CHAPTER-2
REVIEW OF LITERATURE

CHAPTER AT GLANCE

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2.1: Introduction

The purpose of this chapter is to review the literature on CSR in different aspects. This review is perceived to be important in a sense it provides the context and justification for the proposed research. The review of the CSR as an essential preface to the investigation of CSR studies undertaken in past. The Corporate Social Responsibility as a principle and practice in a way is closely linked with the concept of welfare state, enlightened management and ameliorative populist movements that are conspicuous characteristics of the contemporary civil society. The emphasis is moral, social and ethical obligations of these who are benefited to part with a portion of fortunes for a betterment and uplift of those who may have borne the brunt of the process of creation of wealth on the one hand and might have contributed to this process without being the part of it.

However the business can have obligations that extend beyond economic roles is not new in many respects. Throughout the history the roles of organizations producing goods and services for the marketplace were frequently linked with and include political, social and military roles. For example, throughout the early evolutionary stages of company development in England where organizations such as the Hudson Bay company and the East India company received broad mandates, there was a public policy understanding that corporations were to help achieve societal objectives such as the exploration of colonial territory, setting up settlements, providing transportation services, developing bank and financial services. During the nineteenth century, the corporation as a business form of organization evolved rapidly in the United States (US). It took on a commercial form that spelled out responsibilities of the board of directors and management to shareholders (i.e. fiduciary duty). In this later evolutionary form, public policy frequently addressed specific social domains such as health and safety for workers, consumer protection, labor practices, environmental protection. Thus, corporations responded to social responsibilities because they were obligated to be in compliance with the law and public policy. They were also responded voluntarily to market demands that reflected consumer morals and social tastes.

By the mid-point of the twentieth century, CSR was being discussed in the US by business management experts such as peter Ducker and being considered in
business literature. In 1970, economist Milton Friedmann outlined his view that the social responsibility of corporations is to make profits within the boundaries of societal morals and laws (but cautioned that socially responsible initiatives by corporations could lead to unfocused management directions, misallocations of resources, and reduced market competition, opportunity and choice). CSR emerged and continues to be a key business management, marketing, and accounting concern in the US, Europe, Canada, and other nations. In the last decade, CSR and related concepts such as corporate citizenship and corporate sustainability have expanded. This has perhaps occurred in response to new challenges such as those emanating from increased globalization on the agenda of business managers as well as for related stakeholder communities. It is now more a part of both the vocabulary and agenda of academics, professionals, non-governmental organizations, consumer groups, employees, suppliers, shareholders and investors too understand the chemistry of the concept of corporate social responsibility in data by critically evaluating the existing literature as follows.

2.2 Review on Awareness and Knowledge aspects of CSR

A firm’s CSR initiative affected both stakeholders’ overall beliefs and attitudes toward the firm as well as their intentions to seek employment with the firm, consume its products, and buy its stock. Individuals who were aware of the CSR initiative had more positive company-related associations, displayed greater organizational identification with the company and indicated a greater intent to purchase products, seek employment, and invest in the company than respondents who were unaware of the initiative. Therefore, CSR activity has the potential to increase not only CSR associations, attitudes, and identification but also the intent of stakeholders to commit personal resources (e.g., money, labor, etc.) to the benefit of the company. A key implication, therefore, is that to reap the positive benefits of CSR, companies need to work harder at raising awareness levels (Sankar Sen, Bhattacharya and Daniel Korschun, 2006). Reactions of consumers to CSR reveals its company favoring effects on an array of cognitive and affective (e.g., beliefs, attitudes, attributions, identification) as well as behavioral (e.g., loyalty, even during product harm crises) outcomes. Consumers’ ability to accurately identify the CSR activities of the firms they consume from is, in general, quite low. Awareness of the
CSR initiative to be associated with a set of four company specific outcomes - beliefs, attributions, attitude, and identification - that are internal (i.e., pertaining to thoughts and feelings) to consumers (Bhattacharya and Sen, 2003).

A survey was conducted by ORG-MARG for TERI-Europe in several cities of India in 2001 to capture perceptions and expectations of CSR reveals that a majority of the general public feels that companies should be held fully responsible for roles over which they have direct control. These include providing good products and cheaper prices, ensuring that operations are environment friendly, treating employees fairly without any discrimination based on gender, race or religion and applying labour standards globally. Moreover general public felt that the companies should also be held responsible for bridging the gap between the rich and the poor, reducing human rights abuses, solving social problems and increasing economic stability.

Awareness can be studied among managers those responsible in implementing CSR activities, Khan and Atkinson (1987) conducted a comparative study on the managerial attitudes to social responsibility in India and Britain. The study shows that most of the Indian executives agreed CSR as relevant to business and felt that business has responsibilities not only to the shareholders and employees but also to customers, suppliers, society and to the state. The results of this study are compared with results obtained from studies on American companies and some significant similarities and differences are noted. Significant research by Elias, Rafik Z, (2004) found that corporations have a social responsibility beyond maximizing shareholders' value. This study examines the effect of high-profile corporate bankruptcies on perception of corporate social responsibility. Undergraduate and graduate business students rated the importance of corporate social responsibility on profitability, long-term success and short-term success, before and after high-profile bankruptcies. The results indicated that students in general perceived corporate social responsibility to be more important to profitability and long-term success of the firm and less important to short-term success after media publicity of corporate scandals. Several demographic factors such as gender, age and college major played a role in this perception. These findings have important implications for business education, especially as it relates to corporate social responsibility.
Hyo-Sook Kim (2011) introduced publics' perceived attribution about the sincerity of corporate social responsibility (CSR) purposes as the main reason why publics react differently to companies that practice similar CSR activities. The effects of congruence of CSR activities and the source of CSR related information on publics' attribution were examined using prior corporate reputation as a moderator in an experimental setting. Overall, the study found that corporate reputation moderated publics' perceived attributions on the sincerity of the CSR purposes. Sincere motives were more severely downgraded when a negatively-reputed company engaged in a high-congruence CSR activity and used a company source than when a highly-reputed company did.

The above finding indicates that there are studies in India and across the world to understand the perception of managers and general public on CSR, but it was found that there were no studies undertaken to understand the level of awareness and knowledge among community those are beneficiaries of CSR about the term of CSR and the organisations working their community.

2.3 Multidimensional Aspect of CSR

The short-term economic success may not good indicia of long-term success. Sustainable business success requires sustained existence in a corporation's political, economic, social, technological, legal and environmental contexts. Far beyond the traditional economic focus, consumers, governments and public interest groups alike increasingly expect the business sector to take on more social and environmental responsibilities. Corporate social responsibility (CSR) is the model in which economic, social and environmental responsibilities are fulfilled simultaneously. However, there is insufficient empirical evidence that demonstrates genuine widespread adoption of CSR in practice, and its underlying reasons. Though research in CSR has been rapidly growing, its commercial reality and implications need to be further improved if it is to inspire corporations to voluntarily adopt CSR. In the literature, Carroll's four-dimensional (economic, legal, ethical and discretionary) CSR framework offers a theoretical basis for developing an empirically based model to explain why and how profit-motivated managers take up CSR voluntarily. The study has developed a structural equation model to identify the key factors and their
interactions that influence economically motivated managers to take on voluntary CSR, and validate Carroll's four-dimensional construct. The results support Carroll's four-dimensional CSR framework, with the exception of the link pertaining to the relationship between economic and discretionary/voluntary responsibility. This characterises the economic reality that financial market-driven economic responsibility does not automatically translate into social responsibility. Nevertheless, the empirical results demonstrate that corporations can be led to engage in more voluntary CSR activities to achieve social good when appropriate legal and ethical controls are in place (Paul K. Shum; Sharon L. Yam, 2011).

The study CEC (2001) investigate into the social realities pertaining to CSR with a multi level approach which includes Private, Public and Multi-National Organizations as seeks to focus on societal factors related to Community development, Social, Economical, Environmental, Health activities and Brand marketing, as well as other dimensions like extent of investment on CSR, Trends of CSR, policies and principles of CSR, machineries established to execute the CSR, the impact of CSR on the culture and quality of life. There is no unanimity in the definition of what constitutes CSR. Most of the definitions of Corporate Social Responsibility describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Todd Green and John Peloza, (2011) examining corporate social responsibility (CSR) demonstrates a relatively consistent level of positive support by consumers. The study found that when consumers were particularly aware of value when making purchase decisions. The way in which CSR manifests itself determines consumer support. CSR can provide three forms of value to consumers: emotional, social, and functional. Each of these enhances or diminishes the overall value proposition for consumers. Further, value created by one form of CSR can either enhance or diminish other product attributes.

Maignan, et.al, (2004) Studied the response to growing suspicion, some leading companies have openly profiled themselves as socially responsible. This enthusiasm for corporate social responsibility (CSR) has been echoed in the marketing literature. However, the differentiated terminology and focuses render
difficult their integration into a consistent body of marketing knowledge. In an attempt to unite this developing body of research, this article introduces a conceptualization of CSR that emphasizes the role and potential contribution of the marketing discipline. The proposed framework first depicts CSR initiatives as the actions undertaken to display conformity to both organizational and stakeholder norms. Then, the article discusses the managerial processes needed to monitor, meet, and even exceed, stakeholder norms. Finally, the analysis explains how CSR initiatives can generate increased stakeholder support.

