CHAPTER – 2

REVIEW OF LITERATURE
2.1 Definitions of Corporate Social Responsibility

UK government’s Department of Trade and Industry sponsored Corporate Responsibility defined Corporate Social Responsibility as: the management of an organization’s total impact upon both its immediate stakeholders and upon the society within which it operates. Corporate Social Responsibility is not simply about whatever funds and expertise companies choose to invest in communities to resolve social problems, it is about the integrity with which a company governs itself, fulfill its mission, lives by its values, engages with its stakeholders, measures its impacts and reports on its activities. (Corporate Social Responsibility is about the way businesses take account of their economic, social and environmental impacts in the way they operate - maximizing the benefits and minimizing the downsides).

The World Business Council for Sustainable Development
Defined CSR as 'the continuing commitment of business to behave ethically and contribute to economic development while improving the quality of life of their "workforce and their families as well as of the local community, and society" At large' In an interview, Bjorn Stigson, president of WBCSD said, 'There is no universal definition of CSR because the concept is always being redefined to serve changing needs and times. It is up to each company individually to define the values and principles.'
Frederick (1960), defines social responsibility as the use of society’s resources; economic and human, in such a way that the whole society derives maximum benefits beyond the corporate entities and their owners. Keith Davis (1960) set forth his definition of social responsibility by arguing that it refers to “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest”. He asserted that some socially responsible business decisions can be justified by a long, complicated process of reasoning as having a good chance of bringing long run economic gain to the firm, thus paying it back for its socially responsible outlook. His “Iron Law of Responsibility” held that “social responsibilities of businessmen need to commensurate with their social power”. He further took the position that if social responsibility and power were to be relatively equal, then the avoidance of social responsibility leads to gradual erosion of social power on the part of businesses.

Milton Friedman (1970)

Milton Friedman’s beliefs that "there is only one responsibility of business, namely to use its resources and engage in activities designed to increase its profits. The inclusion of strategic philanthropy, innovation, environmental sustainability and transparency demonstrate how diverse and farreaching CSR has become embedded into management strategy. And most recently, corporate financial performance and the measurement of CSR activities is causing corporations to understand the strategic value of CSR through the realization that the implication to a business.
Joseph W. McGuire stated, (1971)³, “The idea of social responsibility supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations”. He later elaborated by saying that the corporation must take an interest in politics, in welfare of the community, in education, in the happiness of its employees and in fact in the whole social world. 
A landmark contribution to the concept of Corporate Social Responsibility came from the Committee for Economic Development (CED), which observed, “A business functions by public consent and its basic purpose is to serve constructively the needs of society to the satisfaction of society”. The CED noted that the social contract between business and society was changing in substantial and important ways – Business is being asked to assume broader responsibilities with respect to society than ever before and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute to the quality of life rather than just supplying quantities of goods and services. In as much as business exists to serve society, its future will depend on the quality of management’s response to the changing expectations of the public.

Carroll (1979)⁴ defines corporate social responsibility as the entire range of obligations a business owes to society, and it encompasses the economic, legal, ethical and discretionary expectations that society has of organization at a given point in time. A good corporation is one, which “Voluntarily shares its market power and resultant pecuniary gains and thereby yields accountability for its action and performance with those groups- who have been adversely affected by the power.” According to the Canadian Center for Philanthropy, Corporate Social Responsibility is “a set of Management practices that ensure the company minimizes the negative impacts of its operations on society while maximizing its positive impacts”. This definition provides the link between the decisions tied to the social responsibility and the business derived from the respect of the lawyer instruments, the population, the communities, and the environment.

‘The European Commission with the Green Paper Promoting a European framework for Corporate Social Responsibility’ (July 2001) better defines the concept of Corporate Social Responsibility 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. Being socially responsible means not only fulfilling legal expectations, but also going beyond
compliance and investing ‘more’ into human capital, the environment and the relations with stakeholders. The word “more” is underlined also in the original version of the document: in this way the European Commission wants to emphasize the lack of consideration for the different cooperating actors highlighting, for the future, the urgency of a severe increase of the sensibility and the cures and, at the same time, encouraging the enterprises to the investment in social responsibility as a vehicle for the best competitiveness and enlargement.

Patricia Ditzler (1983) defined Social Responsibility as a voluntary expenditure or activity by a corporation with charitable intent, for which marginal returns are less than those available from other alternative activities. According to Donna Wood (1994) corporate social responsibility means “a business organization’s configuration of principles of social responsibility processes of social responsiveness and observable outcomes as they relate to the firm’s societal relationships.” Backman (1975) considers social responsibility as other stated objectives by business, which are not directly related to economic, but rather address its negative externalities, improve employee’s conditions and the societal quality life.

Michael Hopkins (2003) Corporate Social Responsibility is concerned with treating the stakeholders of the firm ethically or in a responsible manner. Ethically or responsible means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic and environmental responsibility. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for people both within and outside the corporation.
Canadian Government

“CSR is generally understood to be the way a company achieves a balance or integration of economic, environmental and social imperatives while at the same time addressing shareholder and stakeholder expectations.”

European Union

“CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

The Kennedy School of Government (Harvard University), CSR Initiative.

“The term (CSR) is often used interchangeably with others, including corporate responsibility, corporate citizenship, social enterprise, sustainability, sustainable development, triple-bottom line, corporate ethics, and in some cases corporate governance. Though these terms are different, they all point in the same direction: throughout the industrialized world and in many developing countries there has been a sharp escalation in the social roles corporations are expected to play.”

Carroll’s Four Part Definition

CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time.

Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society, based on the impact of their activities on customers, employees, shareholders, communities and the environment, for all aspects of their operations.

Corporate Social responsibility is best defined by the World Business Council as “The continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as of the local community and society at large”.


Peter Drucker\textsuperscript{7}

“A business that does not show a profit at least equal to its cost of capital is irresponsible; it wastes society’s resources. Economic profit performance is the base without which a business cannot discharge any other responsibilities, cannot be a good employer, a good citizen and a good neighbor. But economic performance is not the only responsibility of a business...Every organization must assume responsibility for its impact on employees, the environment, customers, and whomever and whatever it touches. That is social responsibility.”

Sir Geoffrey's definition \textsuperscript{8}

Corporate social responsibility is concerned with treating the stakeholders of the firm ethically or in a responsible manner. 'Ethically or responsibilities means treating stakeholders in a manner deemed acceptable in the civilized societies.
2.2 Understanding CSR

It is important to understand that CSR goes beyond philanthropy, though that may be its beginning. It has to take into account integrity and accountability in the long-run process of sustainability. For a better understanding of this concept, it has been divided into four broad aspects of CSR: Responsibility, Accountability, Sustainability, Social contract Responsibility. Clarkson (1995) has tried to differentiate between responsibility, responsiveness, and performance. He has argued that a fundamental problem in the field of business and society has been the notable absence of definitions of corporate social performance (CSP), corporate social responsibility (CSR, and corporate social responsiveness (CSR2), and the lack of consensus about the meaning of these terms from an operational or managerial viewpoint. He emphasizes that CSP can be analyzed more effectively by using a framework based on the management of a corporation's relationships with its stakeholders than by using CSR models and methodologies. This, he believes, is a better way of Understanding because corporations are the nexus of a complex web of stakeholder relationships. Therefore, corporations manage relationships with specific stakeholder her groups rather than with society at large. The crux of the problem stems from the meaning of the word 'social' and how it links to everyday business activities. In fact, (Clarkson) defines society as 'a level of analysis that is more inclusive, more ambiguous, and further up the ladder of abstraction than a corporation itself.' In the same vein, (William Frederick 1994) has taken the concept of CSR higher level by discussing about corporate responsiveness. According to him, corporate social responsiveness 'refers to the capacity of a corporation to respond to social pressures.' From the creativity view of history, there is a need for new forms of creativity and innovation in the era of globalization to deal with the challenges that corporations face while pursuing profits. From the liberation view of history, we learn the lessons of empowerment, and the fall of the fittest view indicates the need for continuous innovation and a better understanding of the change process (Sharma 2005). Ethically accepted corporate activity and profit-making are not mutually exclusive (not opposed to each other). Sustainable growth and Success demands ethicality in the process of dealing with stakeholders. As analysis of history shows three distinct approaches to understand the relationship between the victor and the victim. These are domination, exploitation, and oppression. This can also be extended to the business hat world, because when selfish means of earning profit is practiced by the business world, then society becomes the victim of domination, exploitation, and oppression.
However, this way of earning profit is not sustainable in the long run, as it leads to both economic depletion of resources and social upheavals as a result of exploitation. The result of such degradation and exploitation would impact the business that is promoting it, so future avenues of earning profit would not be available. Therefore, mutual respect and sharing of benefits would lead to a continuous flow of profits through better productivity based on trust.

A framework that meets the requirements of internal uniformity and operational stability. Often, CSR has been challenged on the grounds of relativity, which means that what may be considered right by one may be considered wrong by another. Arriving at a consensus for CSR checklists may not be easy. There will be the perennial and inevitable disagreements on cause and effect in the development process, as every organization has its own perspectives and perceptions regarding service to society. This needs to be innovatively handled because there are certain universal values that are acceptable to all and are collectively known as human rights. Therefore, in a cross-cultural scenario that is riddled with diversity, issues have to be prioritized keeping the human aspect of compassion and justice in the

<table>
<thead>
<tr>
<th>Value</th>
<th>Purpose</th>
<th>Impact</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR as value creation</td>
<td>Innovative and sustainable business model</td>
<td>Fundamental strategic and operational impact</td>
<td>• Shared value (business – institutions and communities) • Promote competition and innovation • Provide a sustainable business model • Develop human capital (key to developing nations) • Incorporated into the business strategy</td>
</tr>
<tr>
<td>CSR as risk management</td>
<td>Compliance</td>
<td>Medium to high strategic and operational impact</td>
<td>• Mitigates operational impact • Mitigates operational risks • Supports external relationships</td>
</tr>
<tr>
<td>CSR as corporate philanthropy</td>
<td>Providing funding and skills</td>
<td>Little strategic and operational impact</td>
<td>• Corporate philanthropy and sponsorships • Clear brand, benefits, feedback sustainable • Limited funds available • Impact diluted because limited budget is allocated to many charities • Corporate competencies and other business objectives conflicted • Misappropriation of money, misuse, lack of accountability, and transparency • Results in minimal social and business impact of social programmes</td>
</tr>
</tbody>
</table>

Fig 2.1:- Where should big corporate spending there recourses.
2.3 Dimensions of CSR

The dimensions of corporate behavior encompass those activities of the corporate that ensure responsible and just behavior towards society. There are four major dimensions of corporate behavior:

1. Setting boundaries of learning, accountability, and responsiveness.
2. Building activities that form the basis of learning.
3. Creating measures that validate and make knowledge effective, and so form the basis for decision-making and action.
4. Institutionalizing (making it an integral part of the corporate strategy and system) trust in ways that create a virtuous circle of practice and further engagements with stakeholders.

Values are, therefore, essential to the organizational function and dynamics. This is the reason CSR has received such importance in management studies. The human aspect of any organization is its core asset, as they are the data generators as well as the data users. Organizations are nothing but the collective consciousness of all the members contributing to its activities. This human operator (individual) of the organization is certainly more important than the objective result because the result is achieved by what the individual does. Chakraborty (1995) sums up this aspect when he says, 'Is the human being for industry-technology or is industry-technology for the human being' Here, the importance of the phenomenon of CSR, which is about business taking into account their total impact on society and the natural environment"

Businesses have to align their profitable opportunities with their social identities and underline values of corporate responsibility. The world is increasingly undergoing rapid development. More powerful and enabling technologies are constantly being created. Life and its choices are becoming more complex. These necessitate that we radically alter our view of ourselves and the world and our functioning as beings in order to ensure sustainable development. The present situation is one of bewilderment and confusion about the ways in which the corporate world has exercised its size and power, and at what cost and result.

