

CHAPTER II

AREAS OF SOCIAL RESPONSIBILITIES

"One must learn by doing the thing,
for though you think you know it you
have not certainty, until you try."

- Sophocles, Trachiniae.

1.0 CONCEPT OF SOCIAL RESPONSIBILITY RE-VISITED - RE-EXAMINED.

1.1. The Asian Productivity Organization (Tokyo) defined social responsibility as a series of actions taken by business enterprises and the professional managers for the employees, customers, suppliers, owners, government and the community in general to meet the needs and interests of these publics because business is a creation of society and must, therefore, serve that society if it is to remain viable.¹ Such actions will be made voluntarily for goodwill, business necessity and cultural requirements and non-voluntarily to satisfy legislation and social pressures.

1.2 Corporate Social Responsibility is the notion that corporations have obligations to groups in society other than stockholders.² Moreover, these obligations are expected to go beyond the requirement of law or the letters of the Union contract.³ In other words, 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.⁴

1.3 Robert Freedman (1967) said that the concept of Social Responsibility of Business means :

- 1) Justice and fairplay in all its dealings,
- 2) Making of services attempts at growth and development of all the factors of business from owners to consumers.
- 3) Utilisation of surplus for (1) & (2) above, and,
- 4) Utilisation of left-over surplus for any other social purpose like education, health, fundamental research, etc.⁵

1.4 Beesley and Evans say that Companies may not be regarded merely as means of achieving economic goals. They are also expressions of human aspiration, both individual and collective, sources of status and necessity, work organization where individuals spend large parts of their lives and to which they devote huge proportions of their emotional and intellectual commitment. The company is a focus of the accumulation of personal power and of the gratification to be derived from its exercise.⁶

1.5 Fred Blum (1966) had specified social responsibilities of management as follows :⁷

- 1) Provision of an adequate level of Income for a working family.
- 2) Provision of equal opportunities for all employees to develop their abilities and potentialities.
- 3) Preservation of the liberty of the individual and protection against the dangers of paternalism.
- 4) Ensuring the quality of goods and services and eliminating adulteration, and,
- 5) All round development of the locality in which an enterprise was located.

1.6 George Govder (1951) rightly pointed out that industry in the twentieth century can no longer be regarded as a private arrangement for enriching shareholders.⁸ It has become a joint enterprise in which workers, management, consumers, the locality, government and the trade unions all play a part. If the system which we know by the name Private Enterprise is to continue, some way must be found to embrace many interests which go to make up industry in a common purpose.⁹

1.7 The high powered expert committee on Companies and MRTP Acts or the Sachar Committee in its report (1978) said that in the development of corporate ethics, we have reached

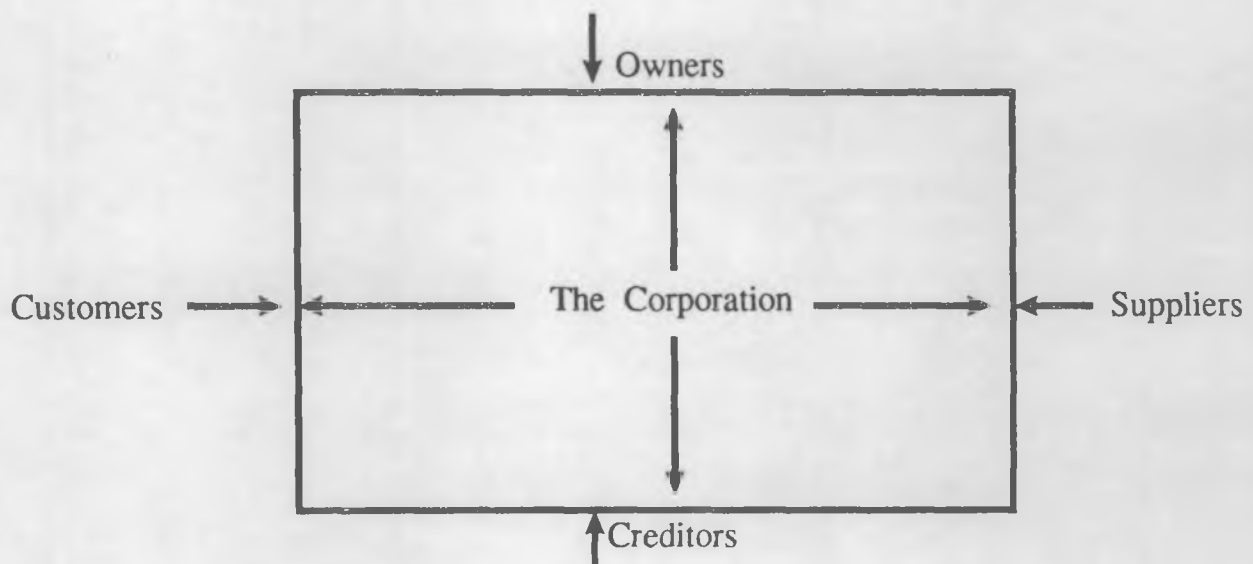
a stage where the question of social responsibility of business to the community can no longer be scoffed at or taken lightly.¹⁰ The Corporate Sector no longer functions in isolation. The Company must behave and function as a responsible member of the society like any other individual. The Company must accept its obligations to be socially responsible and to work for the larger benefit of the community.¹¹