Asia is the region most often covered in the literature on CSR in developing countries, with a significant focus on China (e.g. Zhuang and Wheale, 2004), India (e.g. Balasubramanian et al., 2005), Indonesia, Malaysia (e.g. Zulkifli and Amran, 2006), Pakistan, and Thailand, other countries that have had less attention include Bangladesh (Nielsen, 2005), the Pacific Forum Islands (Prasad, 2004), Sri Lanka (Luken and Stares, 2005), and Vietnam (Prieto-Carron, 2006a). The Journal of Corporate Citizenship special issue on CSR in Asia (issue 13, spring 2004) provides a good overview of the status of the debate. Editors Birch and Moon (2004) note that CSR performance varies greatly between countries in Asia, with a wide range of CSR issues being tackled (e.g. education, environment, employee welfare) and modes of action (e.g. foundations, volunteering, and partnerships). A number of quantitative studies confirm this picture of CSR variance. In a survey of CSR reporting in Asia, Chapple and Moon (2005) find that nearly three quarters of large companies in India present themselves as having CSR policies and practices versus only a quarter in Indonesia. Falling somewhere between these two extremes are Thailand (42 percent), Malaysia (32 percent), and the Philippines (30 percent). They also infer from the research that the evolution of CSR in Asia tends to occur in three waves, with community involvement being the most established form of CSR, following by successive second and third waves of socially responsible production processes and employee relations.

Bimal Arora and Ravi Puranik (2004), Critiques argue that Corporate Social Responsibility (CSR) is a North-led agenda with narrow focus. Bimal Arora and Ravi Puranik apply a development-oriented framework to contextualize CSR to structural
adjustments-related macro socio-economic issues relevant to the developing countries, with a focus on CSR in India. They review contemporary CSR trends in India concluding that although the corporate sector in India benefited immensely from liberalization and privatization processes, its transition from philanthropic mindsets to CSR has been lagging behind its impressive financial growth. Rahul Mitra (2011), focusing on the emerging economy context of one of India's largest automotive companies, Tata Motors, analyzes the thematic framing of corporate social responsibility (CSR) and corporate reputation. Five CSR frames are shown: institutionalization, community development, modernization, mainstreaming, and nation-building. Reputation is framed via: heritage, nation building, technological advancement, global footprint, and responsibility. The findings suggest how firms may better align their CSR efforts with regular business, and their larger public relations campaigns with wider social perceptions of their responsibilities.

2.4: CSR Progress Through Times

The importance of communicating corporate social responsibility (CSR) not only to socially responsible investors but also to the mainstream of the financial community is gaining importance in a more competitive capital market environment. This article looks at how equity analysts at the German stock exchange in Frankfurt - individuals who are not particularly involved in Socially Responsible Investment (SRI) research - perceive economic, legal, ethical and philanthropic responsibility strategies. The evidence obtained from interviews suggests that responsibility issues are increasingly becoming part of mainstream investment analysis. However, for them to play a larger part in the future, investor relations personnel must frame responsibility strategies in a way that is more consistent with the financial community's perspective. In particular, the impact of CSR measures on strategic development, competitive anticipation and creating trust with stakeholders are key in leveraging CSR in financial communications (Christian Fieseler, 2011).

Although the literature often frames the debate about CSR in a global context, there is very little empirical research on the nature and extent of CSR in developing countries. One notable exception is Baskin’s (2006) research on the reported CSR in developing countries 477 corporate responsibility behaviour of 127 leading
companies from 21 emerging markets across Asia, Africa, Latin America, and Central and Eastern Europe, which he compares with over 1,700 leading companies in high-income Organisation for Economic Co-operation and Development (OECD) countries. Looking at three generic indicators of CSR, Baskin (2006) finds that emerging market companies have a respectable representation in the Dow Jones Sustainability Index and show rising levels of take-up of the Global Reporting Initiative and ISO 14001. More specifically, over two-thirds of the emerging market companies in the sample either produced a sustainability report or had a specific section on their website or in their annual report covering CSR. Interestingly, emerging market companies are also more inclined to report extensively on corporate social investment activities than OECD companies. Other areas of reported CSR performance examined by Baskin (2006) show that emerging markets lag the OECD significantly on reporting on business ethics and equal opportunities (with the exception of South Africa), are roughly on a par for environmental reporting, and show comparable reporting variance on women on company boards (e.g. high in Norway and South Africa, low in Japan and Latin America), training and occupational health and safety (e.g. high in South Africa and Western Europe, low in North America and Asia). Despite the limitations of using reporting as an indicator of CSR performance and the danger of representing regions by just a few countries (e.g. only two of the 53 countries in Africa were included in the sample), the Baskin (2006) study does provide some insight into the level of CSR activity in developing countries, concluding that 'there is not a vast difference in the approach to reported corporate responsibility between leading companies in high income OECD countries and their emerging-market peers. Nonetheless, corporate responsibility in emerging markets, while more extensive than commonly believed, is less embedded in corporate strategies, less pervasive and less politically rooted than in most high-income OECD countries.

In a comparative survey of CSR in 15 countries across Europe, North America, and Asia, Welford (2005) speculates that the low response rates from countries like Hong Kong, Malaysia, Mexico, and Thailand may in itself be an indicator of CSR being less prevalent in developing countries. This seems to be borne out by the research findings, in which these countries fairly consistently underperform
when compared with developed countries across 20 aspects of CSR measured by the survey. More specifically, Malaysia is generally the weakest in terms of CSR performance, with Thailand being relatively strong on external aspects (such as child labor and ethics) and Hong Kong being generally better on internal aspects (such as non-discrimination and equal opportunities).

The need for and benefits of proactive and transparent communication about corporate social responsibility (CSR) are widely acknowledged. This study by Vidhi Chaudhri and Jian Wang (2007) examines CSR communication undertaken by the top 100 Information Technology (IT) companies in India on their corporate Web sites, with an analytical focus on the dimensions of prominence of communication, extent of information, and style of presentation. The findings indicate that the number of companies with CSR information on their Web sites is strikingly low and that these leading companies do not leverage the Web sites to their advantage in terms of the quantity and style of CSR communication. Although the findings do not necessarily imply absence of CSR action on the part of IT companies in India, they attest to a general lack of proactive CSR communication. The article concludes with managerial implications for CSR communication on corporate Web sites. Amparo Merino and Carmen Valor (2011) focus on one of the assumptions of corporate social responsibility (CSR), namely its usefulness as a tool for eradicating poverty. The claims that business and CSR strategies can be effective in fighting poverty face major challenges, in particular the wide divergence of understandings about the notion and implementation of CSR, and the absence of clear understanding of underlying ideological bases concerning business and poverty. The authors find that, although usually considered as ideologically neutral, the CSR discourse requires the introduction of ideological debate if it is to meet the goal of poverty eradication.

The study conducted by Society for Human Resource Management (SHRM, 2007) find that Although the vast majority of Human Resource (HR) professionals—about four out of five—across the United states, Australia, India, China, Canada, Mexico and Brazil reported that their organizations participated in practices that could be considered as corporate social responsibility, smaller proportions from each of the countries reported that their organizations had either formal or informal CSR policies.
HR professionals employed by organizations in Brazil reported the highest rate of organization participation in CSR practices, and HR professionals in China reported the lowest rate of participation in CSR practices. HR professionals from Australia, India, Mexico, and Brazil were more likely than those from the United States to report that their organizations had formal CSR policies.

2.5: Level and Trends of CSR

The evolution of the concept and definition of corporate social responsibility (CSR) is traced from its modern beginnings in the 1950s. Definitions expanded during the 1960s and proliferated in the 1970s. In the 1980s, there were fewer new definitions and more empirical research, and alternative themes began to mature, including corporate social performance, stakeholder theory, and business ethics theory. In the 1990s, CSR continues to serve as a core construct, but yields to, or is transformed into, alternative thematic frameworks (Carroll, Archie B, 1999). Historically, CSR has been viewed as developed countries’ phenomena. As such a large body of literature on CSR practices has merged in the context of developed countries. However, literature on the theory and practices on CSR in the developing countries remains scant (Belal, 2001). Hardly a few studies have looked at CSR practice in India. Different researches at different points of time and classical Indian literature have emphasized the CSR practice of corporate entities in India. A long back Kautilya in his ‘Arthasastra’ mentions traders’ responsibilities to the local society. In ancient India, such responsibilities were voluntary and not mandatory.