However, we cannot deny the extraordinary ability of business activities to bring economic prosperity to those communities that need it most. Corporations have also helped to develop and apply technologies that are most likely to offset the constructive impacts of unrestrained growth. Therefore, even the harshest critics or committed enemies of the corporate world would not like
to destroy business activities. The corporate community's universal influence makes it very unlikely that society can wish it away. Therefore, the need is to 'system engineer', which deals with finding specific solutions, appropriate to the surrounding culture and environment. The need is to transform instead of just trying to constrain and tame or offer general standard solutions that may not be implementable in every situation.

The above aspect is more relevant today because of the massive and rapid changes that are occurring around us. Modern economy is marked by three underlying dynamics. The first is the speed of change as a technological phenomenon as well as in spheres of social and personal activities. The second characteristic of this new economic growth is the increased importance of knowledge, innovation, and communication. A notable feature of the knowledge economy is the growing importance of intangible assets, such as intellectual capital, skills, research and development, brand relationships, and reputation. The third characteristic of this recent economic development is shifting closeness, which puts diversity at centre stage, because it brings people from different spheres (cultural, regional, skills and knowledge related, gender related,) together. The workspace is increasingly reflecting the extraordinary spread of communities from which expertise is being drawn (Zadek 2001). The impact of these factors leads to increasing distribution of core activities within the company and the country in which the company is situated, as well as beyond national boundaries. This requires the establishment of values, leading to an increase in trust and integrity among the physically dispersed staff. Therefore, the prerequisite is that the relationship between business and society be built on the basis of trust so that the culture of policing business activities is minimized. The hard reality at the end of the day is that we will survive only if everyone can operate with a sense of self-esteem and faith. If trust is lost, then we will no longer have an organization but automation, without a soul and a heart. With increasing democratization of politics, economics also needs to be as democratized, which means wealth has to be shared and equal opportunities lie should be available to all without discrimination. As in political democracy power is seen as a force by the people, of the people, and for the people. Similarly, economic progress should also be distributed as a product of a force by the people, of the people, and for the people. This is where the responsibility of to the corporate world becomes pronounced. With more liberalization, corporate have begun to enjoy more freedom with responsibility. Real freedom can be enjoyed only when one respects
others' freedom responsibly. Therefore, the modern 'free market' has to stay 'within the boundary' for everyone to enjoy the benefits.

CSR provides this framework of boundary for the free market to operate responsibly. However, CSR also appears to be the most misunderstood. Corporate are still struggling to give a formal structure to their CSR programmers. Social responsibility has been variously described as a vague and ill-defined concept (Preston and Post 1975). They opine that 'in the face of deal large number of different, and not always consistent, usages, we restrict our own use of the term social responsibility to refer only to a vague and highly generalized sense of social concern that appears to underlie a wide variety of free ad hoc managerial policies and practices; Most of these attitudes and activities social are well-intentioned and even beneficent; few are patently harmful. They lack, however, any coherent relationship to the managerial unit's internal activities or its fundamental linkage with its host environment.'

2.4 Evolution of the Concept of CSR

There is an impressive history associated with the evolution of the concept and definition of Corporate Social Responsibility. The general understanding of the term, ‘Corporate Social Responsibility’, is that business has an obligation to society, which extends beyond its narrow obligation to its owners or shareholders. This idea has been discussed throughout the twentieth century, but it was (Howard R. Bowen1953) who initiated the debate of Social Responsibilities of Businessman through his writing. Since then, the topic of corporate social responsibility has been explored extensively. Bowen reasoned that there would be general, social and economic benefits that would accrue to society, if business recognized its broader social goals in its decisions.
2.5 Importance of Corporate Social Responsibility

Corporate interact with society in many ways. They invest in facilities, produce and sell products, employ people and subcontract or in source many activities. They also have an impact on the environment by the nature of their activities, by using valuable resources, or creating by-products, which influence the physical environment. Their interaction with society is through their employees and many facets of society around them. Further, corporate may act explicitly as responsible, for either emotional reasons or business purposes. As the organization is a part of the society, it cannot function in isolation. So there is an obligation and responsibility on the part of the corporate to take actions that protect and improve the welfare of society as a whole along with their own interest mentioned by (Keith Davis, 1975). The society plays a pivotal role in the success of any organization. Hence, no organization can achieve long-term success without fulfilling the responsibility towards the society. Originally, businesses were seen strictly as economic entities with the primary responsibility of producing goods and rendering services required by a society. This is the classical view held by Milton Friedman and Hayek, Theodore Levitt and others. According to (Friedman 1971) the corporate social responsibility is beyond the basic purpose of business and violates the responsibility of business to its owners, the stockholders. However, over time, businesses resides their role in broader perspectives. With the business environment being characterized by various developments including the shift of power from capital to knowledge, increased levels of literacy and the shrinking of geographical boundaries due to faster means of travel and communication, people are, by and large, becoming conscious of their rights, which has led to a rise in the expectations of society from businessmen. Organizations receive inputs from society in the form of skilled and unskilled labor, raw material and natural resources, and, in turn, offer goods and services to society. Thus, businesses depend on the society’s further existence, and it is in their interest to take care of society. Businesses cannot operate in vacuum. Like individuals, businesses also need to live in the real world.

Corporate Social Responsibility involves a commitment by a company towards the sustainable economic development of the society. It means engaging directly with local communities, identifying their basic needs, and integrating their needs with business goals and strategic intend. The government perceives CSR as a business’s contribution to the nation’s sustainable development goals. Essentially, it is about how business takes into account the economic, social and environmental aspect of the society in which it operates. Simply stated, CSR is a concept,
which suggests that commercial corporations must fulfill their duties of providing care to the society.

In the opinion of Davis Blomstorm (1975)\textsuperscript{15}, it is the obligation of decision makers to take actions that protect and improve the welfare of society as a whole along with their own interest. Protecting and improving are two aspects of social responsibility. “To protect” implies avoiding negative impact on society, whereas “to improve” implies creating positive benefits for society. The business class should render their support to the common man. If they will be uplifted socially and economically, the productivity of the corporate is also bound to increase. The Corporates are to act according to the environmental factors given in Fig.1.3 like social, legal and ethical environment.

![Corporate and Environmental Factors](source: Sethi (1991), Carroll (1993), Shivaramu (1998))

As per the above figure, Corporate Social Responsibility is an obligation of the organization to act in a way that serves both - its own interests and interests of its many external communities and environmental factors such as social environment including customers, employees, creditors, and suppliers of goods, society and legal environment which comprises of state and local governments. To get successful results, the corporate should hold moral values, judgments and
ethical standards. Corporate is not merely profit making institution. They have a responsibility to help society to overcome their problems. Some of the areas in which corporate social responsibility has to be practiced are health, environmental issues, education, community, and promotion of art and culture and climate change. The following figure 2.3 clearly shows some of the practices expected from corporate as their social responsibility towards society at large.

Fig.2.3 Corporate Social Responsibility Towards Society.
2.6 Business and Social Responsibility

Business plays a significant role in economic, social, political and technological affairs. So, business owes responsibilities to all segments of the society. Wealth of a country is controlled by business to a great extent. This gives business and its executive's enormous power to affect the lives of employees, consumers and shareholders.

In the words of Porter M.E. & Kramer M.R. (2006), Business is a part of the total environment in which we live, being influenced by it, while being a force in influencing it. The relationship between business and its environment is one of mutual benefits as explained below in figure 2.4 both take from and give to various segments. Only through such a relationship, a business can survive and prosper.

![Diagram of Business and its Total Environment](image)

Modern business has acquired a sense of social responsibility towards society in general and to its different segments in particular. The objective of business is to balance the conflicting claims of stakeholders. Business is not to confine to productive and commercial activities as its social concern, but it has to take into account social problems, which arise due to its activity.
2.7 Review of Literature

This chapter is the review of related literature and related studies. Since 1970 the concept of CSR, has gained considerable acceptance and the meaning has been broadened to include additional components. Different researchers at different points of time have emphasized the importance of HR for the proper implementation of CSR the role that HR is inevitable to achieve the objectives.

Friedman (1970)\textsuperscript{17} Expresseed his view “Corporate social responsibility is beyond the basic purpose of business and violates the responsibility of business to its owners, the stockholders”. He further stated that if the owner or a manager of a business has independent wealth, he or she is free to contribute his or her own resources to improve society. However, if the owner or manager uses corporate funds for the benefit of society without improving the company’s economic performance, then the shareholders are being taxed and the company’s resources are being misused. In such a case, the acceptance of social responsibility by business undercuts economic performance and borders on illegality because the money that belongs to the stockholders is being spent without their approval and perhaps they may oppose. He rejected any discretionary Corporate Social Responsibility in favor of strict fiduciary responsibility focused on economic wealth creation as the best contribution of business.

Sidney H Jones (1971)\textsuperscript{18} conducted a study using secondary data published in Fortune 500 of 55 larger companies (1960-1970) covering topics such as air pollution control, water pollution control, employee, disadvantaged worker hiring, visual pollution control, safety, community involvement, civic, support of education and non-company basic research, employee external education and training, community involvement, urban development and charities it is found that the dominant concerns in 1960 were support of education, employee education and safety. By 1970, the emphasis had shifted to pollution control and hiring of the disadvantaged.

Fulmer (1971)\textsuperscript{19} had conducted a survey involving over 1,500 business executives to find out the purpose of business, 94% of the respondents agreed with the idea that “business exists for only one purpose, to create and deliver satisfactions at a profit to him”. The apparent conflict between social responsibility and the profit motive would seem to pose a peculiar dilemma for
the businessman to reconcile these seemingly paradoxical attitudes, Drucker (1969) has pointed out that socially responsible behavior actually serves the self-interest of business. In support of this argument, a study by Dawson (1970) indicated that job performance can be adversely affected by an employee’s negative outlook on business’ ethical norms and acceptance of social responsibility. Dawson’s contention, was supported by his survey findings, was that jobs may be performed in a rather perfunctory manner by the “new generation” of workers who are disenchanted with the hard-line profit motive of business.

Peter F. Drucker (1973) views that the social responsibility of managers is directly related to the power and authority they have. However, integrity, disclosure and responsibility maintain sense only if they reflect on business. Despite the common ground in Drucker’s position (Schwartz 1998); he does not maintain social responsibility as being inversely related to profit maximization. His view on the ultimate goal of the firm is not the same as Levitt or Friedman, i.e. profit maximization, but the production of goods and services. Analysis of Drucker’s thought leads to two main considerations: (a) it appears very clearly, from a traditional point of view, that social responsibility does not simply mean ‘philanthropy’, and that (b) rejecting the functionalist view is not connected to the logic of profit. Drucker’s thought is eminently pragmatic, and related to corporate management. He states that Business enterprise is an integral part of the social system. Organizations do not exist in isolation; rather they are inter-related with many other elements that make up their environment. However, society is not just the environment of the enterprise. Even the most private of private enterprises is an organ of society and serves a social function.

Kaith Davis (1975) has provided five propositions for social responsibility in corporations. The first proposition states that social responsibility arises from social power. Social responsibility arises from a concern about the consequences of business actions as they affect the interests of others. The second proposition is that business has to operate as a two-way open system with the open receipt of inputs from society and open disclosure of its operations to the public. The third proposition is that social costs as well as benefits of an activity, product or service should be thoroughly calculated and considered in order to decide whether to proceed with the manufacture of a product or not. The fourth proposition states that the social costs of
each activity, product or service should be priced into it so that the user pays for the effects of his consumption on society. The final proposition is that beyond social costs reduction, business institutions as citizens have responsibilities for social involvement in areas of their competence where major social needs exist. The author thus outlines the basic principles for developing socially responsible policies.

**Sethi (1975)** Corporate Social Responsibility is another word, which is very prominent among the corporations. Social responsibility- is a sense of obligation and duty. It might also mean to incorporate the notion of answerability. He has discussed dimensions of corporate social performance and in the process considered corporate behavior as “social obligation”, “social responsibility” and “social responsiveness”. According to him social obligation is corporate behavior “in response to market force or legal constraints”. The criteria here are economic and legal only. “Social responsibility goes beyond social obligation. Social responsibility implies bringing corporate behavior up to a level where it is in conformity with the prevailing social norms, values and expectations of performance”. Social responsiveness means “adaptation of corporate behavior to social needs”.

