution and crafting appropriate management responses. Early perception of potential legal environment problems combined with imaginative and compassionate responses is the dual challenge of managing corporate social responsibility in a changing legal environment.

Akers John F.,\textsuperscript{33} emphasis an orderly manner to start with social and ethical business. He stresses on the fact that Ethics and


\textsuperscript{33} Akers John F., Ethics and Competitiveness- Putting First Thing First, Scaling the Corporate Wall, Prentice Hall Inc., USA, 1991.
Competitiveness—Putting First Thing First. Chairman of the Board of IBM, Akers argues that business ethics are a key component of our competitiveness as a society. How can we ensure that we work in an atmosphere characterized by mutual trust and confidence? Although business school can and should engage in some forms of ethical instruction, the work can not begin or end there. Instruction must begin in childhood and encompass such practical devices as role models and codes of conduct; it must include a demanding study of history and literature; and above all it must recognize business's proper place within a greater hierarchy.

Steidlmeier Paul, discuss the ethical framework for management. According to him, business would be well served if it would not be defensive about questions of ethics, but rather undertake ethics in the positive spirit of Socrates: the unexamined life of our structures and institutions is not worth living. The main question for business enterprises is how to prepare themselves for and insert themselves into social-ethical process. First corporate leaders must clarify their world views and their related ethical principles. Second, ethical considerations should not be added on as an afterthought. Ethics is not an add-on to economic functions. It is inherent to them. It cannot be handled by the public relations part of

the firm, but only by managers. He suggests combine policy formulation on the macro level with implementation devolving on the corporation's micro level i.e. ethics must be part of the strategy from the beginning.

'From TQM to TRM: Emerging Total Responsibility Management Approaches', Waddock Sandra\textsuperscript{35}, introduces a new framework for working with corporate social responsibility. The framework, TRM (Total Responsibility Management), is presented as an integrated generic model to introduce a holistic approach to corporate social responsibility in the current business scenario. The different components of the TRM approach have been evolving among multinational firms researched by ILO. The TRM approaches were found to have three main elements- the 3Is; Inspiration, Integration, Innovation. Links between accepted approaches to TQM and the features of the emerging TRM approaches are explored for similarities in their principles and implementation across organizations.

Donaldson Tom\textsuperscript{36} (1989), The Ethics of International Business, talks about multinational corporate ethics: rights and norms. Ethical issues stemming from multinational corporate activities frequently


derive from a clash between the cultural attitudes in home and host
countries. When standards for pollution, discrimination and salary
schedules appear lower in a multinational's host country than in the
home country, should multinational managers always insist on home
country standards? Or does using home standard simply a failure to
respect cultural diversity and national integrity? Is a factory worker in
Mexico justified in complaining about being paid three dollars an hour
for the same work a US factory worker, employed by the same
company, and is paid ten dollars? Is an asbestos worker in India
justified in criticizing the lower standards of in-plant asbestos
pollution maintained by a British multinational relative to standards
in Britain, when the standards in question fall within Indian
government guidelines and indeed, are stricter that the standards
maintained by other Indian asbestos manufacturers? Furthermore,
what obligations, if any, do multinational is have to the people they
affect indirectly? The notion of a fundamental international right and
that of an ethical algorithm for home country managers to use in
arbitrating clashes between home and host country norms.

Sundar Pushpa37 (2000), in book Beyond Business explains
corporate social responsibility because of 'Corporate Philanthropy'.
Business everywhere is being drawn into new relationships with the
community. The term 'Corporate Philanthropy' has acquired

India, 2000.
significant meaning as a result of the changing intellectual climate within organizations. There is a greater involvement of people in building human and physical capital in poor communities. There is a trace of emerging trend and pattern of the term in India. It is evolution of corporate social responsibility from merchant charity to corporate citizenship.

2.8 Conclusion

From the foregoing it is evident that the view for social responsibility is largely controversial and has to be discussed in wide areas. Hence the next chapter begins with the conceptual framework of the same.

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