Rosamaria C et.al (2011) Reviews the literature and adopts a chronological structure organized on a decade-by-decade basis. The results demonstrated that CSR research has changed constantly during the last 60 years. In the 1950s the primary focus was on businesses' responsibilities to society and doing good deeds for society. In the 1960s key events, people and ideas were instrumental in characterizing the social changes ushered in during this decade. In the 1970s business managers applied the traditional management functions when dealing with CSR issues, while, in the 1980s, business and social interest came closer and firms became more responsive to their stakeholders. During the 1990s the idea of CSR became almost universally approved, also CSR was coupled with strategy literature and finally, in the 2000s, CSR became definitively an important strategic issue. Sun Young Lee; Craig E.
Carroll (2011) examined the emergence of corporate social responsibility (CSR) as a public issue over 25 years using a content analysis of two national news-papers and seven regional, geographically-dispersed newspapers in the U.S. The present study adopted a comprehensive definition encompassing all four CSR dimensions: economic, ethical, legal, and philanthropic. This study examined newspaper editorials, letters to the editor, op-ed columns, news analyses, and guest columns for three aspects: media attention, media prominence, and media valence. Results showed an increase in the number of opinion pieces covering CSR issues over the 25-year period. The prominence of each of the four CSR dimensions varied over time. Each of the four CSR dimensions had its moment of media prominence when it was more important than the other dimensions. The most prevalent valence of the opinion pieces was negative; the volume of negative pieces increased over the 25 years, whereas the number of opinions with positive, neutral, and mixed tones showed little change over time. The study concludes by tracing the implications of the role of the news media for business ethics research.

The evolution of CSR in these developing economies shows widely varying results. Chambers and others (2003) evaluate the extent of CSR penetration in seven Asian countries (India, Indonesia, Malaysia, the Philippines, Singapore, South Korea and Thailand). Many researchers have hypothesised that CSR in emerging economies is still in a nascent stage and suitable mechanisms do not exist to ensure that companies practice CSR with anything other than a charitable outlook.

Samuel O. Idowu, (2011) tries to piece together chronologically the events and revolutionary acts that have been taken by groups of individuals, entrepreneurs/industrialists and corporate entities in the UK which fall under the ambit of corporate social responsibility (CSR) in order to derive the history of CSR in the country. Data from literature and prior studies were used to gather the required information in order to contribute to knowledge about the history of CSR, at least from the perspective of the UK. The results suggest that individuals in groups, industrialists/entrepreneurs acting individually, and even corporate entities have been indirectly engaged in CSR activities in the UK for well over 200 years. Altruistic CSR in the UK has a long history. Information on how CSR evolved in the UK and
elsewhere is considered to be valuable by both academic researchers and business managers, as it provides a framework on which future studies can be based. In addition, it improves the understanding of how the field originally started before it reached its current state. Colman and Robert, (2005) Studied in November 2004, Canadian Business for Social Responsibility held a one-day summit on corporate social responsibility (CSR). The general consensus appeared to be that, although Canadian organizations lag behind many European companies in introducing Triple Bottom Line (TBL) reporting practices, there are more organizations every year introducing some form of TBL reporting model. Allen Choate, director of program development in China for The Asia Foundation, noted that, although the idea of CSR is quite trendy in China at the moment, defining it and acting upon it is a larger challenge.

Centre for social markets (2003) conducted a study in which it was found that social responsibility is seen to be an important business issue within the sample firms, irrespective of firm size, age, sector, location, primary purpose or legal status. In a survey of CSR reporting in Asia Chapple and Moon (2005) found that nearly three quarters of large companies in India present themselves as having CSR policies and practices. The EU green paper (2001) identifies two main dimensions of companies implementing CSR an internal dimension relating to practices internal to the company and an external dimension involving stakeholders.

Arora and Puranik (2004) reviewed contemporary CSR trends in India concluding that the corporate sector in India benefitted immensely from liberalization and privatisation process, its transition from philanthropic mindsets to CSR has been lagging behind its impressive financial growth. Rajan Varada (2006) found that the proportions of HR professionals who reported that their organisations participated in selected CSR practices and activities varied greatly. Participation in select CSR practices were found to vary within countries according to organizational staff size, indicating that availability of resources may affect the types of CSR practices in which organisations engage. Further he found that large organizations (96 percent) were more likely than small organizations (69 percent) to participate in CSR practices. On CSR, an analytical study was made by ten professional survey groups of
global fame in seven countries including India and China. Aruna Das Gupta (2007), Explore the trends of social responsibility of the corporate sector in India. The methodology being followed in the study was exploratory in nature as data are scanty. An analysis has been done on an overall score drawn from a structured questionnaire being administered. Trends in socially responsible initiatives are both positive and crucial in nature in India.

2.6: Strategies of CSR

In spite of the rich contributions which it has made to recent scholarship, Business and Society research does not systematically address the organizational and managerial issues associated with corporate social responsibility (CSR) strategies and policies. In the 1970s, this very conclusion prompted the Harvard Business School to launch a research program focused on Corporate Social Responsiveness, although the content of the program has since been forgotten and/or overly simplified (Acquier 2011).

Elliot Maltz and others (2011) found that corporations are under increasing pressure to play more than their traditional role of creating value for shareholders. However, managers are still struggling with how to systematically assess the value of corporate social responsibility (CSR) efforts. In this article they suggest two reasons for their difficulty. First, they have not considered how to think strategically about maximizing the value of CSR investments. That was, they have not assessed how they can utilize scarce resources available to the firm to maximize the shared value generated. This requires considering which stakeholders should be considered in the estimation of shared value and estimating the costs and benefits to the stakeholders of initiatives being considered. Second, while there has been some effort at developing measurement protocols to measure shared value, the existing methods are limited because they either don't jointly consider the costs and benefits and/or don't adequately consider the strategic issues identified above in the calculations. These two factors inhibit managers' ability to think strategically and track the results of corporate social initiatives.

Kruly and others (2000) studied the organizational consulting profession and its practitioners were analyzed to discover the dynamics which include or exclude
social responsibility in the consultant-client relationship. This relationship was targeted within the healthcare industry and its particular impacts on managed care reform. Perspectives are researched and examined at the intrapersonal, interpersonal, organizational, inter-organizational, industry, inter-industry, and societal levels. Thirty-eight qualitative interviews were conducted including: twenty organizational consultants from various firms, eleven healthcare clients from all aspects of the industry, and seven organizational theorists. Data were also collected on the organizations, and comparisons made between consulting organizations, between healthcare organizations, and the impacts the industries may have on each other. Specifically, the discourses of the individuals, the organizations, and the industries were analyzed to discover how discourse reveals whether social responsibility is valued or not. Results indicated: (a) The consultant client relationship is an elite, sealed system of power and privilege which has changed and continues to change the healthcare industry; (b) Consultants' and clients' discourses reflect a wide range of values from strong integrity and social responsibility in their work, to conflicted values with little to no sense of social responsibility in their work. Factors which contribute to this spectrum are thoroughly explored based on the data; (c) The nature of the field of organizational consulting itself--its unregulated practices, its lack of consistency in the education of consultants, and its dominant voices coming from the major consulting firms with their positivist discourse presents serious roadblocks to the profession's demonstration of social responsibility; (d) The healthiest client organizations with the strongest leadership use consultants minimally or not at all; while the least healthy client organizations with the weakest leadership rely on the use of too many consultants, which sets a vicious circle in motion of organizational deterioration; (e) Finally, organizational consultants are enjoined to consider how they have allowed the profession's roots in the social sciences to become defiled by a focus on elite economic interests over the needs of the human condition, as typified by the changes which organizational consulting has implemented within the healthcare industry.

Besser, Terry L, (1998) focuses on the relationship between community and business social responsibility, specifically exploring the impact of business operators' perceptions about norms of collective action in their communities on the level of their
community support and commitment. He concluded that operators' educational levels and lengths of residence, the success and age of their businesses, and their perceptions of community levels of collective action are significantly associated with levels of business social responsibility. Stephen Bear (2010) explores how the diversity of board resources and the number of women on boards affect firms' corporate social responsibility (CSR) ratings, and how, in turn, CSR influences corporate reputation. In addition, this article examines whether CSR ratings mediate the relationships among board resource diversity, gender composition, and corporate reputation. The OLS regression results using lagged data for independent and control variables were statistically significant for the gender composition hypotheses, but not for the resource diversity-based hypotheses. CSR ratings had a positive impact on reputation and mediated the relationship between the number of women on the board and corporate reputation.

Nur Diana Hidayati (2011) aims to identify the pattern of CSR programs run by different organisations in Indonesia. The research was focused on three main areas, namely: relation of CSR programs with the companies' core businesses; coverage of the programs on triple bottom line (economic, social, and environmental); and the execution of CSR programs as sustainable development and the companies' competitive advantage. It used a qualitative approach, i.e. a case study. Primary and secondary data are in the form of information about CSR programs conducted by the four companies from sustainable reports downloaded from each respective company's website, mass media news downloaded from the internet, and other literature studies. The case study shows high commitment from the four companies to the execution of CSR programs and business ethics. They also attempt to carry out programs involving the triple bottom line. Also, this case study found that two consumer goods companies (Unilever Indonesia and Sari Husada) and one manufacturing company (Astra International) conduct CSR programs that are both related and unrelated to their core businesses while a mining company (Aneka Tambang) tends to conduct CSR programs that are unrelated to its core business. Another finding from this case study is that both related and unrelated programs are forms of the companies' sustainable development.
Muijen Heidi and Heidi S C A, (2004) address the question of how to use value-learning processes to integrate corporate social responsibility (CSR) in organizations as an interesting challenge in (higher) education. Two strategies have been proposed for the issue of CSR: a compliance strategy and a cultural change strategy. This article focuses on the ethical and philosophical presuppositions of these different approaches. The incorporation of CSR in organizations cannot be accomplished by means of a compliance strategy only. Rather, it needs to be supplemented by a strategy aimed at stimulating a transformation process on the corporate culture level. The perspective of change through dialogue was proposed as a means of innovating the curriculum and the primary processes of student education. This organizational change perspective was demonstrated by describing how (ethical) reflective aspects are integrated in the curriculum of the Free University of Amsterdam.