**Ewing David, (1976)** discusses about a survey was made by the Harvard Business Review of 3,453 subscribers with the questions on the following issues: “A corporation’s duty is to its owners and only to its owners”. “A corporation’s duty is primarily to its owners and secondarily to employees, customers and the public”. “A corporation’s duty is to serve as fairly and equitably as it can be the interests of four sometimes competing groups’ owners, employees, customers and the public”. “The primary duty of the enterprise is to itself - to ensure its future growth and continued functioning as a profit making supplier of goods and services”. The survey revealed that 74 percent responded that the first statement was the least valid of the four. Sixty-one percent said that the third statement was the most valid of the four.

**Carroll’s (1979)** presented his study which has divided the social responsibility of organization into typologies to give direction towards ideal responsibility. Carroll has developed a four dimensional conceptual model of corporate social responsibility and includes the categories of economic, legal, ethical and discretionary responsibilities. The first dimension deals with the
social issues involved such as consumerism, environmental issues, product and occupational safety and similar issues of social responsibility. The third dimension deals with social responsiveness strategies such as reaction, defense, accommodation and pro-action. These three dimensions are combined together in the model which can help managers to conceptually understand the level of their social responsibility and improve upon it to develop socially responsible stakeholder policies.

Carroll explains that discretionary, philanthropic responsibilities are not mandatory or required by law and not expected of business in an ethical sense, (they are becoming) increasingly strategic in that such contributions towards solving society’s problems enhance corporate image as well as its stranglehold on the market.

The University of Toronto, Canada took up a 10-year research programmed between 1983 and 1993. The purpose of which was to develop a framework and methodology, grounded in the reality of corporate social responsibility. Altogether, more than 70 field studies of corporate social responsibility were conducted. During this research programme, there had been three principal stages in the development of the methodologies for data collection, analysis and evaluation. The stages were as follows: (a) 1983-1985: 30 field studies; (b) 1986-1988: 28 studies and (c) 1989-1993: 20 studies. The following were the principal conclusions drawn from the research programme: It is necessary to distinguish between stakeholder issues and social issues because corporations and their managers manage relationships with their stakeholders, namely, employees, shareholders, customers, suppliers and public, and not with society.

P.R. Sengupta (1988) conducted a study on 25 public sector undertakings for the year 1984-85 to review the pattern of social investments and expenditures on social responsibility practices and to examine their relationship with some of the organizational correlates. He concluded that both social investment and recurring expenditure on social responsibility practices vary from enterprise to enterprise and such variations are likely to be due to size of the company.

Wood, Donna J. (1991), the study is based on corporate Social Responsibility (CSR) and a model has been developed comprising of corporate social responsibility, corporate social responsiveness and corporate behavior. The outcome of the study says that society gives
legitimacy and power to business and the organizations are expected to operate in the interest of the society. Business is responsible to solve the problem they have caused in the society.

Carroll (1991) revisited his 1979 four-part characterization of Corporate Social Responsibility and he replaced the discretionary with the philanthropic component emphasizing that this component also includes the notion of Corporate Citizenship. In light of this, he (1999:289) posits that “the Corporate Social Responsibility firm should strive to make a profit, obey the law, and be a good corporate citizen.” He further (1999:289) suggested that the philanthropic component of his 1991 revision of the definition of Corporate Social Responsibility embraces Corporate Citizenship and noted that it is a voluntarily chosen commitment to help out the community that corporate organizations operate within. He has proposed that a company has a so-called Corporate Social Responsibility Pyramid of duties to pay attention to. At the base level is the economic responsibility or duty of a firm. A company needs to survive and perform well economically first so that stakeholders like employees, shareholders and suppliers can be satisfied. A company on the next level needs to follow the legal requirements of its business environment in order to survive. This involves the paying of taxes and not breaking any laws and regulations of the land. The next step will be the ethical responsibility. The company should perform its activities “ethically”. These ethics could change from time to time. It could also vary according to cultures and some unique happenings or situations. Here it is expected that the company will follow the norms and values that are applicable at that particular time and at that particular place. Finally, the discretionary responsibility that a firm can participate is mostly charitable activities. On this pyramid it is the final two steps of ethics and discretionary actions that Corporate Social Responsibility policies play more of an influential part. It should be remembered that the activities here will affect stakeholder's attitude towards a firm. A favorable view could increase profitability by increasing support from the customers and productivity from the employees. This pyramid construct embeds a proposed theoretical synthesis of economics and ethics. He completed differentiation of Bowen’s basic Corporate Social Responsibility notion into a still canonical set of defined cumulative responsibilities, depicted classically as a subdivided ‘pyramid’ cross-walked to stakeholder categories. The pyramid is a vertical triangle with four internal subdivisions for economic, legal, ethical, and philanthropic responsibilities in
that order from foundation to apex. All four responsibility dimensions are morally infused (Carroll, 1995): a moral manager behaves differently in every dimension.

Fritz, (1996) defines business orientations as the underlying philosophies that determine the nature and scope of a firm’s activities and plans. These fundamental guiding principles determine the organization’s basic values and goals, as well as the strategies the firm uses to compete in its marketplace. He discusses six fundamental orientations that affect corporate management. These six dimensions are market orientation, production and cost orientation, financial orientation, technology and innovation orientation, employee orientation, environmental and social orientation. An environmentally and socially orientated firm has corporate goals pertaining to the welfare of society and the protection of the environment as well as of a positive corporate image and public opinion. Further an employee oriented firm has employee satisfaction and a social responsibility to maintain job sites as part of its corporate goals and a financially oriented firm has goals of profit and return on investment.

Mala Srivatsava (1999) conducted a study that the “Corporate Social Responsibility is a Perceptual Study” which attempted to understand the perception of 60 individuals who were graduates in the age-group of 21 to 60 years and had invested in shares and debentures about the social role of corporation. The study indicated that most people expect organization to achieve the first two levels of the model suggested by Monsen. A survey of the annual reports of sixty companies, including the forty largest companies in the United States, showed a sharp rise in expression of social responsibilities. The number of socially responsible actions and statements steadily increased from 167 in the 1965 annual reports of these companies to 576 in 1971. Further, it was observed that environmental issues which accounted for 16 per cent of all items in 1965 reached 42 per cent in 1971. They also reported a rapid increase in specific action programs in the social area.

McWilliams and Siegel, (2000) have studied the responses of corporate social responsibility investments. Through his research he has identified that several companies have responded by increasing their Corporate Social Responsibility investments. However, other companies have resisted investing in Corporate Social Responsibility as they believe that it contradicts their aim to maximize profits.
Lockwood (2004) explained the critical role of the human resource function in organizations to play a leading role and educating their firms regarding the importance of Corporate Social Responsibility. He is adding that strategic implementation of sound human resource management practices would support the company’s business and Corporate Social Responsibility goals. According to him, firms must shift from first and second generation social responsibility practices of not risking a firm’s business success in the name of Corporate Social Responsibility and move over to third generation Corporate Social Responsibility practices where a firm addresses significant societal issues, such as poverty and cleansing the environment; and the HR function must lead this shift.

Bigg and Ward (2004) through their study tried to link corporate social responsibility, good governance and corporate accountability through an institutional framework. They found that it is necessary to integrate public governance and Corporate Social Responsibility activities for better results. Further, they feel that corporate must create a more inclusive agenda through a value framework of sharing and caring. Ultimately, firms must have a multi-stakeholder outlook to frame their Corporate Social Responsibility policies.

Hopkins (2004) has been studied corporate social responsibility from the value perspective. His study focused on the economic value-added implications of Corporate Social Responsibility actions. The study has found impact in the following areas of the organization such as Brand equity and companies’ reputation; Access to financing; Employee motivation; Innovation, creativity, intellectual capital and learning; and better risk management.

Remington (2005) with the help of twelve case studies, while underlining the HR professionals’ key role in managing the changes required for CSR activities to succeed, stated that employees are the most neglected though most important stakeholder of the organization for conducting CSR activities. While accentuating on this issue he said that having a good reputation socially implies that a company’s behavior towards its people is consistent and is of a particular standard in which they are valued in as much as the external stakeholders. Rupp et.al (2006) accentuated that CSR plays a role about fostering positive social relationships between
organizations and communities. They highlighted that employees will turn to CSR to assess the extent to which their organization values such relationships and so high levels of CSR can meet employees’ need for belongingness with the organization and the society.

Kotler and Lee (2005)\textsuperscript{34} argue that Corporate Social Responsibility engagement has shifted from obligation to strategy. Before 1990s engagement in Corporate Social Responsibility tended to be implemented as a result of pressures for “doing good to look good”. Today we can observe a shift towards a strategic approach, which is described as, “doing well and doing good”.

Manmohan Singh (2007)\textsuperscript{35} in a modern, democratic society, business must realize its wider social responsibility. The time has come for the better off sections of our society to understand the need to make our growth process more inclusive to conspicuous consumption, to save more and waste less, to care for those who are less privileged, to be role models of probity, moderation and charity. Indian industry must, therefore, rise to the challenge of making our growth process both efficient and inclusive. If those who are better off do not act in a more socially responsible manner, our growth process may be at risk, our polity may become anarchic and our society may get further divided.

(The inaugural session of confederation of Indian Industry’s Annual Summit, 2007).

Agarwal (2007)\textsuperscript{36} stated that with the adoption of HR policies, such as, periodic review of employee performance, adequate training for the workforce and career advancement norms for its personnel, creating motivation, and commitment in the workforce the organization can reap the full business benefits and become successful to the great satisfaction of all its stakeholders. This is also reinforced by Malikarjunan (2006). Emphasizing upon such dimensions Krishnan & Balachandran (2004) pointed out the role of HRM in incorporating responsible practices within an organization. It is due to the lack of involvement of employees and failure to embed the socially responsible values into the organizational culture that many CSR initiatives inevitably fail and they just become an exercise in public relations.

Sirota Survey Intelligence (2007)\textsuperscript{37} affirmed that employees who are satisfied with their organization’s commitment to social and environmental responsibilities are likely to be more positive, more engaged and more productive than those working for less responsible employers and when employees are positive about their organizations’ CSR commitment, their engagement
rises to 86 per cent. On the other hand, when employees are negative about their employer’s CSR activities, only 37 per cent are highly engaged.

Murray (2008) on the basis of survey stated that more than one-third of respondents pointed that working for a caring and responsible employer was more important than the salary they earned and nearly half would turn away from an employ.
### 2.8 Summary of the past research in India

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Researcher</th>
<th>Title</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Leena James 2012</td>
<td>A study on corporate social responsibility practices in relation to organizational culture and business ethics in information technology industry in Bangalore city</td>
<td>Dr. Uma was the Vice-Principal and Head, Department of Business Administration, at Cauvery College of Bharathidasan University, India. She completed her Ph.D. in 1993</td>
</tr>
<tr>
<td>2</td>
<td>Dr. Sangeeta Mansur 2001</td>
<td>Critical Factors of Corporate Philanthropy, Their Impact on Monetary Contribution and Attributes of Corporate-Choice of NPO</td>
<td>Prof.R. Srinivasan</td>
</tr>
<tr>
<td>4</td>
<td>Dr. Nishikant M. Borge 2008</td>
<td>A study of Commitment to corporate social responsibility among selected companies in Pune.</td>
<td>Dr.M.D. Lawrence.</td>
</tr>
<tr>
<td>6</td>
<td>L. S. Porwal &amp; Narendra</td>
<td>To examine the state of social reporting in India.</td>
<td>L. S. Porwal &amp; Narendra Sharma, &quot;Social</td>
</tr>
<tr>
<td>Year</td>
<td>Author(s)</td>
<td>Title and Details</td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>--------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>D. R. Singh and J. M. Ahuja</td>
<td>To ascertain the extent of disclosure and examine the influence of four organizational Correlates (size, profitability, age, and nature of the industry).</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.1 Summary of the past research in India
2.9 Business Ethics

2.9.1 Meaning of Ethics
The concept of ethics comes from the Greek word “ethos”, meaning both, an individual’s
caracter and a community’s culture. Generally people believe business ethics involves adhering
to legal, regulatory, professional and company standard, keeping promises and commitments and
abiding by the general principles like fairness, truth, honesty and respect. The word “ethos” from
which “ethics” has originated means character or manners. Ethics is thus said to be the source of
morals, a treatise on this moral principles of recognized rules of conduct.

