

## CHAPTER I

### PROLOGUE

"Sweer, Fool or Starve,  
for the dilemma's even;  
A Tradesman thou, and  
hope to go to Heaven?"

- John Dryden (1631-1700)

#### 1.0 INTRODUCTION

1.1 Business in general refers to all enterprises engaged in manufacture or trading of goods & services. In all modern civilizations business occupies a dominating place affecting the general life style of citizens. It is Business that moves the wheels of the economy and augments the standard of living of the population. In traditional societies, business operated on the principle of Profit maximisation. Milton Fredman said that one & only social goal of business was to use its resources & engage in activities designed to increase its profits.<sup>1</sup> It was felt that it was not essential for business firms to be concerned with the social value of business.

1.2 In the contemporary era, it is not accepted that business is not an end by itself but serves only as means to an end. Business, therefore, has to contribute more effectively for the betterment of mankind. Harold says that in a time when bribes, illegal pay-offs, price conspiracies and acusations of irresponsibility continue to tarnish the image of American Business, the problem of ethics in the free enterprise system remains a valid and difficult one.<sup>2</sup> In view of the recent developments in the field of business, the blatant acts of irresponsibility and the growth of commerce, the spot light is on the concept of Social Responsibilities of Business.

## 2.0 EVOLUTION OF SOCIAL RESPONSIBILITIES OF BUSINESS

2.1 The Committee for Economic Development (CED), U.S.A. has published a pamphlet entitled "Social Responsibilities of Business Corporations", that urges managements to involve itself actively in such social causes as aid to education, urban renewals, opening up better job opportunities to women, training the disadvantaged, environmental pollution and much more.<sup>3</sup> The "Social responsibilities of business" have been discussed for a century. Indeed a chapter or two on social responsibility or some other similar heading can be found in almost any text on general management.<sup>4</sup> But since the sixties the meaning of the words "Social responsibility of business" have changed radically.

2.2 The Bible notes, 2000 years ago, Jesus entered the temple of God and drove out all traders. He said to them "It is written my house shall be called the house of prayer but you make it a den for robbers". In 1592 Sir Roger Manwood, Chief Baron of the British exchequer lamented that "Corporations were invisible and have no conscience or soul". The Gary principles, named after E.H. Gary the principal organiser of U.S. Steel who introduced them in the early 1900's spelled out the code of Corporate behaviour in an elaborate and lucid style.

2.3 The concept of "Social responsibilities of business" has been discussed extensively over the past decades by a cross section of the society. Rowntree (1918) spoke of the Social responsibility which the employer bears towards his employees by virtue of his power and wealth.<sup>5</sup> Some earlier writers like Eiichi Shibusawa in Japan early & mid-meiji (19th century) and Walter Rattenau in Germany (before 1st world war) wrote extensively on the relationship between business and the society around it.

2.4 Mayo (1933) argued that those countries whose businessmen turned away from just economic profits to more responsible goals would develop in a stable and secure manner while others would experience social disorganisation.<sup>6</sup> Galbraith (1958) urged business and society to "invest" in individuals in order to enable them to reach their personal potential thereby raising the level of the community in which they live, or at least enabling them to leave their immediate environment.<sup>7</sup> Walton (1967) emphasized the "intimacy of the relationships between a corporation and a society and such relationships should be kept in mind by top managers as the corporation and the related groups pursue their respective goals".<sup>8</sup> Nichols (1969) suggested that all are beneficiaries in the pursuit of economic prosperity.<sup>9</sup>

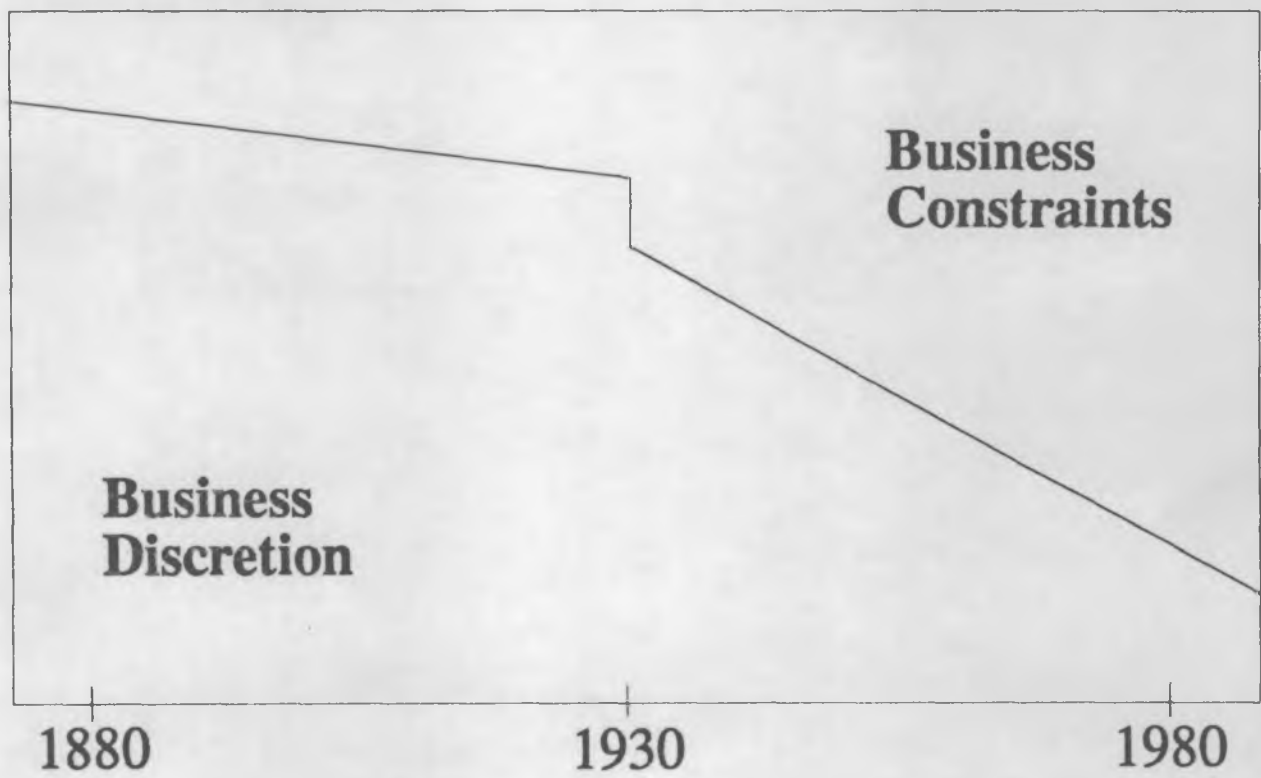
2.5 Frielden (1970) emphasises that corporations, if they are to survive, will have to be responsive to the need of the society.<sup>10</sup> Kolasa (1972) said that social responsibility refers to the "general feelings and behaviour called for in the promotion of the common good".<sup>11</sup> Rockefeller (1974) argues that in modern times it is believed that ownership carries social obligations.<sup>12</sup> Drucker (1973) said that the new concept of social responsibilities no longer asks what the limitations on business are but it demands that business take responsibility for social problems, social issues, social and political goals and that it becomes the keeper of society's conscience and the solver of society's problems.<sup>13</sup>