De La Cuesta Gonzalez and others (2004) questioned should CSR be approached only on a voluntary basis or should it be complemented with a compulsory regulatory framework? What type of government intervention is more effective in fostering CSR among companies? This paper is an attempt to answer these questions, reviewing the debate between proponents of the voluntary case and the obligatory case for CSR, and critically analyzing current international government-led initiatives to foster CSR among companies, and national government-led initiatives in the EU area. Finally, the paper focuses on the Spanish case, as an example of the failure of an exclusively voluntary approach. Despite the rapid uprise of CSR, Spain is still far behind late in CSR promotion strategies. Most action has been undertaken by companies themselves with no common guidelines, governmental support, or independent verification. The lack of a regulatory framework for CSR or ethical investment issues and the virtual absence of other indirect incentives, explains the misbalance between private, public and Third Sector initiatives. Based on the Spanish context which is quite similar to other non-OECD countries, the authors call for a more proactive government position in CSR related issues.

The comparative study (Shirley and others 2005) on Indian and Dutch company by Shirley and others important conclusion following from the study was
that in India up till now the CSR discussion has mainly been focused on the value aspect, i.e. which environmental and social principals were we talking about. Less attention has been paid to the operational aspects of CSR i.e. the process how to bring these CSR principles in to practice. The gap between the policy and practice of the interviewed companies which the study revealed might be explained exactly by the fact that the operational aspects constitute the main bottleneck for companies. The realization of CSR policy objectives within the company seems to be less problematic than the realization of the CSR objectives outside the direct realm of the company, e.g. in the supply chain. For the large majority of companies, CSR compliance in the supply chain remains a large black box. This was especially relevant in the Indian context since Dutch companies increasingly outsource parts of production and services to this low wage country. A study by Conway (2003) on iron ore mining industry in Goa shows that many large mining companies have their own initiatives towards environmental and social development. However, a structured CSR policy and planning was missing especially among the small and medium players in the industry.

2.7: Issues Covered under CSR
Many organisations have already positioned CSR as one of the core business processes. Companies have integrated CSR in to their business culture. Still, CSR in evolving process and no uniformity in activity or issues covered by the companies, As such CSR activity or issues were covered differently from continent-to-continent; country-to-country, companies to companies and even individually. This happens because of various reasons such as type of production, prevailing issues at working place, organisation policy, local govt. guiltiness or mandates, demand from the community and so on. Though there are no uniformity in the issues covered by the organisations, the following review tries to understand the different issues covered across and the world and in India.

Jiran Hou and Bryan H. Reber (2011) examined the corporate social responsibility (CSR) initiatives and disclosures of major media companies in the United States. They conducted content analysis to analyze five dimensions of CSR disclosure: environment, community relations, diversity, employee relations and human rights, as well as their media CSR activities. The findings showed that nine of
the ten companies have engaged in different types of CSR activities. These companies’ CSR initiatives differ by the types of the company, and the size of the company also has influence on the reporting of CSR initiatives. Maignan and others (2004) studied the response to growing suspicion; some leading companies have openly profiled themselves as socially responsible. This enthusiasm for corporate social responsibility (CSR) has been echoed in the marketing literature. However, the differentiated terminology and focuses render difficult their integration into a consistent body of marketing knowledge. In an attempt to unite this developing body of research, this article introduces a conceptualization of CSR that emphasizes the role and potential contribution of the marketing discipline. The proposed framework first depicts CSR initiatives as the actions undertaken to display conformity to both organizational and stakeholder norms. Then, the article discusses the managerial processes needed to monitor, meet, and even exceed, stakeholder norms. Finally, the analysis explains how CSR initiatives can generate increased stakeholder support.

Renu Jatana and David Crowther (2007), Argue that CSR has a role to play in the empowerment of women in India and to show that this was actually happening. The research was based on reported information from Indian companies. The paper makes a link between these two topics which has not been made before. Verma and Chauhan (2007) found that roads, pollution and power are the major concern of corporate 2010 CSR activities as compared to least concern area which is communication and education. Another study by Dutta and Durgamohan (2009) found that education takes the first place followed by health and social cause. Similarly, a survey conducted by CSM (2001), the perception of companies towards various parameters of CSR has been brought forward. The various dimensions of CSR valued by companies are national wealth, employment, environment and social programme including health and literacy.

In a survey of CSR reporting in Asia Chapple and Moon (2005) found that nearly three quarters of large companies in India present themselves as having CSR policies and practices. The EU green paper (2001) identifies two main dimensions of companies implementing CSR an internal dimension relating to practices internal to the company and an external dimension involving stakeholders. The mandate given to
the Tata steel CSR team was to work for the welfare of the socially and economically disadvantaged communities living in and around its area of operation, including the mines and collieries serving the plant. Over the year, its initiatives have encompassed provision of health care services, drinking water, rain water harvesting, tribal development, relief and rehabilitation endeavors, income and employment generation, women’s health and education, awareness programmes on the ill-effects of drugs, alcohol and HIV/AIDS, and patronage to sports and cultural activities. The CSR programme is managed by three organizations-Tata Steel Rural Development Society (TSRDS), Tata Steel Family Initiatives Foundation (TSFIF) and the Tribal Cultural Society (TCS).

The research done by a NGO called Partners in Change (2005) show that corporate involvement in development tends to be ad hoc and CEO-driven. This was best illustrated by the fact that only 11 percent of the companies had a written policy. This was in spite of the facts that over 85 percent of the companies agree that they have a responsibility to society. Companies that work with communities do not necessarily distinguish between the privileged and the under privileged amongst them. While a few companies and business groups have taken a lead in promoting CSR in India, the role of the industry associations must be recognized as significant. While the CII has various committees for social development activities and have even developed a voluntary social code for its members, chambers like FICCI, PHDCCI and Bharat Chamber of Commerce and so on have set up foundations for this purpose. However, the overall approach still seems to be driven by philanthropy rather than integrating it with business as has been happening in the West.

Mahabir Narwal (2007), Highlight the corporate social responsibility (CSR) initiatives taken by the Indian Banking Industry, which can help them to enhance their overall performance. The research is based on the survey questionnaire, administered to 33 public-private sector banks in Northern Haryana, including its capital Chandigarh, which has been analyzed with the help of descriptive statistics and factor analysis. The findings suggest that banks have an objective view-point about CSR activities. They are concentrating mainly on education, balanced growth (different strata of society), health, environmental marketing and customer satisfaction as their
core CSR activities. The Indian banking industry is found to be adopting an integrated approach by combining CSR with the ultimate customer satisfaction. Irrespective of location, the nature of CSR activities undertaken by banks is found to be similar.

Prabhudev Konana (2006) argue that in recent times, a number of foundations set up by leading Indian firms, including Infosys, Wipro, Tatas, TVS, and Dr. Reddy's Laboratory and the like, have taken keenly to corporate activism to improve healthcare, education, living conditions, and reducing poverty. These foundations support numerous government primary schools and have developed processes and methodologies for affecting positive change. They support hundreds of non-governmental organisations have built orphanages, hospitals, and schools.

Krishan, 2007 As part of the Non government organization LIFE (Literacy For Every one), The BE Group helped school drop outs by teaching them vocational skills, and encouraging more and more children to not only enroll in schools but also works at their continued retention. The work also extends for special children who are physically mentally challenged. Retaining qualified teaching staff in the rural schools has been a problem due to low salaries, poor benefits a lack of proper teaching facilities. Keeping these shortcomings in mind, LIFE has plans of introducing innovative and cost-effective ICT tools and methodologies for improving the quality of teaching and aiding in the learning of basic vocational education. LIFE operates in the states of Andhra Pradesh, TamilNadu, Delhi, Bihar, UP and Karnataka.

Sudhir Chandra Das (2009), Examine the contribution of center and state governments in social sector development and to demonstrate the strong sense of corporate social responsibility (CSR) models in an Indian perspective. The study was exploratory in character and falls under the category of “general review” aimed at gaining familiarity and achieving insights into the phenomena i.e. status and direction of CSR in India. The study concludes that the social sector remained a neglected area as, despite a rise in their revenue earnings, the states are perennially in financial distress due to a more than proportionate increase in expenditure. The study also highlights the poor budgetary allocation for education, ineffective doctor-patient ratio, heavy interest payments/servicing debt and lesser governmental efforts to initiate the
CSR as a most effective tool. Further, the paper suggests three prospective CSR models in an Indian perspective.