2.9.2 Values, Ethics and Social Responsibility
Business ethics is not a distinct and separate aspect of corporate life. It permeates all aspects and
departments of the firm, its operations and its links with the community. At times, the word
ethics and values are used interchangeably. Values are a set of beliefs germane to the individual,
group or organization and are the basis for action. It is something which is held in regard,
importance or worth. Values are essentially a thought based concept, while ethics are a set of
actions born out of beliefs, attitudes and values. It is a branch of knowledge concerned with
moral principles that govern or influence conduct. Ethics is essentially an activity based concept.
Point to the inescapable reality that Corporate Social Responsibility is nothing more than smart
management cloaked in the language of morality and ethics (Reich 2007)\textsuperscript{39}.
Ethics is person specific, context specific and culture specific. It is also important to distinguish
between ‘managerial ethics’ and ‘business ethics. While the former is a micro view and is an
examination of individual level behavior, the latter is a macro view and examines organizational
behavior. It is important to look at the micro level behavior because most unethical decisions
eemanate at the individual level, rather than as collective decisions of boards or committees, and
individual sensitivities will contribute to companies taking an active ethical stand while making
decisions.
Ethics and Corporate Social Responsibility are closely related concepts. Ethics deal with issues
pertaining to organizations and its stakeholders in day-to-day business transactions. Social
responsibility refers to a company’s posture relative to the community either narrowly or broadly
defined. Ethics tends to be more internal in orientation, while social responsibility is more
external, but this orientation is not an absolute one. As Shell has noted in its Principles and
Profits Report, society has moved from a ‘Trust Me’ position, through a ‘Tell Me’ position to a ‘Show Me’ position, implying that verbal assurances by corporate management are no longer sufficient to gain the trust of stakeholders. Independent verification of social and environmental reports is one way in which companies are addressing this lack of trust.

### 2.9.3 Importance of Business Ethics

Business Operates within the Society. It is a part, a subsystem of the society. Business’s functioning must contribute to the welfare of the society. In order to survive, develop and excel, business must earn social sanction of the society where it exists and functions. Without earning social sanctions, business cannot get loyal customers and thus cannot operate in the market place. If business grows larger, the public takes more interest in it, since this will lead to a greater impact on the community. Thomas Donaldson says that there is a growing realization all over the world that ethics is vitally important for any business and for the progress of any society. Ethics makes for an efficient economy. Ethics alone, neither government nor laws, can protect society. Ethics is good in itself. Ethics and profits go together in the long run. An ethically responsible company is one which has developed a culture of caring for people and for the environment, a culture which follows downwards from the top managers and leaders. The social responsibility of business involves ethics which must be reflected in the philosophy of business organization. “The biggest corporation, like the humblest private citizen, must be held to strict compliance with the will of the people” - Theodore Roosevelt, (1900). To be effective, a sound ethics’ structure must be recognized by top management and reflected in the policies of the firm. Top management should establish clear policies that encourage ethical behavior and a cordial culture of the organization. Management must assume responsibility for disciplining wrong doers. Members should voluntarily accept it. Right leadership, integrity, proficiency, commitment to social values of a manager can change the expected behavior of individuals and are crucial to business ethics and organizational culture. Good ethics may be good business in majority of the cases. When the crunch comes, when ethics conflicts with the firm’s interests, any ethics program that has not prepared for this possibility is doomed to fail because it will undercut the rationale of the program itself. A similar danger occurs with corporations choosing or being wooed to be environmentally friendly because it will be in their self interest. There is the risk of participating in the movement for the wrong reasons. The frequent strategy of the new
environmentalists is involving in a business to help solve environmental problems by finding pure or virtually costless ways for them to participate.

2.9.4 Business Ethics and Corporate Social Responsibility

Business ethics can be defined as written and unwritten codes of principles and values that govern decisions and actions within a company. In the business world, the organization’s culture sets standards for determining the difference between good and bad decision making behavior. In the most basic terms, a definition for business ethics boils down to knowing the difference between right and wrong and choosing to do what is right. The phrase ‘business ethics’ can be used to describe the actions of individuals within an organization, as well as the organization as a whole. There are two schools of thought regarding how companies should approach a definition for business ethics: the shareholder perspective and the stakeholder perspective.

2.10 Governance and Management of Company

Corporate governance is not an abstract goal, but exists to serve corporate Purposes by providing a structure within which stockholders, directors, and management can pursue most effectively the objectives of the corporation' as (US Business Round Table White Paper on Corporate Governance, September. 1997).

Governance is the prerogative of the board of directors, who are appointed by the shareholders. The board does not have a hierarchy and every director has equal responsibility and similar duties and powers. The management structure is a pyramid, headed by the chief executive officer (CEO) with a number of managers below. Authority and responsibility is delegated downwards and in return accountability is expected upwards. The CEO is the bridge between the directors (governing activities), and the managers (management activities). The board consists of executive directors and non-executive directors. Non executive directors include outside non-executive directors who have links with the company or are connected non-executive directors (CNED), and outside non-executive directors are those who have no links and hence are referred to as independent directors (INED). The main activities of the board can be summed up as formulating strategy, promulgating policies, supervising executive management, and being answerable and accountable to shareholders.
This brings us to the first principle of fiduciary duties. The fiduciary principle states that one having been entrusted with powers for another's benefit is under to a general equitable obligation when dealing with those powers to act honestly or in what they consider to be in the other's interests. In reality, we find that though the board is seen as the major driver of good governance, it very often comes under external influences like large institutional investors who play a more important role than the individual shareholders the threat of hostile take-over's in liquid markets like the US and UK also keeps the boards constantly vigilant about governance and share prices. In debt-driven markets, banks and financial institutions play a significant part as "governance drivers". Even family members who sometimes can act as 'shadow'. Directors', joint venture partners, and holding companies influence governance in companies. There is a fundamental difference between countries prescribing regulations through law and countries favoring a self-regulatory approach in governance styles, leading to vital differences in drivers of good governance.

2.11 Importance of Corporate Governance
The requirement from corporate has moved beyond just getting shareholder value. The stakeholder theory is now an integral part of corporate governance. Socially responsible companies are lauded for their involvement in the welfare of all the stakeholders, the community, and the environment. There is a general acceptance that the government alone cannot manage the multifarious needs of the modern globalized society. Public-private partnerships have to be the order of the day to balance the interest of stakeholders with the profit requirements of the shareholders Carroll (1979) has succinctly summarized the concept of responsibility as given below: Economic responsibility: The company has to be profit-oriented and market driven Legal responsibility Since society gives the sanction to the business to operate, it is the duty of business to obey the laws and regulations laid down by society. The Company has to go beyond the law and honor the trust and expectations of society. The company should also be extremely culture-sensitive to provide the right services Discretionary (or philanthropic) responsibility-Undertakes voluntary activities and expenses, keeping the greater good of society in mind.

Many countries have created company laws, which incorporate CSR as a formal duty of the company. For example, The Companies Act of 2006 of the UK formally includes CSR as a
responsibility to be undertaken by companies. In India, the Narayana Murthy Committee also recommends CSR as an integral part of corporate governance.

Corporate governance is a powerful tool, which can ensure that CSR permeates throughout the company. It should operate at the internal, intermediate, and outer circles. However, we must remember that every company would have to find and frame its own framework for implementation of CSR because every company is unique, and similarly, every culture in which it is operating is distinct. Today, environmental pollution has become a major concern and many companies are including their efforts to improve the situation in sustainable reports that they are issuing along with CSR reports.

A brief list of obligations catering to important areas related to some important stakeholder is given in Table 2.2

**TABLE 2.2 List of obligations to society, investors, and employees**

<table>
<thead>
<tr>
<th>Obligations to society</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. National interest should take priority</td>
</tr>
<tr>
<td>2. Political non-alignment</td>
</tr>
<tr>
<td>3. Legal complications</td>
</tr>
<tr>
<td>4. Rule of law</td>
</tr>
<tr>
<td>5. Honest and ethical conduct</td>
</tr>
<tr>
<td>6. Corporate citizenship</td>
</tr>
<tr>
<td>7. Ethical behavior</td>
</tr>
<tr>
<td>8. Social concerns</td>
</tr>
<tr>
<td>9. Corporate social responsibility</td>
</tr>
<tr>
<td>10. Environment-friendly</td>
</tr>
<tr>
<td>11. Healthy and safe working conditions</td>
</tr>
<tr>
<td>12. Trusteeship</td>
</tr>
<tr>
<td>13. Accountability</td>
</tr>
<tr>
<td>14. Effectiveness and efficiency</td>
</tr>
<tr>
<td>15. Timely responsiveness</td>
</tr>
</tbody>
</table>
16. Uphold brand of the country

**Obligation to investors**

1. Towards shareholders
2. Measure as promoting informed shareholder participation
3. Transparency
4. Financial reporting and records

**Obligation to Employees**

1. Fair employment practices
2. Equal opportunities by employer
3. Encouraging whistle-blowing
4. Humane-treatment
5. Participation
6. Empowerment
7. Equality and inclusiveness
8. Participative and collaborative environment.

Source adapted from corporate governance principle, policy and practice by A.C. Fernando (2006)
2.12 Social Impact

The social impact of CSR is a Long-term success is an outcome of interdependence and the people dealing with their unique emotions and feelings. The business Fraternity needs to realize that the law and order situation is also dependent on the economics of the country; its roots are often embedded in a terrible sense of deprivation felt by the local community. Anger is usually directed towards; big businesses which, it is felt, have cornered all the benefits of development without giving anything back to society. The unprecedented labor unrest in West Bengal during 1969-70, especially the Naxalite movement of 1970 as well as the recent Maoist movements in Nepal and India, are examples such emotions. If business needs customers with buying power, then it must ensure that the common man's condition must improve. Unless the business community contributes to the basic development needs, it would be threatened and it is in its own interest to participate in the 'nation building' effort. Another famous business tycoon of India, Shri Ramakris Bajaj (1970), grandson of Jamnalal Bajaj, also expressed the same view when he said, 'The business community is an essential ingredient of our democratic society and it has a duty not only to create wealth but also to promote the ethical and social goals of the community. Unless it fulfills both these functions there by plays its due role as a responsible section, it will not be able to ensure its own survival'. As managers behave as if we are alone and only our needs matter. The commonly heard cliché is that we have no choice. It is this seeming lack of choice that is the real killer of humanity in organizations that are undergoing massive and speedy change. People suffer from the insecurity that they are not in control of anything and try to control whatever they can any way they can. Problems are assuming huge proportions and gigantic shapes. They can only be solved when looked at in the broader light of global interaction. This certainly needs an inter-cultural awareness and an attitudinal change in accepting everyone. The original intent of management scientists who developed models was to consider only objective judgments of the costs to the company, but it has become obvious in recent years that the models also have to include subjective estimates of the costs to the employees, the customer, and the general public. Estimates of the costs external to the firm and of the economic damages caused by the firm are also required to be taken into account. Sir Julian Huxley (1957) has rightly pointed out that 'human evolution is not every biological but psychological'. Therefore, the concept of survival of the fittest does not fit human civilization in literal terms because, in that case, how do we define and measure fitness, and who among us
should be given the right to judge fitness. The spirit of cut-throat competition only for wealth has led us to accumulation of more and more wealth at the cost of ethics. This has wrought social havoc at every level leading to fear, purposelessness, drug addiction, anxiety, neurosis, unethical life, and untimely death. As early as 1939, Arnold J. Toynbee questioned the efficiency of scientific management when he wrote, 'what was the extent of sacrifices of personal freedom that workers would be prepared to make for the sake of increasing size of the cake of which they were each demanding a larger slice? How far would the urban industrial workers go in submitting to scientific management? Western man had brought himself into concentration on a sensationally successful Endeavour to increase his of 1970, material well being. If he wants to find salvation, he would find it only in sharing the result of his material achievement with the less materially successful majority of the human race. Toynbee called him the western man, but is it not true for all our self-seeking materially motivated professionals? 'Consensus management' with vertical, horizontal, and diagonal consensus among workers and management are becoming common. To achieve this, an individual has to move beyond himself and create a family within the corporation. The idea of family carries with it the concept of basic human values of love, integrity, honesty, selflessness, etc. Therefore, we are again back to the principle of being the ethical, which leads to good business.