2.6 Drucker distinguishes between the older concepts and the new concepts of social responsibility. He says that the earlier discussions of social responsibilities of business is centered in three areas :-

- 1) Relationship between private ethics and public ethics.
- 2) The social responsibility which the employee bears toward his employees by virtue of his power and wealth.

Figure 1.1

The Evolving Relationship Between Business and Society



3) The term was used to assert or assign leadership responsibility of the businessman with respect to the culture of the community.

2.7 In recent years the newer concept of social responsibilities focusses attention on what business should do or might do to tackle and solve problems of the society. The emphasis is on the contribution business can make to solve social problems.<sup>14</sup> This new concept of social responsibility demands that business take responsibility for social problems, social issues, social and political goals and that it become the keeper of society's conscience and the solver of society's problems. Robert Kennedy proposed that the rehabilitation of slums in the big American cities be taken on by business and Frank Tannenbaum proclaimed that multi-national corporation was the "last best hope and the only foundation of a peaceful world".<sup>15</sup>

2.8 Prime examples of Social responsibilities are minority employment, urban renewal, environmental protection and support of education and the arts.<sup>16</sup> In addition to the function of producing products or services effectively, bearing in mind the profit maximisation objective, Managers of the modern enterprise should be expected to denote Company resources to social service projects.

### **3.0 THE CHANGING NATURE OF BUSINESS AND SOCIETY**

3.1 Societal expectations toward business have over the past century become progressively more demanding and restrictive. While a new era of constraint and redefined responsibilities commenced with the passage of the Sherman Anti-Trust Act of 1890, it was not until the Great Depression and the New Deal that corporate freedom and discretion were significantly affected. As can be seen in Figure 1.1 it has been primarily in the last fifty years that business has found its social responsibilities greatly refined and expanded and its freedoms sharply reduced. New social contracts between business and society have evolved.

Figure 1.2

Historical Perspectives Toward Corporate Social Responsibility

<i>Models</i>	<i>Phase I</i>	<i>Phase II</i>	<i>Phase III</i>
Hay & Gray (1974)	Profit max. late 1880s	Trusteeship 1920-30s	Quality of Life 1970
	<i>Classical Mkt Model</i>	<i>Mgrl. Model</i>	<i>Social Env. Model</i>
Jacoby (1973)	Enterprenuerial & Short-run profit max.	Professional Growth-oriented	Expanded Constituency Long-run profit max.
	<i>Social Obligations:</i>	<i>Social Responsiveness:</i>	<i>Social Responsiveness:</i>
Sethi (1975/1977)	Proscriptive – Exploitive economic & defensive strategy	Prescriptive – Primarily economic. & reactive strat.	Anticipatory & Preventive – Highly proactive social strategy



Figure 1.2 traces the historical perspective towards CSR. As can be seen, the current body of knowledge lays emphasis on a highly proactive social strategy.

3.2 While societal needs and expectations were partially redefined by two world wars and a depression sandwiched in between, other factors also played a contribution role. In more recent years, an affluent and better educated society has come to expect more from both business and government. Emerging and evolving needs and expectations have in addition been strongly influenced by the mass media. The mass media, which has both an appetite and flair for the dramatic, has been able to play a "gatekeeper" role. Collectively, it can shape, accentuate, or reaffirm needs and expectations.

3.3 Social expectations have also changed with the rise of powerful and visible business institutions. The sheer size alone of some process of conformity is described by Edgar Schein (1974). The individuals and organizations find acceptance and survival as an entity to be contingent on conforming to values, norms and expectations reflected by the broader environmental context within which they reside. Perhaps it would now be useful to examine the socialization process which has led to a new social contract resulting in a more narrowly defined "zone of acceptance" and diminished business discretion.