2.8: Motivators and Barriers of CSR

The emergence of socially responsible investing, defined as an investment strategy that considers an investor's financial obligations and an investment's influence on society and encourages shareholder advocacy. Explanations for the rapid development of socially responsible investing include consumer loyalty, the increased use of portfolio divestment screens, European and North American bull markets, public education projects, and market demand. However, there are some obstructions to responsible investing: misdirected financial media; difficulties in starting new investment firms; policy conflicts with the US Securities and Exchange Commission; and complacency and inertia in large financial corporations. Continuing development of responsible investing will benefit from conservative Right participation in the financial field; increases in investment research; and increased availability of environmental, social, and financial performance determinants (Gaskin, Russell, 1998).

Rune Dahl Fitjar (2011) examines the drivers and barriers for corporate social responsibility (CSR) in the Norwegian graduate uniform industry, which is a market devoid of large corporations, consisting entirely of two small businesses. It finds that these small businesses' CSR activities are not particularly well explained by the existing literature on CSR in small- and medium-sized enterprises, which assumes the presence of large competitors. This raises the question of whether small businesses that do not compete against large corporations may actually behave more like ‘little big firms' when it comes to CSR. The article finds that the two businesses studied are mostly driven by external pressure to improve their social responsibility. Such pressure stems partly from news reports on their activities and partly from increasing competition leading to a situation where the small businesses operating in the market scrutinise each others' activities.

Graafland and others (2004) investigates the possibilities and problems of benchmarking Corporate Social Responsibility (CSR). After a methodological
analysis of the advantages and problems of benchmarking, they develop a benchmark method that includes economic, social and environmental aspects as well as national and international aspects of CSR. The overall benchmark was based on a weighted average of these aspects. The weights based on the opinions of companies and NGO's. Using different methods of weighting, we find that the outcome of the benchmark was rather robust for a sample of more than 50 large Dutch companies. Hemingway and others (2004) suggested that in so far as CSR initiatives represent individuals' values, so the 'responsibility' in evidence was less obviously 'corporate.' their emphasis on personal initiative was intended to counter a tendency to view the corporation as the agent, and may serve to remind us that individuals can, indeed, make a difference.

Md. Humayun Kabir (2011) studied CSR practices by the hotel industry in Swaziland and examining the type and extent of such practices. Results show that the major reasons for involving CSR practices by companies were to create and maintain a favourable corporate image while some of the respondents said that there companies should be viewed as social organisations. Results also show that, in terms of CSR practices, community involvement is higher than the other categories of CSR. The study reveals that there were no mandatory regulations in Swaziland requiring companies to practice social responsibility. However, while there is no specific legislation to enforce companies to practice social responsibility, the Swaziland Environmental Authority is trying to encourage companies to show social concern especially for the environmental impact in which they operate.

Janice Redmond, et.al, (2008) Participation by small and medium enterprise (SME) in corporate social responsibility issues has been found to be lacking. This is a critical issue, as individually SMEs may have little impact on the environment but their collective footprint is significant. The management style and ethical stance of the owner-manager affects business decision making and therefore has a direct impact on the environmental actions of the business. Although adoption of environmental practices to create competitive advantage has been advocated, many businesses see implementation as a cost which cannot be transferred to their customers. After a brief review of pertinent literature this paper reports on an exploratory investigation into the issue. Results show that whereas owner-managers of small enterprises express
concern regarding the environment, this does not then translate into better waste management practices. Luc Renneboog, et.al, (2011) provides a critical review of the literature on Socially Responsible Investments (SRI). Particular to SRI is that both financial goals and social objectives are pursued. Over the past decade, SRI has experienced an explosive growth around the world reflecting the increasing awareness of investors to social, environmental, ethical and corporate governance issues. They argue that there are significant opportunities for future research on the increasingly important area of SRI.

Kemp (2001) states, “There are numerous obstacles to achieving corporate responsibility, particularly in many developing countries where the institutions, standards and appeals system, which give life to CSR in North America and Europe, are relatively weak. Doyle (2005) expressed that more research needs to be undertaken to understand the link between investment decisions and CSR policies. Doyle explained no shareholder will invest in a company that might place the share price in jeopardy by unwise commercial decisions or actions. Probably, companies in India will adopt more CSR objectives only when the government liberalises the financial sector to international firms. Some of the surveys like ‘Corporate involvement in social development in India’ by Partners In Change (PIC)’, Altered Image the 2001 State of Corporate Responsibility in India Poll’ by Tata Energy Research Institute (TERI), Corporate Social Responsibility: Perceptions of Indian Business’ by Centre for Social Market (CSM), and ‘Corporate Social Responsibility Survey, 2002, India presented jointly by the British Council, United Nations Development Program (UNDP), Confederation of Indian Industries and Price Water house Coopers have also highlighted the emerging Indian participations in the CSR process. The findings of these surveys emphasized companies across India reveal that philanthropy is the most significant driver of CSR, followed by image building, employee morale and ethics respectively.

Hoje Jo and Maretmo A. Harjoto (2011) Investigates the effects of internal and external corporate governance and monitoring mechanisms on the choice of corporate social responsibility (CSR) engagement and the value of firms engaging in CSR activities. The study finds the CSR choice is positively associated with the internal
and external corporate governance and monitoring mechanisms, including board leadership, board independence, institutional ownership, analyst following, and anti-takeover provisions, after controlling for various firm characteristics. After correcting for endogeneity and simultaneity issues, the results show that CSR engagement positively influences firm value measured by industry-adjusted Tobin's q. study find that the impact of analyst following for firms that engage in CSR on firm value is strongly positive, while the board leadership, board independence, blockholders' ownership, and institutional ownership play a relatively weaker role in enhancing firm value. Furthermore, the study find that CSR activities that address internal social enhancement within the firm, such as employees diversity, firm relationship with its employees, and product quality, enhance the value of firm more than other CSR subcategories for broader external social enhancement such as community relation and environmental concerns.

2.9: Impact of CSR

Despite the emergence of corporate social responsibility, the impact of CSR efforts on customer relationships remains decidedly unclear. Russell Lacey and others (2011) investigate linkages between customers' perceptions of the CSR performance of a Nederlandse Beroepsorganisatie van Accountant (NBA) team and the strength of their relationship with this same organization. With all respondents of the latter survey participating in both samples, the authors assess how CSR performance impacts customer relationships over time. The findings show how a firm that engages in CSR initiatives may reap rewards by building trusting and committed customer relationships which, in turn, help forge desirable customer behaviors. The results also demonstrate how CSR's influence strengthens over the course of the tested business cycle, thus yielding revealing insights to academics and practitioners when it comes to understanding the real-world impact of CSR performance for strengthening customer relationships.

Besser Terry L (1998) examined one aspect of business social responsibility the relationship between businesses and community. The implied direction of the relationship is inverted by considering community as the independent variable, and the issue is framed from a collective action perspective. Specifically, the impact of
prevailing norms of collective action in a community on the level of business operators' support for and commitment to their communities is explored. Data from interviews with 1,008 business owners and managers randomly selected from 30 small urban communities find that the norms of collective action are better predictors of business operators' commitment to and support for community than the demographic features of the community, business, or operator, eg, business size, operators' educational level, and community size.

Mallen Baker (2006) argues that a common theme is the impact on staff. All companies are working hard to retain the best and most talented staff, even those in positions where they need to lose some overall numbers. There is sufficient evidence that employees are more likely to stay with, and more likely to recommend, their employer if they perceive them to be socially responsible. This can be supported by some of the softer end activities, such as employee volunteering and company charities of the year, but fundamentally it comes down to whether or not they feel proud to work for their company and that starts with the way that the company does business and the way that it treats its staff. Giacomo Degli Antoni and Andelisa Portale (2011) analyzed the empirical relationship between corporate social responsibility (CSR) and social capital. The focus was on a specific kind of non-profit organizations: the social cooperatives. With respect to the previous studies on the relationship between participation in non-profit organizations and social capital creation, this article reveals a main reason of interest. The article points out the operational characteristics of non-profit organizations and shows the importance of the adoption of CSR good practices in fostering the creation of workers’ social capital intended as cooperative social network, generalized trust, and relational skills.

Kangtao Ye and Ran Zhang (2011) drawing on risk mitigation theory, this article examines whether the improvement of firms' social performance reduces debt financing costs (CDFs) in China, the world's largest emerging market. Employing both the ordinary least square (OLS) and the two stage instrumental variable regression methods, they find that improved corporate social responsibility (CSR) reduces the CDF when firms' CSR investment is lower than an optimal level; however, this relationship was reversed after the CSR investment exceeds the optimal
level. Firms with extremely low or extremely high CSR are subject to a higher CDF. The results also suggest that the optimal CSR level for small firms is higher than that for large firms. This study is the first to document a U-shaped relationship between CSR and CDF and also the first to investigate this relationship within an emerging market context.

Matani and Vishwas N. Ahuja (2010), Examine the impact of corporate social responsibility (CSR) on corporate financial performance (CFP) in terms of profitability and growth after controlling for the effect of other variables on financial performance. Secondary data on CSR based on 93 companies operating in India have been analyzed by applying content analysis of annual reports for the year 2005–06 and individual websites of the companies. For CFP and control variables, secondary data have been collected for seven-year period from 1999–2000 to 2005–06 from Prowess, electronic database developed by Centre for Monitoring Indian Economy (CMIE), Mumbai. Statistical tests like factor analysis and multiple regression analysis have been applied. The results indicate significant positive impact of CSR on corporate profitability and insignificant positive impact on corporate growth. The present study was helpful for managers in considering the positive impact of CSR on corporate profitability while taking decisions about investing in CSR areas. In order to have competitive advantage, industries have to adopt a more holistic and inclusive business model, which has a direct correlation with business performance covering economic, social and environmental considerations. Companies now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal.