2.13 Social Contract

CSR is related to the social contract between the business and the society in which it operates. In any society and in any time, there is a set of generally accepted relationships, obligations, and duties between the major institutions and the people. Philosophers and political theorists have called this set of common understandings 'the social contract' (Steiner and George 1972).

If we take this understanding further, we find that at any point of time the accepted relationships, obligations, and duties differ between and within society and therefore business practitioners prefer to either ignore or criticize the concept of CSR as only theory based. However, when business professionals were surveyed even a decade ago, nearly 81 per cent of 248 executives believed that wealth maximization and social involvement were not contradictory concepts (Edmonds and Hand 1976). This thought is further corroborated with the twin surveys conducted by McKinsey in 2007 (The McKinsey Quarterly 2007), this reveals that 84 per cent of executives and 89 per cent of consumers believe that corporate obligations to shareholders
must be balanced by contribution to the broader public good; for example, providing good jobs (jobs that ensure sustainable livelihood), making philanthropic donations, and going beyond legal requirements to minimize pollution and other negative effects of business activities. The consensus for engagement (business engaging in socially relevant activities) is widespread, ranging from 75 per cent in China to 90 per cent in India among executives, and from 86 per cent in India to 91 per cent in the UK among consumers.

Business has responded in a very fragmented manner to the demands of responsibility by enacting labor laws, employee welfare programmers, consumer satisfaction policies, environmental protection activities, etc. But there is no collective long-term impact on the community and therefore it has become imperative to consolidate the concept of CSR and fit it into an overall plan.

It is interesting to note that certain themes have evolved about how business can relate to ethical behavior. According to Robin and Erie (1989), 'business activities that have a foreseeable and potentially serious impact on individuals ought to be regulated by the values of deontological (related to rules and regulations) reasoning,' 'For all business actions that do not have foreseeable serious consequences for individuals, the arguments of utilitarianism (greatest good for the greatest number) seem appropriate within capitalistic democracies.' For the level of performance, Aristotle's Virtue Ethics describing the "golden mean" i.e." neither excessiveness nor deficiency in performance is suggested.' This relates to earning profit by ensuring that neither is CSR emphasized so excessively that profit suffers; nor is CSR totally ignored and profit is earned by exploitation. For social responsibility, 'the image of an average family using central values to solve family problems provides a benchmark for developing values within a business organization.

Though business has the bigger responsibility of going beyond philanthropy, we must also keep in mind that each stakeholder also has reciprocal duties with others and the consuming community also has the obligation to make the tradeoff between cost and sustainability and integrity. Different stakeholders also cannot be driven by their selfish interests alone because each stakeholder has an important role to play and one cannot be destroyed for the benefit of the other. Just as business needs to do just tradeoff between stakeholders based on priority and sustainability, stakeholders also have to understand that at times one has to give up one's interest
for the benefit of all. This reciprocal relationship between business and society is shown in Fig. 2.5.

![Fig. 2.5 This reciprocal relationship between business and society](image)

### 2.14 Impact of Religion

Religion played a major role in encouraging charity. Hindu scriptures highlighted the concept of using wealth for granting charity, performing sacrifices, and discharging debts; the best gift was the gift of spiritual knowledge and the lowest that which satisfied the basic physical needs of human beings. Therefore, most Hindu merchants made generous gifts to temples, monasteries, and conglomerates of religious practitioners like priests and monks. To encourage secular earning, scholarships were instituted by the merchant families and educational institutions were set up. Other forms of gifts included land, cattle, food, etc. The founder administered all endowments, whether small or big. "His thought of giving evolved into the final philosophy of Lokasangraha (universal brotherhood) and Sarvabhutahita (welfare of all beings) found in the sacred book of the Hindus-the Gita." Jainism also encouraged charity and many hospitals, rest houses, and libraries were constructed from their endowments. Since the Jain religion strictly prohibited any kind of violence and cruelty, Jains normally provided charity to all races and creeds as part of the practice of compassion for all living beings. Islam popularized Zakat, a certain percentage of the acquired wealth and Emergence profit should be dedicated for the purpose of charity. Building mosques with attached educational institutions was a common form of charity. Christianity was made popular by the Jesuits who
visited India during the Mughal rule, and was entrenched as a religion when Great Britain colonized India. The tenet of giving was central to Christian teachings as well. In fact Christians were told 'let thy right hand not know what they left hand gives', signifying the importance of giving but not for publicity. In Christianity also, wealth was considered as a trust and therefore, distribution of wealth was also about doing justice to society, not just compassion. Christianity highlighted the Importance of giving time and personal service for the welfare of others, and that encouraged great humanitarian activities by the followers of the religion.

The Parsi community in India drew its strength from their religion, Zoroastrianism. The religion, way, preached a middle path by neither glorifying poverty nor wealth. It was more about self-development through self-help and hard work. Prosperity was to be shared through works of beneficence and public well-being. Charity was, by and large, motivated by religion and spirituality. However, at times practice faltered in terms of strict adherence to the religious tenets because self-interest drove charity. This is visible when we find that very often charity was linked to business interest and practices. Studies by Rudner (1995) and Bayly (1983) have clearly shown that religious giving was often linked to social creditworthiness and this in itself was self-reinforcing and self-fulfilling. Quotes like 'the social consequences of Sangha (Jain religious brotherhood) are many. On the one hand, prestige is acquired by the Sanghapati (head of the Sangha) and financial reputation is earned through spending large sums of money, which begets investment and credit facilities, which in turn lead to expansion of business' by Singh (1991) highlights the underlying business. Agenda in charity this encouraged the practice of combining charity with the bottom line of business. Often, merchants who had endowed temples with charity used the temple grants to increase their business. As trustees of endowments, they came to occupy important social positions and respect, which further enhanced their business. Historical sources verify that various means of religious gifting were used as mechanisms by merchants and mercantile communities to penetrate into new localities and create respectable social identities, which helped them entrench their authority over commercial enterprises (Rudner 1995). Religious grants were supplemented with individual secular spending, like building wells, rest houses, and commissioning relief work at times of peril to gain social status by merchants.
2.15 Seeds of Modern CSR

Indians quickly built on their potential by embracing new technology and Business opportunities that were beneficial to Indian society. Charitable activities were still on traditional lines, like donating to educational and religious institutions. However, with the spread of western education, as represented by Raja Ram Mohan Roy, a perceptible change was noticed in the process of charitable investment. Now the shift was towards more inclusive philanthropy, based on the equality of all human beings. Christian missionaries, with their humanitarian approach, played a significant role in bringing about this change. The political awakening in India on the lines of democratic and secular understanding of freedom, helped in creating an atmosphere of social justice, equality, individual freedom, and universal brotherhood. The state helped by awarding status to individuals engaged in philanthropy.

There was a realization that the development of society depended on public enlightenment. Therefore, education was the most popular and favorite field for donations. Public health was also a concern that received charitable help as health facilities were very poor. Endowments to build libraries, meeting halls, parks, and gardens are also recorded. Indian culture was encouraged through theatre, dance, and music. The Parsi community was more proactive in providing basic needs like housing and sanitation than the other philanthropists. Agriculture and rural development still did not receive the attention they should have. According to Rudner (1995), personal interest was a major driver in the philanthropy of that age: 'Religious gifting and secular philanthropy—far from constituting irrational expenditures for other worldly ends—were investments in the conditions that made worldly commerce possible.' (This means that if philanthropy was not limited to only religious charities for spiritual fulfillment but also added to actual material gains and profits in economic terms.)

Philanthropy in this period suffered from the stigma of traditionalism, but it cannot be denied that it prepared the ground for future institutional reforms.

2.16 Role of NGOs

The full form of NGO is 'non-governmental organization'. As the name suggests, it is a legally constituted body without any government involvement. Even those NGOs that receive government funding keep their non-governmental status intact and do not allow any government representative to be their members. Though this is a common term, it is not a legal definition and
therefore, such organizations are referred to by different names in many countries, like civil society, independent sector, volunteer sector, grassroots organizations, transnational social movement organizations, private voluntary organizations, self-help organizations, and -state actors' organization. It is estimated that in India there are about one to two million functional NGOs. Though the history of NGOs in different countries can be traced to antiquity, as a generally accepted concept, it became popular with the establishment of the United Nations Organization in 1945, as per the provisions in Article 71 of Chapter 10 of the United Nations Charter for a consultative role for organizations Be that are neither governments nor member states. The international NGO got of its definition from the 288(X) resolution of the ECOSOC in 1950, stating any International organization that is not founded by an international treaty me an incorporated organization that exists for educational or charitable reasons and from which its shareholders or trustees do not benefit financially, is referred to as non- (not) for-profit organization (NPO). Any money earned must has, be retained by the organization, and used for its own expenses, operations, and the programmers. Many non-profit organizations also seek tax-exempt status and may also be exempt from local taxes, including sales taxes or property taxes. Well-known non-profit organizations include Habitat for Humanity, the Red Cross, and United Way, and are also called not-for-profit organizations. In India, they can be registered in four ways: (1) Trust; (2) Society; (3) Section- 25 company and 4) Special licensing. Registration can be done with the 1 or Registrar of Companies (ROC). The following laws or Constitutional Articles of two Articles 19(1) (c) and 30 of the Constitution of India them. Income tax Act, 1961 Public Trusts Acts of various states Societies Registration Act, 1860 any. Section 25 of the Indian Companies Act, 1956. Foreign Contribution (Regulation) Act, 1976 NPOs need to be managed just as any other corporate. The inherent structure of a NPO is the high level of dedication and commitment to work with and for the disadvantaged groups in society. This naturally needs specialized skills and expertise. Considering the socio-economic condition of the country or region where these NPOs and NGOs operate, the work can be extremely demanding. The funds are usually public donations that get routed either through donor gests, agencies, government bodies, or are given directly to the organization. Unlike Even the corporate world where investors get a share of the profit, in a NPO or NGO there is separation between the cause supported and the donor. Actually, their NPO works as the bridge between the beneficiary and the donor, and hence is accountable to both (Padaki and Vaz 2005). From the above description
of a NPO or NGO, we can assess the important role that these institutions can play in CSR. In fact, they can play a very proactive role if they work to facilitate social responsibility by joining hands with the corporate. It is and government. They can work as the conscience of the business world. However, they can also become agents of money laundering by unscrupulous business organizations or government bodies, by posing as the social wing and the camouflaging the actual activities. Businesses often tend to use them as facades to keep away legal collective bargaining processes, like trade unions, from questioning the social responsibilities of business. Since the NGOs and NPOs receive funds from donors and venture capitalists, the donors often decide what social cause needs to be addressed. If the donor is residing in a foreign country, they would like to address social issues that is the priority in their country or considered fashionable among the rich. Therefore, very often the priority social causes in the country where the NGO or NPO is operating get ignored. It often happens that donors may insist on changing the focus of work, even if the earlier project is not completed, because a particular social cause is being promoted in the media or social circles. All these often lead to just superficial social work without any concrete requites of social up-liftmen. Therefore, one needs to assess the true worth of such voluntary organizations in their role as CSR promoters.

With the unbridled growth of commercial activities, countries are faced with both positive and negative fallouts. Often, tradition suffers at the hands of commercial growth. This makes people rootless and the fear of such displacement can be addressed by NPOs and NGOs in a more professional manner than either government or corporate. An excellent example is the practice of child labor in India. Children are caught in a vicious cycle of lack of opportunities and poverty, leading to promotion of child labor. Till India does not create enough infrastructure, like better connectivity between rural and urban areas, accessibility to schools, and provision of meals to ensure children do not run away from school, employment, and social security schemes, child labour would remain as a source of livelihood for children and the families belong to. If by law, child labor is totally eradicated, then social issues like street Crimes, drug abuse, human trafficking, and other related concerns would plague society, as has happened in Bangladesh where child labor was banned due to international pressure but there was no contingency plan to absorb these children more productively.