3.4 Perhaps the most pervasive factor in changing the relationship of business with society has been the steady, frequent, and dramatic growth in government, especially at federal level. This growth stems from many sources. Much of our initial impetus dates back to a fundamental change in our nation's strategic policy at the eve of independence in 1947. Another factor which contributed to the growth of government was the economic collapse that occurred with the Great Depression. However, affluence, education, and rising expectations lead to criticism and re-examination of all society's major institutions.

#### 4.0 THE SOCIAL CONTRACT

4.1 It is apparent that over the past century the needs of society have changed dramatically. Changing societal needs have in turn led to new social contracts or perhaps, amendments to the old social contracts. Carroll defines a social contract as a "set of two-way understandings that characterize the relationship of business with society".<sup>17</sup> However, it is also observed by Jacoby that there is a gap between societal expectations and the realities of business response. Since it is possible for explicitly defined legal contracts to lead to differences of interpretation, such is to be the case especially for social contracts.<sup>18</sup> Social contracts only partly reflect explicit legal parameters and include as well a vast array of understandings, demands, and definitions implicitly and amorphously delineated by numerous and inherently conflicting social constituencies.

4.2 As a result, a number of observations can be made within the context of an overall social contract between business and society. Individual firms are likely to find bound to a large number of sub-social contracts reflecting pluralistic constituencies. These social contracts will vary by firm and industry. Finally, a firm's social contract will result in a Simonesque satisficing process where it attempts to meet the expectations of its various constituents. Such a satisficing process is likely to result in perceived performance gaps.

4.3 On the surface, the concept of social contract results in confusion and appears to be unbounded. However, order can be restored by resorting to the Barnard-Simon construct of a "zone of acceptance". At the broad macro level of business and society, these are legal and social zones of acceptable behaviour within which individual business firms know they must operate. Such zones actually describe the concept of a social contract. These zones are elastic



and evolutionary. The changing and shifting zones of acceptable behaviour has required business organizations to redefine their goals, roles, and responsibilities. Business has had to respond in a macro manner much like individual organizational members in a micro setting.

## 5.0 CONCEPT OF SOCIAL RESPONSIBILITIES OF BUSINESS (CSR)

5.1 Disregarding the traditional framework and recognizing that business is a social system, the concept of social responsibilities of business becomes a value issue of business. Elbing enumerated the value issue as follows :<sup>19</sup>

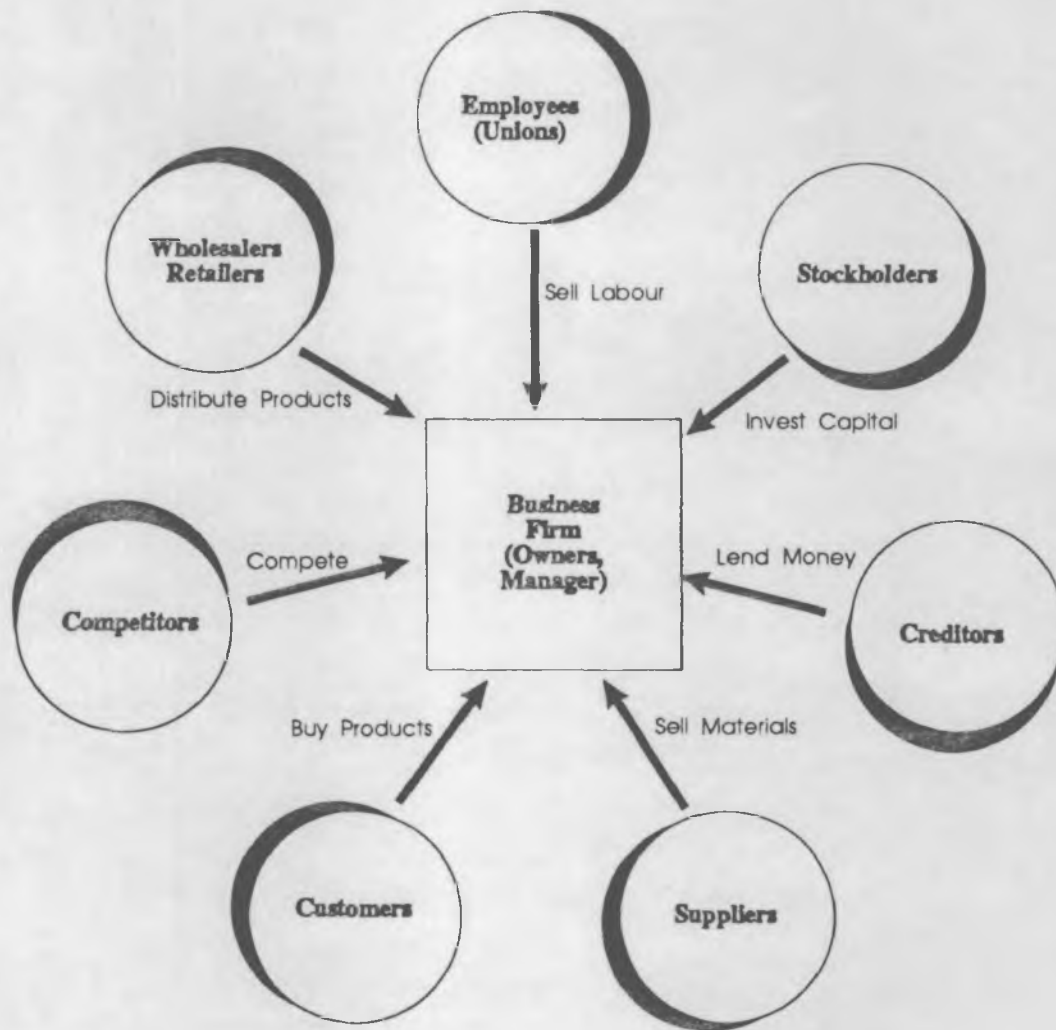
- 1) Business is necessarily in the moral realm,
- 2) The value issue cannot be considered as a peripheral issue,
- 3) Values are affected by social acts, and
- 4) The ultimate purpose of business is to be "Socially profitable".<sup>20</sup>