Francesco Ciliberti and others (2011) mentioned the benefits of corporate social responsibility (CSR) affect the entire supply chains a firm anticipates in. However, not every firm was in a position to force the implementation of CSR in its supply chains as some, especially small and medium-sized enterprises (SMEs), lack the necessary power. Chain directors can implement it acting as a principal, whereas the other chain members can act as agents. In the principal-agent framework, two main problems occur due to information asymmetry: adverse selection and moral hazard. This paper examines how a code of conduct (i.e. Social Accountability 8000)
can help address the principal-agent problem, for SMEs, between chain directors and partners. The research method involves four case studies on CSR practices as implemented by Italian and Dutch SMEs within their supply chains.

Michal Mozes et.al (2011) Explore the impact of corporate social responsibility (CSR) engagement on employee motivation, job satisfaction and organizational identification as well as employee citizenship in voluntary community activities. Employees (n=224) of a major airline carrier participated in the study based on a 54-item questionnaire, containing four different sets of items related to volunteering, motivation, job satisfaction and organizational identification. The employee sample consisted of two sub-samples drawn randomly from the company pool of employees, differentiating between active participants in the company's CSR programs (APs) and non participants (NAPs). Significant differences were found between APs and NAPs on organizational identification and motivation, but not for job satisfaction. In addition, positive significant correlations between organizational identification, volunteering, job satisfaction, and motivation were obtained. These results are interpreted within the broader context that ties social identity theory (SIT) and organizational identification increase. Practical implications – The paper contributes to the understanding of the interrelations between CSR and other organizational behavior constructs. Practitioners can learn from this study how to increase job satisfaction and organizational identification. Both are extremely important for an organization's sustainability.

Vicente Lima Crisóstomo (2011), Examine the relationship between corporate social responsibility (CSR) and firm performance, taking into account firm value and financial accounting performance, in an emerging market – Brazil. Content analysis was conducted to extract data from two different sources, one relative to CSR data and another that provided financial data. CSR indexes and financial performance measures were calculated to allow the estimation of regression analysis conducted to examine the relationship between CSR and performance. The results indicate that CSR is value destroying in Brazil since a significant negative correlation between CSR and firm value was found. Additionally, a neutral relationship characterises the mutual effect between CSR and financial accounting performance. Another study by
Ye Cai, et.al (2011), empirically examined the impact of corporate social responsibility (CSR) on CEO compensation using a large sample of the US firms from 1996 to 2010. They develop and test two hypotheses, the overinvestment hypothesis based on agency theory and the conflict-resolution hypothesis based on stakeholder theory. They find that the lag of CSR adversely affects both total compensation and cash compensation, after controlling for various firm and board characteristics. The study estimates show that an inter quartile increase in CSR is followed by a 4.35% (2.78%) decrease in total (cash) compensation. They also find an inverse association between lagged employee relations and CEO compensation. Results are robust to the correction for endogeneity using instrumental variable approach. Taken together, our results support the conflict-resolution hypothesis, but not the CSR overinvestment argument.

Lichtenstein and others (2004) enquired that companies donate millions of dollars to various nonprofit organizations through various corporate social responsibility (CSR) initiatives, including philanthropy, cause-related marketing, employee volunteerism, and other innovative programs. Recent research findings provide support for the benefits that CSR initiatives provide companies, particularly in terms of enhanced consumer perceptions of the company, but little is known about the effects of CSR initiatives on nonprofits. This study addresses both the benefits and the effects. Despite some obvious benefits, CSR initiatives can be particularly risky for nonprofits, which usually are the less powerful party, and may not ultimately serve the non-profit and long-term interests. The results of four studies, one field-based survey and three follow-up laboratory experiments, support the fact that CSR initiatives can result in (1) an array of corporate benefits, including increased actual purchase behavior and more favorable evaluations, and (2) increased benefits, in the form of consumer donations, for nonprofits involved in CSR initiatives. The benefits occur both directly and indirectly through customers' identification with the corporation, which is the degree of overlap in a customer's self-concept and his or her perception of the corporation.

2.10: Perspectives and Theories on CSR
A Civil Action was originally a novel, but more people have seen the movie, which was distributed by W. W. Hodkinson’s old company, Paramount. One of the
memorable scenes is John Travolta playing a hotshot lawyer speeding up a rural highway to Woburn, Massachusetts. He gets pulled over and ticketed. Then he continues on his way to investigate whether there’s any money to be made launching a lawsuit against a company that allowed toxic industrial waste to escape into the town’s aquifer. The polluted water, Travolta suspects, eventually surfaced as birth defects. After checking things out, he races his Porsche back to Boston at the same speed. Same result.

One of the movie’s messages is that many corporations are like greedy lawyers—they have little sense of right and wrong, and their behavior can only be modified by money. The lesson is that you can’t make Travolta slow down and drive safely by appealing to the right of others to use the road without being threatened by speeding Porsches, or by pleading with him to respect general social well-being that is served when everyone travels at about the same speed. If you want him to slow down, there’s only one effective strategy: raise the traffic ticket fine. Make the money hurt. Analogously for companies, if you want them to stop polluting, hit them with harder penalties when they’re caught.

What if that’s not the only way for corporations to exist in the world, though? What if people who directed businesses began understanding their enterprise not only in financial terms (as profits and losses) but also in ethical ones? What if companies became, in a certain moral sense, like people, members of society bound by the same kinds of duties and responsibilities that you and I wrestle with every day? When companies are seen that way, a conception of corporate social responsibility comes forward.

Three Approaches to Corporate Responsibility

According to the traditional view of the corporation, it exists primarily to make profits. From this money-centered perspective, insofar as business ethics are important, they apply to moral dilemmas arising as the struggle for profit proceeds. These dilemmas include: “What obligations do organizations have to ensure that individuals seeking employment or promotion are treated fairly?” “How should
conflicts of interest be handled?” and “What kind of advertising strategy should be pursued?” Most of this textbook has been dedicated to these and similar questions.

While these dilemmas continue to be important throughout the economic world, when businesses are conceived as holding a wide range of economic and civic responsibilities as part of their daily operation, the field of business ethics expands correspondingly. Now there are large sets of issues that need to be confronted and managed outside of, and independent of the struggle for money. Broadly, there are three theoretical approaches to these new responsibilities:

1. Corporate social responsibility (CSR)
2. The triple bottom line
3. Stakeholder theory

Corporate Social Responsibility (CSR)

The title corporate social responsibility has two meanings. First, it’s a general name for any theory of the corporation that emphasizes both the responsibility to make money and the responsibility to interact ethically with the surrounding community. Second, corporate social responsibility is also a specific conception of that responsibility to profit while playing a role in broader questions of community welfare.

As a specific theory of the way corporations interact with the surrounding community and larger world, corporate social responsibility (CSR) is composed of four obligations:

1. The economic responsibility to make money. Required by simple economics, this obligation is the business version of the human survival instinct. Companies that don’t make profits are in a modern market economy doomed to perish. Of course there are special cases. Nonprofit organizations make money (from their own activities as well as through donations and grants), but pour it back into their work. Also, public/private hybrids can operate without turning a profit. In some cities, trash collection is handled by this kind of organization, one that keeps the streets clean without (at least theoretically) making anyone rich. For the vast
majority of operations, however, there have to be profits. Without them, there’s no business and no business ethics.

2. The **legal responsibility** to adhere to rules and regulations. Like the previous, this responsibility is not controversial. What proponents of CSR argue, however, is that this obligation must be understood as a proactive duty. That is, laws aren’t boundaries that enterprises skirt and cross over if the penalty is low; instead, responsible organizations accept the rules as a social good and make good faith efforts to obey not just the letter but also the spirit of the limits. In concrete terms, this is the difference between the driver who stays under the speed limit because he can’t afford a traffic ticket, and one who obeys because society as a whole is served when we all agree to respect the signs and stoplights and limits. Going back to John Travolta racing his Porsche up and down the rural highway, he sensed none of this respect. The same goes for the toxic company W. R. Grace Incorporated as it’s portrayed in the movie: neither one obeys regulations and laws until the fines get so high they’ve got no choice. As against that model of behavior, a CSR vision of business affirms that society’s limits will be scrupulously obeyed, even if the fine is only one dollar.