Another major concern is that traditional forms of art are dying because once children are educated; they do not want to go back to their hereditary forms of earning a livelihood. For one,
it is hard work and the economics are also not very encouraging for young people to follow traditional professions. This is an area where NPOs can play a major role in conjunction with the government and corporate world, by designing education in a manner that keeps the traditions alive and also by ensuring that right esteem and price is offered to such products. These kinds of initiatives are actually beneficial to all parties concerned because it reduces the burden on the already overstretched facilities of the urban centers and also creates employment and purchasing power, leading to a more viable economic development.
2.17 Role of Educational Institutions
Adomssent and Michelsen (2006.) state that a university does not only need, to become more open-minded, it also needs to transform itself into learning Academia constantly adapting itself to new challenges and comprehending itself as one player interacting with others the same argument is also applicable to smaller educational institutions. Educational institutions should promote an ecosystem suited to CSR throughout their organizations and in the outside world. The advantage of Educational institutions is that they are far better positioned to influence and mould the young minds to value-sharing and giving. This is an important aspect of CSR that businesses are unable to handle, for lack of resources that can mould mature minds.
Communication to the stakeholders is an activity that education institutions have to undertake vigorously because they are the training grounds of the future corporate leaders. The immediate stakeholders of a university include present students, future students, corporate and other financial supporters. These students would carry the baggage of their conscious and unconscious learning to the corporate world. This subjective dimension is the cause of the nature of corporate culture. Satisfaction and dissatisfaction and happiness and discontent influence the smooth functioning of the organizations and thus its performance and policies. Academic institutions have to provide the platform for interaction between the corporate and academics for encouraging innovative processes of CSR practices. Students are the largest stakeholders who should be given the opportunity to learn hands-on about CSR.
The ultimate objective is the enhancement of the quality of life of the Population. In this, educational institutions can play many roles, essentially a social to achieve social dynamics. For example, education is a great tool that can persuade people to stop polluting, to adopt healthier lifestyles and diets, to engage in family planning, ensure gender equality, etc. Academic institutions have a social responsibility to create a better future through processes such as those mentioned below:
(a) Educating the human capital.
(b) Promoting the development of knowledge in society by encouraging in the lifelong learning.
(c) Creating an environment for scientific and technological innovations that make human existence more comfortable.
(d) Collaborating with the corporate world to help in the processes of advancement through research and development.
(e) Disseminating knowledge that creates synergy for socio-economic development.

Educational institutions have to play major role in removing the inequality is natural because only then can solutions be obtained to fight Inequality is a major hurdle in the distribution of the fruits of progress. Learning CSR encompasses this issue and academic institutions have to partner with government and civil society to eradicate inequality. Academic institutions have to play very proactive and influential role in redressing the fundamental power imbalances between the political realm, the economic realm, and the civil society. The imbalance of power between the major actors, that is the state and the economic realm represented by the business world, cannot be accepted because in the long run, whether the state has more power or the business world has more power, it is the common man in the social sector who really feels the brunt of exploitation. In an ideal scenario, power would be equally divided among the three actors-politics, economics, and society. The ongoing global crises like the economic recession, climate change, economic imperialism in the name of progress, and patents and sanctions have unleashed concerns about how academic institutions are going to revamp their curriculum and teaching processes to ensure that future leaders and professionals do not plunge the world into similar catastrophes. Similar concerns were raised by the public during 1960s and the 1970s as well, showing that people have constantly questioned unethical behavior. The media actively supported these issues during the 1970s and most US schools offered a course in business ethics by 1980. The next five years saw consolidation of the idea of business ethics as a field of academic interest with its inclusion in journals, research centers, and Conferences. The offering of courses in business ethics paved the way for it to be recognized as an academic discipline (Shaw 1996). The debate whether CSR is a part of business ethics as a discipline or vice versa still rages in academic circles. However, there is certainly a consensus that both are normative sciences that relate to values and morality and need significant attention in academic institutions training future managers.
Realizing the influential role academic institutions play, the United Nations has created a charter, which when signed, binds the academic institutions voluntarily to commit to ten principles of action, encompassing institutional commitment, environmental ethics, university employees'
education, environmental education, inter-disciplinary approaches, knowledge Dissemination, networking, strategic partnerships and alliances, continuing education programmers, and technology transfer. They have the freedom to decide whether or not to teach themes such as social responsibility and sustainable development; they should not ignore the norms and guidelines of organizations such as UNESCO, UNDP, and ED, since they are in fact key players in promoting CSR.

2.18 Role of the Media
The media is one of the most powerful engines of social change. Unfortunately, due to reasons internal and external to the media world, it has not been tapped to bring about responsible social change. History is witness to the fact that Autocratic oppressive governments have always tried to control the media because of its influence and reach. This industry has remained unregulated because democratic political systems shy away from being seen as regulators of free expression of speech and thought. Also, the media with its powerful 'pens' often have 'shot' the hapless regulators.

The benefits of the free press cannot be overlooked. Whenever the media world has wished to achieve some good, it has had a tremendous positive influence on society. We have examples in India like the Jessica Lal case, where the murder case of Jessica was reopened because of the campaign carried out by the media in partnership with the civil society. But the danger is when media companies become the tools of their proprietor for self-promotion or camouflaging unethical activities through biased reporting.

The competition for survival is strong and media companies often trade value and integrity to remain in business. The media world justifies this by saying that they show or write what the public wants. Sensational scoops are considered the highest selling products of the media companies and with 24-hour channels, very often news needs to 'created'. So where is the business case for social responsibility?

The media has to play the role of true detective who weighs all the evidence carefully and offers a balanced Opinion. It must expose the truth but also keep in mind that the dignity and privacy of the citizens should be maintained. The ethical issue is that media has to balance between two rights in the literal as well are as the legal sense-right to information and right to privacy. It has to play the role of not just that entertainer, but also of the informer. Taking sides is not its
privilege because society trusts it and it must honor trust. Media cannot encourage conflict of interest in the name of open journalism. The media world has to create a self-regulatory process keeping the well-being of the civil society in mind.

This is where the concept of CSR fits into the media world. Rules, codes, systems, and processes can only produce minimum standards. They cannot lead to excellence, which CSR can provide as a best practice. Considering the power and pressure that media can create, it has to create a strong value foundation by embedding virtue into the system. The argument that the inherent virtue of the profession would take care of the media world is flawed. The media is described as the conscience-keeper of the nation and it has to live up to this reputation. It is not the moral police, but certainly, it can highlight and promote morality by reporting cases that enhance human dignity. It has to act as the channel for dialogue between different stakeholders in a society and be the instrument for disseminating development and goodwill. It can infuse solidarity and appeal for joint action, across borders to enhance the positive contributions of globalization. Tapped both the government and the corporate can be monitored by the honest Act that media, and in fact, the media can often play the role of a mediator in sensitive media issues by creating a platform for debate. This naturally means that the media glutted itself must be transparent and accountable to be the credible judge of other institutional players, like the government and business stakeholders in CSR. Media companies have often faced the criticism that they do not want to track stories related to social responsibility because it does not ensure readership media or viewership and, therefore, demand payment from institutions to print such issues. The fall-out of this attitude is that unscrupulous business organizations where can use CSR as a publicity by joining hands with deceitful media companies. Therefore, the role of media has to be that of a role model of CSR. It has to enhance its understanding of CSR and build public awareness. Media can motivate corporations who are involved in value added service to society by publicizing their work, and thus creating awareness in society of the need for socially relevant activities and sustainable development. This kind of strategic this by communication is an important mechanism of social awareness resulting in change. Such communications would create a cycle of sustainability as society would demand responsibility and corporate involved in such responsible behavior would come into the limelight, thus improving their brand image. This would encourage other corporate to follow suit, as the advantages would be obvious. When the media strongly supports CSR, it would gain public
support and almost blind faith. However, if the underlying motive behind media activism as well is only brand building, then it would remain an attention-seeking effort the role without yielding any real change for the better. The media needs to create its privilege ethical code of conduct and a transparent governance procedure to ensure its courage credibility among the citizens of the world. Perhaps the best advice was given by the erstwhile media baron Joseph Pulitzer, 'Always fight for progress and reform. Never tolerate injustice or corruption; always fight demagogues of all parties—never lack sympathy for the poor; always remain devoted to public welfare; never be satisfied with merely printing the news; always be drastically independent; never be afraid to attack wrong.' Joseph Pulitzer (1847-1911)
2.19 CSR is measured by following ways.

Level I: Principles of social responsibility
The level of application of these principles is institutional and is based on firms basic. Obligation as a business organization. Its value is that it defines the institutional relationship between business and society, and specifies what is expected of any business. This level of the CSR model itself is all about the relationship between business and society at large and it has three major elements:

1. Legitimacy concerns business as a social institution, and frames the analytical view of the inter-relationship of business and society.

2. Public responsibility concerns the individual firm and its processes and its outcomes within the framework of its own principles in terms of what it actually does.

3. Managerial discretion whereby managers and other organizational members are moral actors. Within every domain of corporate social responsibility, they are obliged to exercise such discretion as is available to them towards socially responsible outcomes.

Level II: Processes of social responsibility
Corporate social responsiveness is a business's capacity to respond to social pressures. This suggests the ability of a business organization to survive through adaptation to its business environment. It must know as much as possible about this business environment, be capable of analyzing its data, and must react to the results of this analysis. But the environment of business is not static; it is a complex and ever-changing set of circumstances. This environment can be unchanged for decades, if not centuries, and then it fall apart and is reformed like a kaleidoscope with increasing rapidity. The ability to successfully scan, interpret and react to the business environment requires equally complex mechanisms.

Three elements are identified as basic elements of this level of the CSR model:

1 Business environment scanning indicates the informational gathering arm of the business and the transmission of the gathered information throughout the organization.

2 Stakeholder management. A stakeholder is defined as any group or individual who can affect or is affected by the achievement of the firm's objectives, for example: owners; suppliers; employees; customers; competitors; domestic and foreign governments; non-profit organizations;
environmental and consumer protection groups; and others. Stakeholder management refers to mapping the relationships of stakeholders to the firm (and among each other) while finding, listening and meeting their needs, seeking to balance and meet legitimate concerns as a prerequisite of any measurement process.

3 Issues management. Having identified the motivating principles of a frames the firm and having determined the identities, relationships and power of stakeholders, the key issues that the company deals with for each of its stakeholders can be identified. Often these issues are drawn from a number of stakeholder dialogues that the company organizes with its major stakeholders.

Level III: Outcomes
The main focus of measurement is the third level of the CSR model. To determine if 'CSR makes a difference', all the stakeholders relevant to an issue or complex of issues must be included in the assessment of performance using a number of impact measures. There are, again, three main categories.

1 Internal stakeholder effects are those that affect stakeholders within the firm. An examination of these might show how a corporate code of ethics affects the day-to-day decision making of the firm with reference social responsibility. Similarly, it can concern human resources policies such as the positive or negative effects of corporate hiring and employee benefits practices.

2 External stakeholder effects concern the impact of corporate actions on persons or groups outside the firm. This might involve such things as the negative effects of a product recall, the positive effects of community-related corporate philanthropy, or assuming the natural environment as a stakeholder, the .effects of toxic waste disposal.

3 External institutional effects refer to the effects upon the larger institution of business rather than on any particular stakeholder group. Several environmental disasters made the public aware of the effect of business decisions on the general public for example. This new awareness brought about pressure for environmental regulation which then affected the entire institution of business rather than one specific firm
2.20 Development Actions inside the Company

2.20.1 A full-fledged approach
The adoption of a fully-fledged approach to CSR within a company has a number of benefits. The demonstration effect of good internal CSR policies more should not be forgotten even though these are indirect and hard to measure. CSR policies inside a company can be a lightning rod for other companies both in the location where the MNE is based as well as its overseas locations. CSR also makes good business sense in multifarious ways. For instance, consumers develop a higher degree of identification with companies that have good policies and practices.

2.20.2 Environmental and health standards
Companies which maintain environmental and health standards propagate transparent business practice protect human rights at the workplace and work against corruption are widely respected an appear as more attractive to shareholders, reduce the possibility of industrial action and maintain a working environment that leads to higher worker productivity.