5.2 Keith Davis has said that there is "an iron law of responsibility which states that in the long run those who do not use power in a manner that society considers responsible will tend to lose it".<sup>21</sup>

Today's social climate makes many demands on business requiring business leaders to be skilled in managing their companies social relations as the more traditional economic ones. This interaction between business and the "World beyond the company gate",<sup>22</sup> is involved in the study of social responsibilities of business. Business and society together consists of an interactive system. Each needs the other. Each can influence the other.<sup>23</sup> They are inter-viewed so completely that an action taken by one, will inevitably affect the other. The boundary between the two is blurred and indistinct. Business is a part of society and society penetrates far and often into business.<sup>24</sup>

Figure 1.3

Primary Interactions of Business & Society



Source: Keith Davis and William C. Frederick *Business and Society; Management, Public Policy, Ethics* McGraw Hill, U.S.A., 1984, p.8

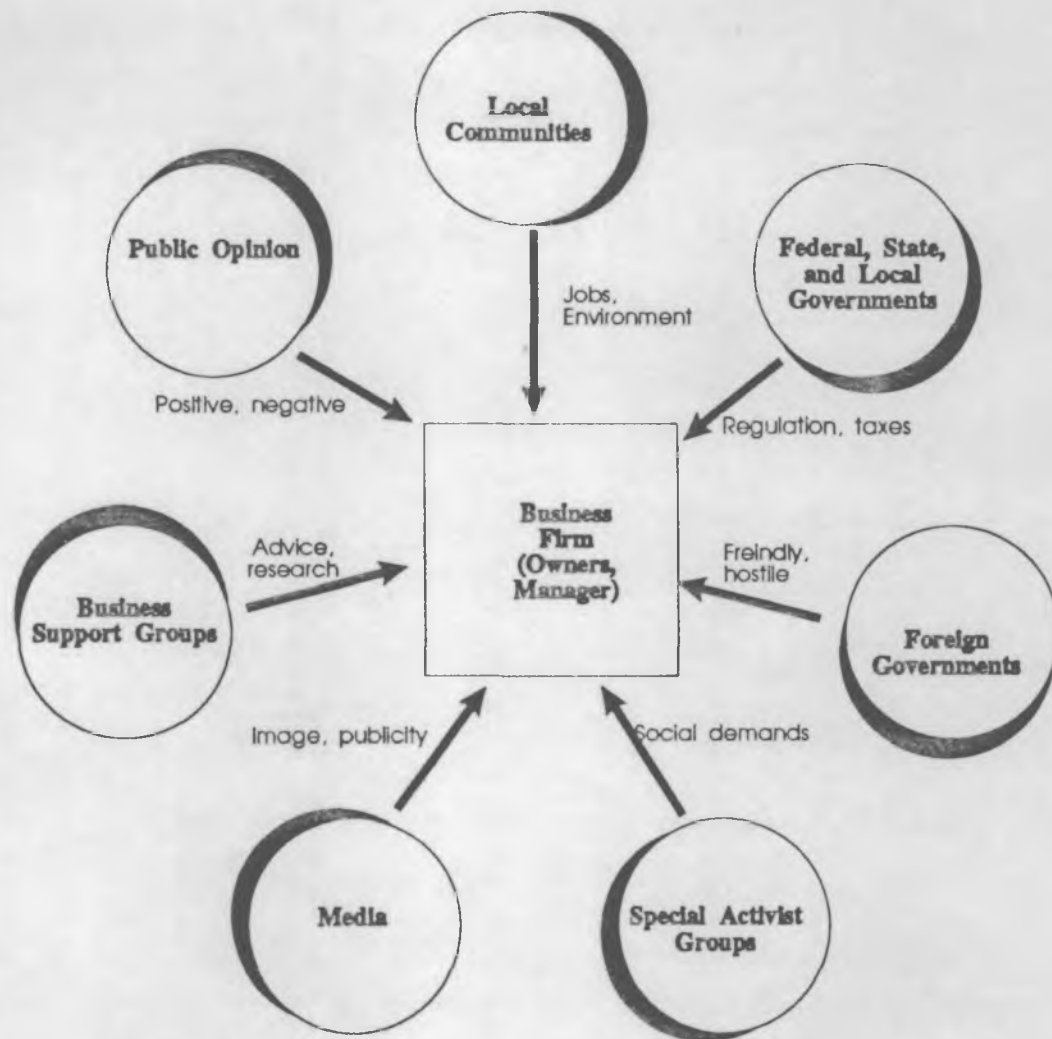
5.3 Keith Davis has illustrated the Primary and Secondary interactions of Business and Society. Figure 1.3 shows the Primary interactions a company has with society. They tell us what the company's primary mission is. A business's primary involvement with society includes all the direct relationship necessary for it to perform its major mission. Figure 1.4 shows secondary involvement with society, grown out of the impacts caused by the company's primary mission or function. Davis says that these challenges like constant threads cover all business and society relations. Figure 1.5 shows the linkage or relationship between major social challenges, the interactive model and the business's social responsibility.