3. The **ethical responsibility** to do what’s right even when not required by the letter or spirit of the law. This is the theory’s keystone obligation, and it depends on a coherent corporate culture that views the business itself as a citizen in society, with the kind of obligations that citizenship normally entails. When someone is racing their Porsche along a country road on a freezing winter’s night and encounters another driver stopped on the roadside with a flat, there’s a social obligation to do something, though not a legal one. The same logic can work in the corporate world. Many industrial plants produce, as an unavoidable part of their fabricating process, poisonous waste. In Woburn, Massachusetts, W. R. Grace did that, as well as Beatrice Foods. The law governing toxic waste disposal was ambiguous, but even if the companies weren’t legally required to enclose their poisons in double-encased, leak-proof barrels, isn’t that the right thing to do so as to ensure that the contamination will be safely contained? True, it might not be the right thing to do in terms of pure profits, but from a perspective that values everyone’s welfare as being valuable, the measure could be recommendable.
The philanthropic responsibility to contribute to society’s projects even when they’re independent of the particular business. A lawyer driving home from work may spot the local children gathered around a makeshift lemonade stand and sense an obligation to buy a drink to contribute to the neighborhood project. Similarly, a law firm may volunteer access to their offices for an afternoon every year so some local schoolchildren may take a field trip to discover what lawyers do all day. An industrial chemical company may take the lead in rehabilitating an empty lot into a park. None of these acts arise as obligations extending from the day-to-day operations of the business involved. They’re not like the responsibility a chemical firm has for safe disposal of its waste. Instead, these public acts of generosity represent a view that businesses, like everyone in the world, have some obligation to support the general welfare in ways determined by the needs of the surrounding community.

Taken in order from top to bottom, these four obligations are decreasingly pressing within the theory of corporate social responsibility. After satisfying the top responsibility, attention turns to the second and so on. At the extremes, the logic behind this ranking works easily. A law firm on the verge of going broke probably doesn’t have the responsibility to open up for school visits, at least not if the tours interfere with the accumulation of billable hours and revenue. Obviously, if the firm does go broke and out of business, there won’t be any school visits in any case, so faced with financial hardship, lawyers are clearly obligated to fulfill their economic obligations before philanthropic ones.

More difficult questions arise when the economic responsibility conflicts with the legal one. For example, to remain profitable, an industrial plant may need to dispose of waste and toxins in barrels that barely meet legally required strengths. Assuming those legal limits are insufficiently strict to guarantee the barrels’ seal, the spirit of the law may seem violated. The positive economic aspect of the decision to cut corners is the ability to stay in business. That means local workers won’t lose their jobs, the familial stresses of unemployment will be avoided, suppliers will maintain their contracts, and consumers will still be served. The negative, however, is the
possibility—and the reality at Woburn—that those toxins will escape their containers and leave a generation of workers’ children poisoned.

Knowing what we do now about those Woburn children, there’s no real conflict; anything would have been better than letting the toxins escape. If necessary, the company should have accepted bankruptcy before causing the social damage it did. At the time of the decision, however, there may have been less certainty about exactly what the risks and benefits were. Even among individuals promoting a strong sense of corporate responsibility for the surrounding community, there may have been no clear answer to the question about the proper course of action. Regardless, corporate social responsibility means every business holds four kinds of obligations and should respond to them in order: first the economic, then the legal, next the ethical, and finally the philanthropic.

The Triple Bottom Line

The triple bottom line is a form of corporate social responsibility dictating that corporate leaders tabulate bottom-line results not only in economic terms (costs versus revenue) but also in terms of company effects in the social realm, and with respect to the environment. There are two keys to this idea. First, the three columns of responsibility must be kept separate, with results reported independently for each. Second, in all three of these areas, the company should obtain sustainable results.

The notion of sustainability is very specific. At the intersection of ethics and economics, sustainability means the long-term maintenance of balance. As elaborated by theorists including John Elkington, here’s how the balance is defined and achieved economically, socially, and environmentally:

Economic sustainability values long-term financial solidity over more volatile, short-term profits, no matter how high. According to the triple-bottom-line model, large corporations have a responsibility to create business plans allowing stable and prolonged action. That bias in favor of duration should make companies hesitant about investing in things like dot-coms. While it’s true that speculative ventures may lead to windfalls, they may also lead to collapse. Silicon Valley,
California, for example, is full of small, start-up companies. A few will convert into the next Google, Apple, and Microsoft. What gets left out, however, of the newspaper reports hailing the accomplishments of a Steve Jobs or a Bill Gates are all those other people who never made it—all those who invested family savings in a project that ended up bankrupt. Sustainability as a virtue means valuing business plans that may not lead to quick riches but that also avoid calamitous losses.

Moving this reasoning over to the case of W. R. Grace dumping toxins into the ground soil, there’s a possible economic-sustainability argument against that kind of action. Corporations trying to get away with polluting the environment or other kinds of objectionable actions may, it’s true, increase their bottom line in the short term. Money is saved on disposal costs. Looking further out, however, there’s a risk that a later discovery of the action could lead to catastrophic economic consequences (like personal injury lawyers filing huge lawsuits). This possibility leads immediately to the conclusion that concern for corporate sustainability in financial terms argues against the dumping.

Social sustainability values balance in people’s lives and the way we live. A world in which a few Fortune 500 executives are hauling down millions a year, while millions of people elsewhere in the world are living on pennies a day can’t go on forever. As the imbalances grow, as the rich get richer and the poor get both poorer and more numerous, the chances that society itself will collapse in anger and revolution increase. The threat of governmental overthrow from below sounds remote—almost absurd—to Americans who are accustomed to a solid middle class and minimal resentment of the wealthy. In world history, however, such revolutions are quite common. That doesn’t mean revolution is coming to our time’s developed nations. It may indicate, however, that for a business to be stable over the long term, opportunities and subsequently wealth need to be spread out to cover as many people as possible.

The fair trade movement fits this ethical imperative to shared opportunity and wealth. Developed and refined as an idea in Europe in the 1960s, organizations promoting fair trade ask businesses—especially large producers in the richest
countries—to guarantee that suppliers in impoverished nations receive reasonable payment for their goods and services even when the raw economic laws of supply and demand don’t require it. An array of ethical arguments may be arranged to support fair trade, but on the front of sustainability, the lead argument is that peace and order in the world depend on the world’s resources being divided up in ways that limit envy, resentment, and anger.

Social sustainability doesn’t end with dollars; it also requires human respect. All work, the logic of stability dictates, contains dignity, and no workers deserve to be treated like machines or as expendable tools on a production line. In today’s capitalism, many see—and the perception is especially strong in Europe—a world in which dignity has been stripped away from a large number of trades and professions. They see minimum wage workers who’ll be fired as soon as the next economic downturn arrives. They see bosses hiring from temporary agencies, turning them over fast, not even bothering to learn their names. It’s certainly possible that these kinds of attitudes, this contempt visible in so many workplaces where the McJob reigns, can’t continue. Just as people won’t stand for pennies in wages while their bosses get millions, so too they ultimately will refuse to accept being treated as less dignified than the boss. Finally, social sustainability requires that corporations as citizens in a specific community of people maintain a healthy relationship with those people. Fitting this obligation into the case of W. R. Grace in Woburn, it’s immediately clear that any corporation spilling toxins that later appear as birth defects in area children isn’t going to be able to sustain anything with those living nearby. Any hope for cooperation in the name of mutual benefit will be drowned by justified hatred.

Environmental sustainability begins from the affirmation that natural resources—especially the oil fueling our engines, the clean air we breathe, and the water we drink—are limited. If those things deteriorate significantly, our children won’t be able to enjoy the same quality of life most of us experience. Conservation of resources, therefore, becomes tremendously important, as does the development of new sources of energy that may substitute those we’re currently using.
Further, the case of an industrial chemical company pouring toxins into the
ground that erupt years later with horrific consequences evidences this: not only are
resources finite, but our earth is limited in its ability to naturally regenerate clean air
and water from the smokestacks and runoff of our industries. There are, clearly, good
faith debates that thoughtful people can have about where those limits are. For
example, have we released greenhouse gases into the air so heavily that the earth’s
temperature is rising? No one knows for sure, but it’s certain that somewhere there’s a
limit; at some point carbon-burning pollution will do to the planet what toxic runoff
did in Woburn: make the place unlivable. Sustainability, finally, on this
environmental front means actions must be taken to facilitate our natural world’s
renewal. Recycling or cleaning up contamination that already exists is important here,
as is limiting the pollution emitted from factories, cars, and consumer products in the
first place. All these are actions that corporations must support, not because they’re
legally required to do so, but because the preservation of a livable planet is a direct
obligation within the triple-bottom-line model of business responsibility. Together,
these three notions of sustainability—economic, social, and environmental—guide
businesses toward actions fitted to the conception of the corporation as a participating
citizen in the community and not just as a money machine.

One deep difference between corporate social responsibility and the triple
bottom line is cultural. The first is more American, the second European. Americans,
accustomed to economic progress, tend to be more comfortable with, and optimistic
about, change. Collectively, Americans want business to transform the world, and
ethical thinking is there (hopefully) to help the transformations maximize
improvement across society. Europeans, accustomed to general economic decline
with respect to the United States, view change much less favorably. Their inclination
is to slow development down, and to keep things the same as far as possible. This
outlook is naturally suited to sustainability as a guiding value.