2.20.3 Anti-corruption
A strong anti-corruption culture needs to be built within the organization. There through active support from the senior management. Today, anti-corruption is widely discussed both inside companies and in their dealings with the outside world. Companies, too, see the overwhelming advantages of the good governance in the countries where they work overseas and, in particular, the advantages of working with a government that is implementing anti-corruption policies. Much corruption occurs between external sources of finance and the host government. Thus it takes two parties to maintain an anti-corruption stance. The line between corruption and accepting small gifts or hospitality is sometimes blurred. On the larger stage, many companies are almost forced to pay bribes or kick-backs to win contracts. And this is not only the case in developing countries, industrialized countries have also not been blameless as we know with the Enron scandal, the Credit Lyonnais scandal affecting top government officials in France, Volkswagen in Germany and so on. Even a single dubious payment can come back and haunt a company or individual down the line, as in the case of David Mills, an international corporate lawyer who hit the headlines in the UK, through only the whiff of impropriety in one of his
business dealings with the Italian government. It not only dented his formidable reputation, impacted badly on his marriages but threatened the career of his wife, Tessa Jowell, a Secretary of State. Just as with payments to blackmailers, once started the web of deceit and intrigue can be hard to break. Thus, each company should have a set of guidelines and business principles which must be followed by all staff. This code of conduct needs to be followed at all national and Multinational offices which the company may have. Local business practices and culture must not influence or change the organization's guidelines. The system of internal communication and training has to be strengthened to keep all staff aware of the policies and principles.

2.20.4 A vision statement
Companies should create a vision statement on how the MNE can (and does) assist in development. This does not mean simply listing a number of philanthropic activities that the company intends to carry out. Development requires careful thought on how once an injection of funds has been made development initiatives can be sustainable that is continuing without the requirement for additional funds. Too often company development initiatives have been dominated by generic global initiatives that are not tailored to suit specific circumstances.

2.21 Development actions outside the company
A company can do a lot to reduce national poverty. However working with national governments to work out how best the private sector can stimulate economic growth for poor people is in the interest of both the government and the company. In addition to public-private partnerships for tackling man-made or natural disasters they can also speed up reconstruction activities.

2.21.1 Raising skill levels
Improving people's skills in a myriad of ways is undoubtedly the best way to create development. Education training skill development and capacity development are all aspects of the same issue of improving human skills. MNEs with their wealth of experience in in-house
training have an enormous amount to contribute. At minimum MNEs could be involved in a national training policy to ensure that private sector needs are incorporated in government training plans. It may be surprising to some but many government training schemes in developing countries have little contact with private sector needs. MNE’s an also setup perhaps in partnership with others courses and organizations to create training for sorely needed skills.

2.21.2 SMEs
Small and medium sized enterprises (SMEs) are where most new employment occurs in developing countries. MNEs have a role to play either directly through assisting SMEs to improve their management marketing technological and financial skills or indirectly through ensuring that SMEs as suppliers are not subject to complex contractual paperwork and, once hired, are paid rapidly.

2.21.3 Self-help
Helping people to help themselves is a key mantra to encourage development (or to use current jargon, sustainable development). Assisting budding entrepreneurs, or even existing ones, through mentoring can help launch new businesses, improve existing ones or even assist government departments to improve their efficiency.

2.22 Investment in Developing Countries
It is essential of course, to invest in developing countries and allowing their exports to be freely imported into the rich countries a huge and controversial issue is that will not these new imports hurt local markets in industrialized countries where those the MNEs are located and many of their staff? Once again, this is an issue that is currently being discussed vigorously in the development literature. Clearly this author's view is that the rich countries will innovate more quickly than developing countries, simply because of their higher level of skills and continue to move into brain-intensive knowledge industries. As the developing countries start to move into these markets, too, the economic growth that is being created will allow room for many and there is no particular reason for unemployment to rise drastically.
2.22.1 Link with the local community
Too many CSR is simplifying working with the local community. Clearly improving condition is in the interest of MNEs to enhance reputation and preserve harmony. Assistance to local communities can also help to improve if more purchasing power that leads to an expansion in the market size. But these actions are not as easy as they seem on the surface. Three questions that are not easily answered are, where does the role of the MNE start and stop vise-a-versa the local community? What are the key issues to be involved in? Should MNEs be involved in human rights and, if so as many think, what are the limits?

2.22.2 Philanthropy
Philanthropy has always been a big part of MNEs' actions in LDCs. But few philanthropic actions are sustainable in the sense that once the project has finished will the project and its related activities continue. The test of a “Philanthropic” project is that the intervention must be judged to a sustainable and developmental result,

2.23 Summary of possible development actions
2.23.1 inside the company
1. Develop a CSR strategy that includes an overall vision for the company's place in development. Decide what benefits and costs emanate from involvement in international initiatives such as the UN Global Compact, SA8000, and IS09000 and so on.
2. Investigate whether the company is paying a 'living wage' within the company and is paying its main suppliers properly and on time. If not, why not, and then ask what steps should be taken to move towards this.
3. Work with trade unions to ensure proper environmental and safety structures within the company.
4. Monitor and evaluate the company's anti-corruption policy on a regular basis.
2.23.2 outside the company

5. Collaborate with the government in the host country to see how the government's anti-poverty policy can be enhanced. Work with local NGOs to increase the efficiency of development initiatives.
6. Be pro-active in lending in-house training skills to a wider public.
7. Assist the creation and improvement of SMEs through the setting up of an advisory office and/or joining with other private sector or NGO partners
8. Be involved in mentoring budding entrepreneurs.
9. Invest so as to support the development objectives of the host country.
10. Ensure community or philanthropic company initiatives are sustainable in the development sense.

2.24 CSR in Developing Countries

CSR is really about ensuring that the company can grow on sustainable basis, while ensuring fairness to all stakeholders. (N. R. Murthy, Chairman, Infosys)

2.24.1 Introduction

In this topic the center of attention is on developing countries themselves and the question being broadly examined is what are home-grown companies in developing countries actually doing on CSR and development? This is now heroic task. First work on the Planetary Bargain nearly in 10 years ago, one section on CSR in developing countries and it was relatively easy to find specific developing country references. What developing countries were doing on CSR and found that these were mainly philanthropic interventions.

The quick reply to the question above is that quite a lot is being done and, therefore, today the question has many more CSR activities to address. This task is helped by the burgeoning number of regionally focused web-sites and newsletters devoted to CSR across the world from China, the, Philippines and India to Brazil. There is, in addition, a growing academic data literature on CSR in developing countries as interest in the whole field has exploded. On the other hand, what CSR means across different countries, what it means to companies in those countries and the general public varies across the world. To address the question posed the focused on what consider the Key issues while providing a global spread. Further given the rising power and
influence of just three countries, Brazil, China and India countries those also encompass nearly half of the world's population.

2.24.2 Trends in CSR in Developing Countries

Results from empirical analyses vary somewhat. There are those who find major differences of the treatment of CSR in developing countries, those who find some differences and those who find very little difference. For instance, according to an EIU survey in 2005, approximately 40 per cent of American and European respondents to the survey said that the main reasons for emphasizing CSR included the need to improve community relations and to deflect pressure from regulators, whereas, in Asia, where companies are less sensitive to community relations and where regulators are less powerful, only 33 per cent of respondents took this view.

In an article addressing the hypotheses that CSR in Asia is not homo-genous but varies among countries' and that the 'variation is explained by stages of development', Chapple and Moon studied website reporting by 50 companies in seven Asian countries: India, Indonesia, Malaysia, the Philippines, South Korea, Singapore and Thailand. The article concluded that CSR does vary considerably among Asian countries but that this variation 'is not explained by development but by factors in the respective national business systems. It 'also concludes, unsurprisingly, that multinational companies are more likely to adopt CSR than those operating solely in their home country and that the profile of their CSR tends to reflect the profile of the country of operation rather than the country of origin.

In another study, Jeremy Baskin found that CSR (he dropped the term 'social' and called it CR) in developing countries (especially South Africa, Brazil, India and parts of Eastern Europe) is more developed than is commonly thought, sometimes exceeding standards of some high-income countries} Also examining corporate websites and annual reports of 127 leading companies in 21 emerging markets, Baskin found that there was 'not a vast. Difference in the approach to corporate responsibility between leading companies in high-income OECD countries and their emerging market peers' However, he found that three things stood out when looking in detail at the data on each company and country. (The Economist Intelligence Unit 2005.'Wendy Chapple and Jeremy Moon 2005. Jeremy Baskin 2005).
2.25 Corporate Social Responsibility in India

Corporate Social Responsibility is not a new term in India. Far back in 1965, the then Prime Minister of India, Lal Bhahadur Shastri, presided over a national meeting. This meeting emphasized on business responsibilities towards itself, its customers, workers, shareholders, the community and every enterprise, irrespective of it being a small or large one, if they wish to enjoy the confidence and respect of the community and the consumer; and actively discharge their responsibilities in all directions, instead of operating in one or two groups such as shareholders or workers at the expense of the community and the consumers.

Business must be just and humane, as well as efficient and dynamic. Business cannot succeed in a society that fails. Corporate Social Responsibility is being considered as an imperative for carrying on business in the society rather than as a charity. While Corporate Social Responsibility is relevant for business in all societies, it is particularly significant for developing countries like India, where limited resources for meeting the ever growing aspirations and diversity of a pluralistic society, make the process of sustainable development more challenging (Sanjay Kumar Panda, 2008).10

The international CSR movement has certainly arrived in India. According to a report by the Centre for Social Markets for the International Finance Corporation (IFC), many leading foreign MNEs and domestic titans, preeminently members of the Tata Group, have been standard-setters on core CSR issues such as labour conditions, health and safety, environmental management, corporate governance and integrity.

The Tata Group is, conceivably, the modern-day counterpart of the 19th- century Victorian industrialists and Quaker social reformers such as the Lever Brothers and Cadbury family, who established company towns such as Port Sunlight and Bourneville in the UK. Indian families such as Tata and Godrej have a significant industry presence and reputation for social responsibility. One of the Tata Group of companies, Tata Steel, is the first in the country to produce a corporate sustainability report and it administers the only industry town in the world, Jamshedpur, which has received the ISO14001 environmental quality certification.

Other companies have followed Tata's lead, such as Infosys, Ballarpur Industries Limited, Paharpur Business Park, Ford India, Samsung India Electronics and Cadbury's India. They have all produced environmental and social reports.
In recent years, too, some large and increasingly image- and market conscious Indian companies have started signing up to voluntary international CSR initiatives. The UN Global Compact is a good example. There are now some 87 Indian companies which have signed up to 'the Global Compact's nine principles on human rights, labour and the environment. Nevertheless, in India, as elsewhere, the IFC report above notes that the verification of corporate commitment to voluntary efforts is still a long way off.

There is some progress. The above-mentioned IFC report stated that the Confederation of Indian Industry (CII) India's Carter, largest industry body has taken a lead in promoting CSR among its membership. It has adopted a set of Social Principles with UNDP India and has appointed CSR officers in its regional offices. This has set a positive example to other industry bodies in India such as FICCI (Federation of Indian Chambers of Commerce and Industry), which have also held CSR-related events.

In 2001 a survey sent by-mail by the Centre for Social Markets (CSM) to a cross-section of Indian businesses began by asking whether the terms 'Corporate Social and Environmental Responsibility' or 'Corporate Citizenship' meant anything to the respondent. If so, what relevance did they have for the respondent's company? Of those that replied, one in eight stated that CSR meant little to them. CSR was most commonly partial understood as a commitment or obligation to society. A total of 56 percent of those who responded to this question made a link between community responsibilities and corporate citizenship.

The second survey question focused on the social responsibility of Indian companies. Respondents were asked to explain what they saw as the social responsibility of their company. They were also questioned on whether their company was living up to its responsibilities, and whether route. They felt more social and business awareness of social responsibility was needed.

A total of 39 per cent of respondents referred to their social responsibilities as the creation of employment, developing proper promotional and training opportunities, and ensuring good working conditions. Approximately half of the survey respondents stated that they have a responsibility to help with social problems in India. On stakeholders, customers were clearly considered to be the most important followed by employees, shareholders and investors (banks) in that order. The community got a medium ranking, and unions and regulators were ranked as the stakeholders of least is the importance. The state was referred to by over a quarter of respondents as and it an obstacle to successful business. Problems included unclear, unpractical
and poorly monitored regulations, poor infrastructure, a complicated tax system, and too much bureaucracy. There were also references made to cleaning up the corporate governance structure and clamping down on corruption.