5.4 Epstein had aptly remarked that "Responsible Corporate Social behaviour contributes to the legitimacy of the corporation with American Society and to its national interaction with other sectors of the society."<sup>25</sup> Eells and Walton in this "Conceptual Foundations of Business" declared social responsibility as : thinking in terms of the problems that arise when corporate enterprises cast its shadow on the social scene and the ethical principles that ought to govern the relationships between the corporation and society They are concerned with the impact of the corporation on the individual and the possibilities of reconciling big business, big labour, and big governments with the values deeply rooted in our form of government.<sup>26</sup> The idea of corporate social responsibility began to be well accepted in the 20th century when Andrew Carnegie and Henry Ford developed paternalistic programmes to support the recreational health needs of employees. The far sighted business leaders believed that business had a broad responsibility to society in general.<sup>27</sup>

5.5 Corporate Social Responsibility is the motion that corporations have obligations in society, other than stockholders. Moreover, these obligations are expected to go beyond the requirements of law.<sup>28</sup> In other words the modern

Figure 1.4

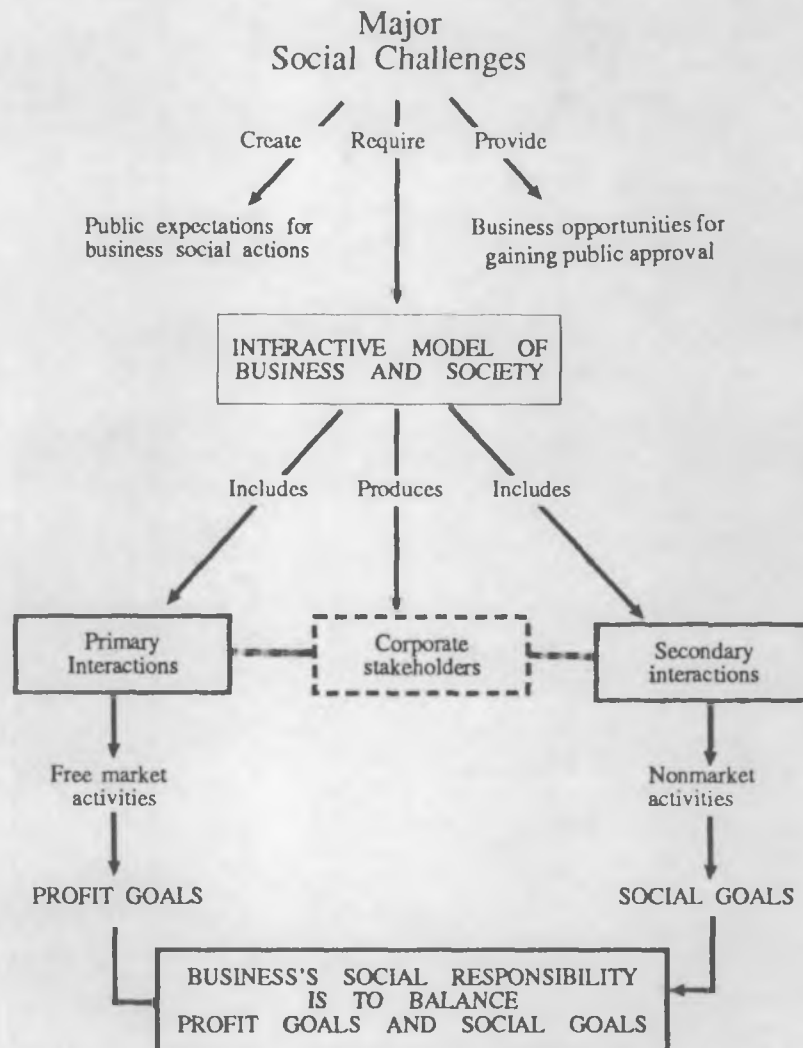
Business's Secondary Interactions with Society



Source: Keith Davis and William C. Frederick *Business & Society, Management, Public Policy, Ethics* McGraw Hill, U.S.A., 1984

Figure 1.5

Relation of Major Social Challenges, the Interactive Model of Business and Society Corporate Stakeholders, and Business's Social Responsibility.



Source: Keith Davis and William C. Frederick *Business and Society. Management, Public Policy, Ethics* McGraw Hill, U.S.A., 1984, p.21

view to that Corporate Social Responsibility is more than an obligation to abide by the law. Responsibility in the contemporary sense involves voluntary action over and above the law.<sup>29</sup> Dr. Naftalin has identified five sets of corporate relationships each of which involves major aspects of socially responsible behaviour.<sup>30</sup>

- 1) The firm's internal constituency - workers and managers
- 2) Community within which the firm operates.
- 3) External constituency - consumers & suppliers.
- 4) The larger society from which the firm draws its resources.
- 5) The firm's shareholders.

5.6 A seminar sponsored by India International Centre, New Delhi in 1966 spelt out the social responsibilities of management by saying that "An enterprise is a corporate citizen, like a citizen it is esteemed and judged by its actions in relation to the community of which it is a member, as well as by its economic performance - A company has a responsibility to provide security of employment with fair wages - equal opportunity for personal growth". Walton (1967) emphasised the need for businessmen to balance competing interests of various constituencies and to work closely with government in taking into account the rights of all involved.<sup>31</sup> This "balancing of interests" is an equilibrium model that derives from the basic concept of pluralism. In a pluralistic society diverse groups maintain autonomous participation and compete for societal resources. This concept ensures equity for all groups of society.<sup>32</sup>

5.7 A report of the Confederation of British Industry (CBI) says that profit is defined as a surplus fund that remains after all proper commitments have been met.<sup>33</sup> The CBI report regards profit as the main objective but not as the sole objective of business and says the company must discharge moral obligations that go beyond the pursuit of profit and the specific requirements of legislation.