It’s important to note that while sustainability as a business goal puts the
breaks on the economic world, and is very conservative in the (nonpolitical) sense that
it favors the current situation over a changed one, that doesn’t mean recommending a
pure freeze. Sustainability isn’t the same as Ludditism, which is a flat resistance to all
technological change. The Luddites were a band of textile workers in Britain in the 1800s who saw (correctly) that mechanized looms would soon rob them not only of their livelihood but also of their way of life. To stop the change, they invaded a few factories and broke everything in sight. Their brute strategy succeeded very briefly and then failed totally. Today, Ludditism is the general opposition to new technologies in any industry on the grounds that they tear the existing social fabric: they force people to change in the workplace and then everyplace, whether they like it or not. There’s an element of (perhaps justifiable) fear of the future in both Ludditism and the business ethics of sustainability, but there are differences between the two also. For example, sustainability concerns don’t always stand against technological advances. Actually, innovation is favored as long as advances are made in the name of maintaining the status quo. For example, advances in wind power generation may allow our society to continue using energy as we do, even as oil reserves dwindle, and with the further benefit of limiting air pollution.

**Stakeholder Theory**

Stakeholder theory, which has been described by Edward Freeman and others, is the mirror image of corporate social responsibility. Instead of starting with a business and looking out into the world to see what ethical obligations are there, stakeholder theory starts in the world. It lists and describes those individuals and groups who will be affected by (or affect) the company’s actions and asks, “What are their legitimate claims on the business?” “What rights do they have with respect to the company’s actions?” and “What kind of responsibilities and obligations can they justifiably impose on a particular business?” In a single sentence, stakeholder theory affirms that those whose lives are touched by a corporation hold a right and obligation to participate in directing it.

As a simple example, when a factory produces industrial waste, a CSR perspective attaches a responsibility directly to factory owners to dispose of the waste safely. By contrast, a stakeholder theorist begins with those living in the surrounding community who may find their environment poisoned, and begins to talk about business ethics by insisting that they have a right to clean air and water. Therefore, they’re stakeholders in the company and their voices must contribute to corporate
decisions. It’s true that they may own no stock, but they have a moral claim to participate in the decision-making process. This is a very important point. At least in theoretical form, those affected by a company’s actions actually become something like shareholders and owners. Because they’re touched by a company’s actions, they have a right to participate in managing it.

Who are the stakeholders surrounding companies? The answer depends on the particular business, but the list can be quite extensive. If the enterprise produces chemicals for industrial use and is located in a small Massachusetts town, the stakeholders include:

1. Company owners, whether a private individual or shareholders
2. Company workers
3. Customers and potential customers of the company
4. Suppliers and potential suppliers to the company
5. Everyone living in the town who may be affected by contamination from workplace operations
6. Creditors whose money or loaned goods are mixed into the company’s actions
7. Government entities involved in regulation and taxation
8. Local businesses that cater to company employees (restaurants where workers have lunch, grocery stores where employee families shop, and similar)
9. Other companies in the same line of work competing for market share
10. Other companies that may find themselves subjected to new and potentially burdensome regulations because of contamination at that one Massachusetts plant

The first five on the list—shareholders, workers, customers, suppliers, and community—may be cited as the five cardinal stakeholders. The outer limits of stakeholding are blurry. In an abstract sense, it’s probably true that everyone in the world counts as a stakeholder of any serious factory insofar as we all breathe the same air and because the global economy is so tightly linked that decisions taken in a boardroom in a small town on the East Coast can end up costing someone in India her job and the effects keep rippling out from there.
In practical terms, however, a strict stakeholder theory—one insistently bestowing the power to make ethical claims on anyone affected by a company’s action—would be inoperable. There’d be no end to simply figuring out whose rights needed to be accounted for. Realistically, the stakeholders surrounding a business should be defined as those tangibly affected by the company’s action. There ought to be an unbroken line that you can follow from a corporate decision to an individual’s life.

Once a discrete set of stakeholders surrounding an enterprise has been located, stakeholder ethics may begin. The purpose of the firm, underneath this theory, is to maximize profit on a collective bottom line, with profit defined not as money but as human welfare. The collective bottom line is the summed effect of a company’s actions on all stakeholders. Company managers, that means, are primarily charged not with representing the interests of shareholders (the owners of the company) but with the more social task of coordinating the interests of all stakeholders, balancing them in the case of conflict and maximizing the sum of benefits over the medium and long term. Corporate directors, in other words, spend part of the day just as directors always have: explaining to board members and shareholders how it is that the current plans will boost profits. They spend other parts of the day, however, talking with other stakeholders about their interests: they ask for input from local environmentalists about how pollution could be limited, they seek advice from consumers about how product safety could be improved and so on. At every turn, stakeholders are treated (to some extent) like shareholders, as people whose interests need to be served and whose voices carry real force.

In many cases transparency is an important value for those promoting stakeholder ethics. The reasoning is simple: if you’re going to let every stakeholder actively participate in a corporation’s decision making, then those stakeholders need to have a good idea about what’s going on. In the case of W. R. Grace, for example, it’s important to see that a stakeholder theory would not necessarily and immediately have acted to prohibit the dumping of toxins into the soil. Instead, the theory demands that all those who may be affected know what’s being dumped, what the risks are to
people and the environment, and what the costs are of taking the steps necessary to dispose of the chemical runoff more permanently and safely.

As already noted, we know now what W. R. Grace should have done under most every ethical theory. At the time, however, stakeholders fully informed of the situation may have been less sure because it wasn’t so clear that the runoff would cause so many problems (or any problems at all). Given that, owners may have favored dumping because that increases profits. Next, what about workers in town? It’s important to keep in mind that the safe removal of the waste may have lowered company profits and potentially caused some layoffs or delayed wage hikes. As stakeholders, they may have been willing to agree to the dumping too. The same goes for community politicians who perhaps would see increased tax revenue as a positive effect of high corporate profits. What’s certain is that stakeholder theory obligates corporate directors to appeal to all sides and balance everyone’s interests and welfare in the name of maximizing benefits across the spectrum of those whose lives are touched by the business.

**Conclusion on the Three Theories of Corporate Social Responsibility**

Traditionally, the directors of companies have had an extremely difficult but very narrowly defined responsibility: guide the enterprise toward money. The best companies have been those generating the highest sales, gaining the most customers, and clearing the largest profits. As for ethical questions, they’ve been arranged around the basic obligation to represent the owners’ central interest, which presumably is to profit from their investment. Consequently, the field of business ethics has mainly concerned conflicts and dilemmas erupting inside the company as people try to work together to win in the very competitive economic world. The idea of corporate social responsibility—along with the related ideas of the triple bottom line and stakeholder theory—opens a different kind of business ethics. Morality in the economic world is now about corporate directors sensing and responding to a broad range of obligations, ones extending through the town where the business is located and then out into surrounding communities and through society generally.
In Woburn, Massachusetts, in the early 1980s, this conflict between two ways of running a business played out in the Hollywood depiction of the lawyer played by John Travolta. At the movie’s beginning, right and wrong for a business got decided in dollars and without broader sensibility. Travolta’s law firm existed to make money and operated by accepting only cases that promised big payouts. That’s what brought Travolta to Woburn, the chance to sue deep-pocketed W. R. Grace for poisoning the land with toxic runoff and for destroying the lives of families living near the pools of contamination. Over the course of the movie, however, Travolta becomes attached to Woburn’s cause and the social good of fighting for a clean environment. By the end, he’s risking his firm’s high profits—and, according to his law-firm partners, all common sense—to make sure that harmed people living in town get their good lives back, and to ensure that a Woburn-like toxic disaster won’t happen again.

In terms of business ethics, it’s not difficult to interpret Travolta’s transformation from a businessman taking care of the bottom line, to one engaged by a broader vision of social responsibility. Each of the three discussed theories corporate social responsibility, the triple bottom line, stakeholder theory can be fit into the movie *A Civil Action*. In terms of corporate social responsibility, Travolta came to believe that his job as the law firm’s leader obligated him to satisfy his economic responsibility to make money for the firm by suing for financial damages while also acting legally. Further, his firms needed to satisfy the ethical responsibility to help others in Woburn get their good lives back. Here, there is a basic duty to help others in need when you have the capability. Finally, there was an element of philanthropy in Travolta’s endeavor because his law firm pursued a case that served the greater good even though more profitable work opportunities were available.

In terms of the triple bottom line of economics, society, and the environment, Travolta came to believe that his job as the law firm’s leader obligated him to take account of and do well in all three areas. It was no longer enough to win money; his business had a moral responsibility to win for society and to win for the environment also. The long-term goal was to ensure the economic sustainability of his firm, the sustainability of healthy family life in Woburn, and the sustainability of clean earth and air in that part of Massachusetts. In terms of stakeholder ethics, Travolta came to
believe that his job as the law firm’s leader obligated him not only to work for the firm’s owners (including himself) but also to take direction from those who would be affected by the firm’s actions. That meant considering—trying to balance and to add up—the interests of his partners and all those who lived in Woburn.

Finally, because Travolta’s story was also a Hollywood story, his transformation on the big screen was presented as the change from an aloof bad guy to a caring good guy. It’s not clear, however, in the real world whether a corporate ethics based on social responsibility, the triple bottom line, or all stakeholders is actually recommendable. The debate between the two ways of thinking about business the traditional, profit-centered view and the broader, socially responsible view is hard-fought and intensified by good arguments on both sides.