Finally, survey respondents were asked which companies they considered to be models in their sector both in India and internationally. Infosys, Tata and Wipro were mentioned several times as models. (CSM 2001’ Maur Sheil 2003).

2.26 Future Trends in CSR

The increasing influence of industrialization and globalization, the business world is becoming more visible in society. Society is expecting that the professionals running industries would honor the trust that society reposes on them to make life more comfortable and improve the quality of existence. Therefore, efforts will continue to move beyond weak endorsements of CSR to in depth understanding of how it affects corporate business practices. The dilemma of whether the business should cater to the interest of shareholders or all stakeholders will resolve itself as the gains from a stakeholder approach would become more tangible and measurable. In the present scenario, progress in the environment segment would be quicker than that the social segment because there is general consensus about the environment degradation and an urgent needs to rectify it. Besides, the impact of environment exploitation is impacting every country, big or small, developing or developed and it is probably a little easier to achieve acceptance in this sphere than in the social sphere, as the core, unique history and culture of each nation plays a major role in social factors. For example, certain very sensitive issues related to the ethos of a community or religious beliefs would require patience and understanding, whereas if a nation is not economically advanced, then prioritization of CSR practices based on urgency and importance would be required. Thus, globalization would play an important role in implementing CSR in the social sector. In keeping with the above observation, we find that sustainability reporting Ines as a key component of CSR implementation, measurement, and, would report in organizations. Of course, there is a rising trend to broaden the scope of sustainability reporting to include socio-economic aspects, but still eroded more needs to be achieved in this area. Many companies are now joining the international reporting initiatives and are either developing in-house or hiring specialized services to measure and report on sustainability.
With the increasing promotion and popularity of the stakeholder concept there is a very conscious move among business entities to involve stakeholders more closely in business affairs. There is a proactive move to engage stakeholders in issues of mutual concern. A process of give and take is being established, based on shared dialogue. Very often, stakeholders are able to provide more innovative solutions to social issues, as they have better insight into their issues and concerns. Actually, this kind of participation would reduce the feeling of hurt when a business has to do a trade-off between the demands of various stakeholders, as decisions are more transparent and shared. Companies can reap the benefits of establishing trust of their brands among the future consumers by helping to increase the purchasing power of a community and creating a space in the minds of young consumers, who later would become loyal customers or what today is defined as 'brand junkies' (diehard fans of a brand) by marketing professionals. This kind of collaboration would create team efforts, which would result in more useful products and services with enhanced environmental and social properties.

Just as the collective bargaining power of employees is represented in the trade union movement and consumer grievances are addressed by consumer forums and courts, so also we may soon see the emergence of stakeholder councils and similar associations to voice their opinion at the decision-making level of an industry. This would require the development of specific tools and processes to resolve conflicts among the different demands that the growing number of stakeholders would put forth. During such happenings, a company may feel helpless, but the engagement of all stakeholders would show what is right and the practice of this right would become a part of the company's strategy. According to some critics, this kind of close association may reduce the effectiveness of stakeholder engagement as check and balance on the company activities. Therefore, a constant vigil must be kept.

The demand of the stakeholders for timely, comprehensive, and accurate information would become a right of the stakeholders and they would have to be treated fairly and honorably if the business community wants to earn their profits from the community. The spread of modern technology and information would become the strength of the future stakeholders as they would be able to gather more information, and disseminate the same among a larger audience much more effectively and quickly. Thus, the impact of their voice would be more far-reaching. This idea that CSR is related to the core business would lead companies to evaluate their own competencies more seriously. CSR would become the mandate of the entire organization.
Therefore, the evaluation process would have to measure resource utilization, methodologies adopted and short- and long-term impacts of a corporation. This will become a source of market research and risk reduction and will help to build a company's reputation and brand. As technology continues to make the world conceptually smaller, the actions and decisions of leaders are becoming immediately available for evaluation. This increases the importance of an effective field of educational practice to develop the life-long learning of leaders. Similarly, the elements of social responsibility, access, and human rights have never been so closely aligned between education and business as they are today. The successful multinational company of the future will not only depend upon a level of knowledge development, skills, and education among their employees, but also on accepting cultural diversity and creating a homogeneous recognized set of social and human values. This latter factor is necessary to ensure the dedication and loyalty of the employee and consumer toward optimizing future innovation and success.

The following factors would play a very major role.

1. For the future world of business, CSR would lead to increasing focus on priorities. It will impact the nature of decision-making related to competition, the development of sustainability related innovations, and the emergence of new, more successful, business models.

2. CSR would emerge as a lucrative investment from which returns are expected. The return on investment (ROI) of CSR would become an important measure for business practices.

3. To implement sustainability, optimizing available resources would require closer scrutiny. Therefore, not duplicating but strengthening and supplementing existing services would be the future trend. Sourcing activities will integrate environmental concerns more rigorously.

4. There will be more involvement of various institutions like the government, NGOs, and the media in monitoring activities to ensure that initiatives really deliver the desired outcomes.

5. CSR would become an important and inseparable part of corporate governance. Reporting performance in an open and transparent way, so that all members of a community can enjoy progress and identify areas for further action will be demanded from future corporations. Thus, new corporate governance structures to develop new models of economic
sustainability would be used to deliver CSR. Pressure from a new breed of socially responsible stakeholders will increase the pressure on businesses to behave in an ethical way.

6. Organizations have to design a long-term perspective, which encompasses their commitment to both internal and external stakeholders. This would have to reflect, in a new emphasis on decent working conditions in a context a source of protecting human rights, safe and just supply chain rationalization, reduction in carbon footprint, better work-life balance of employees, and innovative methods of developing holistic growth patterns.

7. There will be a new emphasis on social and community development initiatives. Contributing to poverty alleviation and poverty related concerns like community health initiatives, hygiene, nutrition, and education will be seen as an important part of the wider agenda for business entities that will increasingly have to measure their community impacts.

8. The role and status of CSR managers will be better recognized by the corporate world. The need is the development of and an increase in professional courses on CSR. Better quality education on CSR will help to increase the understanding and dissemination of what CSR is and the value of having a CSR function within the organization. A growth in certification and qualifications around CSR will help to enhance both their professionalism and the credibility of CSR managers.

9. In a customer driven economy, companies would have to reinvent themselves. CSR can help in the process by managing risks, help to avoid related to scandals, and help companies to gain a unique selling position.

10. In short, the journey has begun and it is not a short-term bubble that would lose its attractiveness. In fact, with every passing day, CSR will receive higher prominence and would become mandatory for companies.

CSR has become a global phenomenon that makes use of innovative approaches for solving social, environmental, and economic problems with the aim to increase the benefits for society, in general, and for the stakeholders of organizations, in particular.

The above factors clearly bring out the ideology of a shared growth. Human development has to take into account availability of equal opportunities for all. This would have to include the demands of all sections of society and the use of knowledge, skills, and expertise of the different sections to find solutions to the demands.
a. It will become embedded. There is no doubt that CSR will become embedded in a company's culture and organizational profile to such an extent that it will not be noticed, explicitly, any more. There is also little doubt that the phrase CSR will disappear but the sentiments behind it will be in place. The area of business and society will continue to be one of great debate, and the corporation will certainly change its form. I would hazard a guess that the private sector will still flourish as far as the next 50 years ahead but its power will be very much controlled as our own personal liberties also, unfortunately, become more controlled.

b. No need for an exit strategy. There will be no need for a CSR exit strategy simply because business will only survive if they can show, and be the evaluated to show, a clear social responsibility in their continued treatment of their stakeholders. An exit strategy will not be required simply because social responsibility will just be part and parcel of normal business practices.

c. Major inroads in developing countries. CSR will continue to make, in roads into developing countries, particularly through the main suppliers to the large corporations in the developed world, but also because the developing country people will not tolerate corporations that have no connection with local cultures and aspirations.

d. SMES will have CSR. CSR, Will extend to small to medium sized enterprise (SMEs) through rapid assessment and implementation tools. Companies cannot ignore global concerns.

e. Companies will grapple with the big issues simply because they see failure as being bad for business. Under-development, labour exploitation, curbs on migration, global warming, trade barriers, and global terrorism are all major challenges for governments and corporations.

f. UN and third sector cooperation. As companies cannot easily shape the macro agenda there will be increased cooperation between corporations, the UN and its agencies as well as NGOs, the so-called 'third sector.'
2.27 The deference between CSR and philanthropy

Michael Porter Wrote Corporate philanthropy or corporate social responsibility is becoming an ever more important field for business. Today's companies ought to invest in corporate social responsibility as part of their business strategy to become more competitive. Michael Porter has got it wrong. When even an internationally respected management guru mentions philanthropy and corporate social responsibility as being the same, it is hardly surprising that business leaders, academics and politicians confuse them. CSR is not the same as corporate philanthropy that CSR IS a system-wide concept that touches all the stakeholders of a corporation. CSR does not concentrate on only one stakeholder but philanthropy; 'the practice of performing charitable or benevolent actions' does, in general. Most, if not all, philanthropy is devoted to items that governments should be doing health grants to developing countries, help to the handicapped, and drugs for HIV/AIDS for example, and their failure should not be the preserve of corporations. However since government is one of the stakeholders of a corporation. There is nothing to stop corporations offering their management and technical skills to government to improve or introduce programmers to help vulnerable groups, Corporations exist to make profits. There is nothing wrong with that, only the way profits are made is the concern of CSR practitioners. Philanthropy does little or nothing to help companies make profits, while all CSR activity is linked to improving a company's bottom line.

2.28 CSR is sustainable

CSR is sustainable in actions become part and parcel of the way in which a company carries out its business. Its links to the bottom line of company must be clearly laid out because, if it does not contribute to the bottom line, it will eventually be rejected by hard-nosed directors and shareholders. Philanthropy has an inclination to be whimsical. It simply depends on the whims of the company directors at a particular time. Many NGOs receive their funds from corporations and carry out excellent work. Others, of course, willingly admit that the major stimulus to funding and membership is 'outing of corporations' which is sometimes more potent than helping corporate to fix things, but nevertheless often serves the public, interest Rather like the advertisements for Heineken beer, most NGOs involved in development carry out programmers that other programmers (mainly government ones) can't reach. But NGO interventions are based
on a scatter-gun approach and are spotty. They can intervene wherever they like. Governments, on the other hand, have to intervene everywhere or nowhere. It is better, much better, for a corporation (including non-profit ones such as NGO’s) to assist a government in making its contributions either nationally, or internationally, more efficient and appropriate. This then ensures widespread and even coverage.

As the above mentioned Economist article stated, there are some useful social investment actions that have been carried out by more far sighted organizations

The Rockefeller Foundation found a cure for yellow fever, the Gates Foundation has donated billions to tackle the health problems of the world's poor and Carnegie built thousands of public libraries. However this long-term investment ethos,

(Rob Reich, the Economist, 25 Feb 2006)

2.29 CSR and Sponsorship

Corporate sponsorship is different from corporate philanthropy. Sponsorship is a business tool used by companies as part of their communication, advertising or PR budgets to associate the corporation's products and services with dynamic images for their customers' consumption. Sponsorship usually requires a service, or action, in return for financial support, so this, Vienna, frequently has clear marketing benefits and is therefore directly linked to a company's bottom line.
References

5 Michael Hopkins, (2003), The Planetary Bargain-CSR Matters, London, Earth-scan, UK Minister for Corporate Social Responsibility,


17 Friedman M., (1970), September 13, the social responsibility of business is to increase its profits. New York Times Magazine, pp. 32-33, 122, 124, 126.


20 Peter F. Drucker (1973), Management: Tasks, Responsibilities, Publication, and perfect bound.


34 Kotler, Philip, Lee, Nancy (2005), Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause, Best practices from Hewlett-Packard, Ben & Jerry’s, and other leading companies, John Wiley & Sons, Inc., New Jersey, USA.
35 Dr. Manmohan Singh, Hon'ble Prime Minister of India addressing CII's National Conference and Annual Session, 24th May, 2007, New Delhi.