5.8 Chester Barnard's Functions of the Executive was one of the first texts to explore the importance of behaving in a responsible and moral manner. In his chapter, "The Nature of Executive Responsibility" he implicitly described and advocated a role of a social responsibility for corporate executives. Barnard noted that :

"Executive responsibility, then, is that capacity of leaders by which, reflecting attitudes, ideals, hopes, derived largely from without themselves, they are compelled to bind the wills of men to the accomplishment of purposes beyond their immediate ends, beyond their times .... For the morality that underlies enduring co-operation is multi-dimensional. It comes from and may expand to all the world, it is rooted deeply in the past, it faces toward endless future."<sup>34</sup>

Since Barnard's time, however, the social responsibilities of executives and organizations have expanded and have become more demanding. It is not always easy for an organization to identify its social responsibilities and to reconcile them with its self interest. It is noted by Richard Hodgetts and Max Wortman that :

"In determining the parameters of social responsibilities in modern organizations, executives must consider how far and in what directions they must go to fulfill the demands of society while at the same time carrying out the objectives of the organization."<sup>35</sup>

This dilemma of choice and the importance associated with it is also recognized by Andrews who follows closely in the tradition of Barnard :

"The emerging view in the liberal-professional leadership of our most prominent corporations is that determining future strategy must take into account - as part of its social environment - steadily rising moral and ethical standards.

Reconciling the conflict in responsibility which occurs when maximum profit and social contribution appear on the same agenda adds to the complexity of strategy formulation and its already clear demands for creativity. Coming to terms with the morality of choice may be the most strenuous undertaking in strategic decision."<sup>36</sup>

5.9 The strategic choice process is essentially one where an organization seeks to match its distinctive competence to an environmental opportunity. However, the process described by Andrews reflects an imposing reality with which many businesses may feel uncomfortable, and this perhaps explains why CSR is frequently a low priority consideration. Not only must internal and external goals and expectations be reconciled, but external goals and expectations representing dissimilar or opposing constituencies need to be integrated, weighted, and factored into the strategic decision. In addition, it will be difficult to establish corporate social standards or benchmarks. Social performance criteria can often be as indeterminate as actual performance measurements. For instance, Jensen has indicated that :

"Business firms are woven into the economic, social and physical environments of nations. In recent years, there have been internal (within-firm) and external (society-in-general) movements underfoot to examine more closely the impacts of firms upon such environments and vice versa. However, in most instances we are still groping in the dark concerning what to disclose, how to disclose it, and how to compare and evaluate business enterprises."<sup>37</sup>

5.10 Several writers, researchers, and academicians were quick to notice the gap that existed between societal expectations and corporate social response. Despite the effort of some in the business community to close the gap between performance and often utopian societal expectations, the gap persisted. However, by the Fall of 1980, the gap between performance and expectations seemed to have narrowed



as evidenced by the general elections. Another new era appeared to be emerging in regard to relations between business, government, and society. Perhaps Amitai Etzioni's argument in favour of reindustrialization reflected society's concern for a renewed emphasis as the economic foundations of industrial America and less on the self-actualizing societal obligations of business and industry which had intensified in recent years.<sup>38</sup>

5.11 While a less utopian mood appears to exist, such a mood is fragile. Reindustrialization is a long-term project and should it either be mismanaged or society become impatient waiting for results, the old social contract with its expectations for business would return more determined and exacting than before. Such an atmosphere requires corporations to efficiently fulfill their economic responsibilities or as a result find them increasingly entrusted to government.

5.12 The new era - if it can be called such - does not signal an end to social concerns and the need for meeting non-economic societal obligations. Instead, corporate responsiveness may need to be more pragmatic and ensure that economic responsibilities can be fulfilled. Corporate social responsibilities need to be reviewed from more than just a forum of ethical and philanthropic response. Perhaps the emerging social contract will require economic efficiency in order to fuel the wheels of a self-actualizing society. A major feature of this study consists of examining the importance major corporations place on their various social responsibilities - including those which are economic and legal as well as those which are ethical and philanthropic.

## 6.0 ARGUMENTS FOR SOCIAL INVOLVEMENT

6.1 Bowen (1953) discussed the general social and economic benefits that might result from recognition of broader social goals in business decisions.<sup>39</sup> Arguments for social

involvement relate to potential benefits for society and for business.<sup>40</sup> They are :

a) **Changing public needs & expectations :**

Changing public needs & expectations have led to a growing concern for social involvement. This is a sign for deep far-reaching social change. New needs exist because business could satisfactorily meet with older needs, since public expectations are rapidly changing & increasing it follows that business is required to move toward more social involvement in order to be accepted & successful.

b) **Moral obligations :**

"A corporation can and should have a conscience. The language of ethics does have a place in the vocabulary of an organization."<sup>41</sup> Human interests are first placed at priority and the economic needs of business remain lower in the hierarchy.

c) **Limited resources :**

Since there are limited physical and financial resources, business must help in preservation or conservation of resources, by preventing wastage & misuse.

d) **Better Social Environments :**

Involvement by business should help in solving difficult social problems, thus creating a better quality of life. A multiplier effect may occur to improve other areas of life also. Business firms will also benefit from a much better social environment. Absenteeism & turnover will be reduced and many days lost due to labour unrest cut drastically. Crime & other social problems will also witness a decline.

e) **Long-run profit :**

In the short-run, the cost of social responsibilities will be high but in the long run, additional benefits would accrue to the organization due to improved community relationship and improved business image. We

simply cannot prosper for long if our potential customers are embittered, if many of our cities are impoverished and if many of our employers are disillusioned.<sup>42</sup>

f) **Discouragement of further government regulation :**

If business firms are socially responsible it will discourage additional regulation of the economic system by the government. If business by its own socially responsible behaviour avoids any further government regulations it is accomplishing a public good as well as its own private good.

g) **Balance of power with responsibility :**

It is reasoned that business has a large amount of social power in exchange of responsibility. Responsibility is the necessary reciprocal of power.<sup>43</sup> "The demand of the law in a well ordered society is that responsibility shall be where the power of decision lives, where that demand is met, men have a legal order. Where it is not, they have only the illusion of one."<sup>44</sup>

h) **System interdependence :**

Modern Social System is complex and interdependent and almost any internal act of business has some influence on the external world, thus Business and Society must show concern about their external influences on the system.

i) **Contribution to social problems :**

Business in the past has added to the social problems of our times. Thus since it has "stirred a hornets nest" it must help in providing appropriate solutions to the problems.

j) **Public image :**

Social response helps in furthering the public image of a business firm. An enhanced public image can gain more customers, better employees and other benefits.

k) **Useful resources :**

Business has abundant resources that can help solve chronic social problems. The ample human, physical and financial resources of a corporation can help in providing a reasonable amount of aid to society.

l) **Prevention is better than cure :**

Delay in solving social problems could be disastrous. Thus business should act now in solving social issues and put out social fires.<sup>45</sup>

7.0 **ARGUMENTS AGAINST SOCIAL INVOLVEMENT OF BUSINESS**

a) **Need for profit maximization :**

Adam Smith had argued that business produces a public good only when it reduces costs and improves efficiency in order to maximize profits. Milton Friedman says that a Corporate Executive is an employee of the owners of the business and has to conduct the business in accordance with their desires.<sup>46</sup> In the orientation to society, management contributes to reduced economic efficiency and power politics. Management becomes a "Management of Retreat"<sup>47</sup>, as it turns more to social interest and less to stockholder interest and economic efficiency.

b) **Divided purposes and confused expectations :**

The combination of economic and social purposes could create a house divided against itself that collapses from its own internal conflicts and confusion of goals. When expectations of the society cannot be satisfied by business, "its public image will be tarnished and people will turn against it, leaving it unable to function effectively."<sup>48</sup>

c) **Costs of social involvement :**

How can costs of social involvement be met by the corporations while the society receive the benefits free?

d) **Weak balance of payments situation :**

If social actions reduce economic efficiency then this lower efficiency is likely to lead to higher costs and prices. This will lead to a weak international trade and balance of payments situation.

e) **Business has enough social power :**

Business is quite powerful and addition of social power would make it quite lethal as an institution.

f) **Lack of social skills :**

Many business leaders lack the perceptions and skills to work effectively with social issues; their outlook and abilities being primarily economic.

g) **Lack of accountability :**

It is unwise to allow business activities in areas where business is not accountable.<sup>49</sup> United society can develop mechanisms to develop direct lines of social accountability, business must stand clean of social activities and pursue only its goal of profit.<sup>50</sup>

h) **Corporate inability to make choices :**

Ethical concepts apply to persons and not organizations. Only individuals can make responsible ethical choices. The idea of corporate social responsibility is merely a smoke screen or disguise used by people with special interests.

## 8.0 PROBLEM AREA

8.1 Since the term corporate social responsibility is likely to mean different things to different social policy analysts and critics, the same is likely to be true for business organizations. Firms in differing industries which are confronted by varying degrees of public responsibility are bound to possess contrasting approaches and interpretations to the CSR issue. The problem facing individual business entities as well as the entire business community is how to interpret or define social responsibility. While

such a definition would, in part, reflect public pressures and moods, it would also represent corporate goals and aspirations. These, in turn, are derived from a firm's history as well as from various senior executives and other personnel and organizational coalitions.

8.2 The definitional problem is one which is partly addressed by Archie B. Carroll's (Academy of Management Review) article where CSR is partitioned into four components. CSR is in contrast to its more precisely and explicitly understood sibling counterpart : Social Forecasting. Social Forecasting may be understood better since it is not subject to many of the vagaries confronting CSR. Corporate Social Responsibility is not only reflective of a subjective value orientation, but it retains elusive and unbounded qualities or properties which make it an especially difficult topic of study.

#### 9.0 PURPOSE OF STUDY

9.1 The general purpose of this research effort is to ascertain the importance of CSR in large corporations and discern how they define CSR. While this can be partly determined by examining how organizations respond to their social obligations, it was believed that it would be more useful to draw conclusions from a survey of corporate executives. The primary intent here was to research CSR through a survey instrument capable of identifying how corporations actually view their social responsibilities. Caution may need to be applied to the CSR findings derived in 1986 since the economic mode and climate was perhaps unlike the 1970's. However, the instrument employed in 1986 was still useful in identifying the CSR modes that would generally be representative of the business community. Since corporate social responsibility is an evolving process, the picture taken in 1986 is then pertinent to a given point in time.

9.2 The first major objective to be undertaken was the development of an instrument capable of assessing the CSR orientation of a given business organization. The questionnaire itself was designed to utilize a forced-choice format through which the respondent scored the relative value of the four components of CSR - economic, legal, ethical and discretionary - to derive a definition. The CSR value that each response represented was determined by the weight or emphasis given by the respondent to each of the four components. Such an instrument permitted the collection of data reflection the CSR posture of a firm as viewed by its chief executive officer or his delegated representative.

9.3 The second major objective to be pursued was the development of a social performance matrix. However, it was the existence of the questionnaire and its administration which facilitated the deployment of such a matrix. This matrix depicted two major dimensions: a "concern for society" and a "concern for economic performance". The basic nature of this matrix is not entirely new since it resembles some of the earlier and more micro designs developed by Blake and Mouton and Hersey and Blanchard.

From the two dimensions identified above, four macro performance cells were derived. Data which was then obtained through the instrument made it possible to identify individually responding firms with one of the cells. The CSR response of each firm was relative to the response of all other firms and as a result could be placed within one of the four performance cells.

9.4 The instrument was also capable of serving many additional research purposes. In particular, Archie Carroll's four-part CSR model was tested. For instance, the model defined CSR through four components each of which is perceived to have varied in importance overtime. Not only did

the four components help define CSR, the relative weight of each played a definitional role.

The instrument also made possible an assessment of the collective CSR orientation of a part of the business community. By directing the instrument at firms listed in the 1986 Forbes Annual Directory, an index composed of 798 firms, it was possible to discover the relative importance of each of the CSR components from a collective standpoint which in turn depicted the CSR portrait held by the business community.

9.5 While the objectives above represent the initial focus of this study, many subsidiary yet important areas of related interest were also explored. This study examined/compared the CSR orientation of :

- 1) The various industrial groups. For instance, retail/consumer firms were matched with industrial/manufacturing firms.
- 2) The various organizational respondents. Public affairs officers were compared to chief executive officers.
- 3) High visibility firms with that of low visibility firms. In addition, firms were examined/compared on the basis of :
  - 4) their relative asset size.
  - 5) their relative financial performance.
  - 6) their relative corporate risk propensities.
  - 7) their relative financial performance adjusted for risk.
  - 8) whether or not they utilized social forecasting.
  - 9) whether or not social issues were integrated into the strategic planning process.
- 10) whether or not a social responsibility committee existed on the board of directors.



The relationship between CSR and corporate profitability represents an area of special concern in this study. As a result, issues 5, 6, and 7 will be explored extensively in this study.

#### 10.0 CONTRIBUTION AND JUSTIFICATION FOR THE STUDY

10.1 The justification of any study need be based on the quest for knowledge. The justification for the study derives from the many deficiencies which persist in the CSR area. Many theories or proposals exist as to how CSR is defined but little effort has been made to determine how firms define or actually perceive their social responsibilities. While some attempts have been made to identify what social responsibilities business organizations should have, such effort is generally perceptive in nature. Major endeavours have been made to examine indirectly how or whether a firm is socially responsible by reviewing secondary data such as corporate annual reports. An effort has even been made to determine which firms are or are not socially responsible.

10.2 The Business and Society Review had, for a number of years, provided a list of firms it deemed socially responsible or irresponsible. However, it never indicated what criteria was used in making such determinations. A problem with much of the CSR research was the subjective quality often associated with it. The justification of this study is in part a result of unanswered CSR questions as well as an exploration of uncharted CSR frameworks and perspectives. Much of the focus of this research addresses the issue of how business organizations actually define or interpret their social responsibilities. This is an original inquiry since previous research has not directly attempted to derive a relatively explicit understanding of how business organizations view their social responsibilities. Only in a very limited manner does the research by Sandra Holmes and Guth and Tagiuri contend with this issue.

10.3 The contributions of this study are multifaceted. Some elements are unique, such as the forced-choice instrument through which CSR data are gathered. Some efforts are innovative such as the formulation of a social performance matrix to be utilized at a macro level. Other efforts are concerned with model testing, such as the Carroll CSR construct. Finally, there are attempts to follow up on previous research and, as a result, play a confirmation or denial role.

#### 11.0 OVERVIEW OF THE REMAINING CHAPTERS

Chapter Two "**Areas of Social Responsibilities**" lists the wide range of activities that are perceived as socially responsible. Empirical evidence based on past studies is also provided.

Chapter Three "**Models of Corporate Social Responsibility (CSR)**" serves a number of purposes. First the historical context out of which CSR is provided in considerable detail. Secondly, numerous micro and macro theories and perspectives from management are utilized within a CSR framework. Contributions from business policy, public policy, and behavioural management are woven together to suggest new conceptual approaches in CSR. Finally, and most importantly, a major effort is directed at discerning the relevant and related research in CSR that is pertinent to this study.

Chapter Four "**Corporate Social Irresponsibilities - Empirical evidence**" lists out certain acts of irresponsibilities of business firms around the world. This is not an exhaustive list and thus some prominent empirical evidence is only provided.

How Corporations have been responsive to the concept of Social Responsibilities, in India and other countries, is analysed in Chapter Five "**Corporate Social Responsibility - Empirical Evidence**".

Chapter Six - there is an extensive discussion of the **Methodology and conduct of the study**. In addition, the method used to test, validate, and deploy the instrument are discussed in detail. The overall logic and methodological purposes are investigated. This chapter also provides an examination of the questions used in the instrument as well as the how and why of population and sample selection.

The findings from this research endeavour are set forth in Chapter Seven **"Presentation and Analysis of Data"**. Many issues were explored and tested and as a consequence, this chapter contains numerous details. The data provided in this chapter is descriptive. Many CSR issues and relationships are examined alongwith testing of Carroll's CSR construct. For instance. the conventional view that CSR and corporate profitability are co-related was investigated.

Chapter Eight **"Conclusions and Recommendations"**, represents a culmination of this study's endeavours. The results are summarized and some "insights" and speculations are offered. Research problems in CSR are discussed from a number of vantage points especially that of the subjective quality of the topic of research. The emotionally charged nature of CSR complicates empirical research. The process of designing an instrument, obtaining responses that are valid, summarizing the obtained data, and expounding on the data represent incredible barriers. The research problem in CSR is compounded when the amount of emotional noise in the research process is considered.

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