1.8 Business must play an active social role in the society in which it functions. Hicks & Gullett say that the decisions of business have major impacts on their surroundings.¹² As they have grown in economic power. They have also grown in social power. Thus their social responsibilities have grown as well. Davis and Blomstrom (1975) say that Social Power and Social Responsibility form an equation that must be balanced. When an institution's power grows, its responsibility grows accordingly.¹³

1.9 Corporate Responsibility has broadened over the years. Earlier in the history of business, such as in the early part of the twentieth century in India, Corporations were not often compelled to look beyond four principal directions of responsibility : Customers, Owners, Creditors and Suppliers (Fig.2.1). Some historical views would argue that in some cases the interests of owners were placed ahead of all others (an assumption that is still prevalent and occasionally true). Public outrage did occur over some corporate actions especially in labour relations giving rise to many of the forces and restrictions in existence today.¹⁴ This line of reasoning, argues Stanford (1983), does not mean that all earlier business firms, corporate or otherwise, acted irresponsibly.

Figure 2.1

Earlier Emphasis of Corporate Responsibilities



Source: Melvin J. Stanford, *Management Policy*, 2nd ed, Prentice Hall Inc, N.J., U.S.A., 1983 p. 60

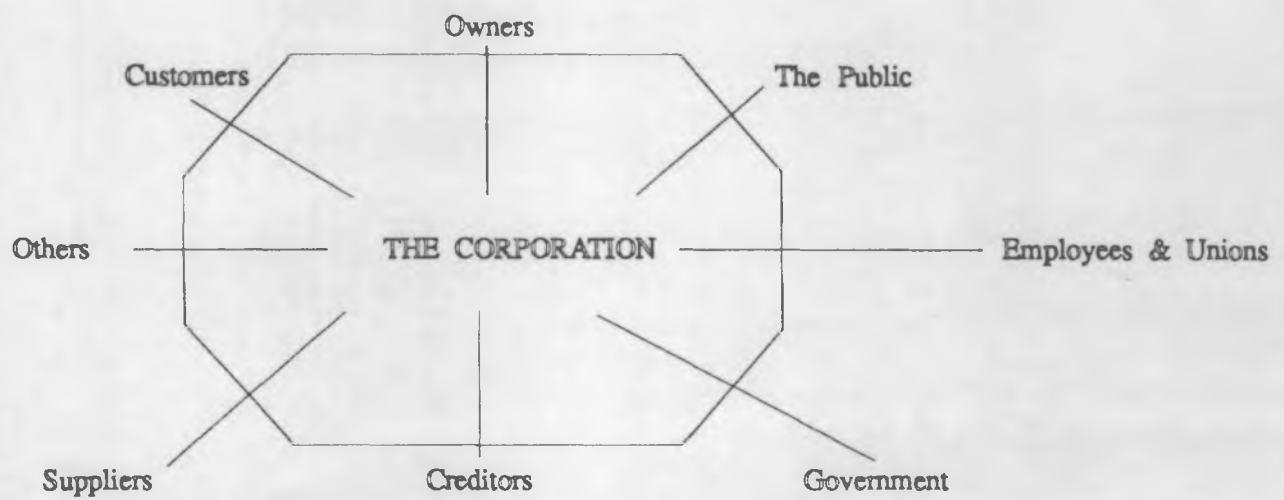
2.0 GROUPS THAT BUSINESS MUST SERVE

2.1 In determining the social responsibilities of business, managers must identify the groups that are influenced by the actions of the business for several significant groups may be identified as typically concerned with management decisions. These include owners, employees, customers, the community, government, suppliers and the society in general. In addition, special interest groups, advocates of women rights and minority interests are also to be taken into account. The Asian Productivity Organization has enumerated the following areas for coverage by the social responsibilities philosophy by business firms.¹⁵ :

- a) Employee relations, pay and benefits, security of employment,
- b) Employee working conditions, health, safety and satisfaction,
- c) Employee education & training,
- d) Women & minority employment and advancement,
- e) Product line,
- f) Marketing practices,
- g) Market position,
- h) Environmental control,
- i) Resource utilization,
- j) External relations, and
- k) Public accountability.

The selection of the particular categories for either the firm, government, or other sectors will depend upon several factors like the extent and nature of the economic system, the history, ethnicity and cultural situation in a particular country, the stage of economic development of the country, other influences like the state of world economy, etc.

Figure 2.2
Modern Corporate Responsibilities.



Source: Melvin J. Stanford, *Management Policy 2nd ed*, Prentice Hall Inc, N.J., U.S.A. 1983, p. 61

2.2 There always have been businessmen who acted in a conscientious and responsible manner; with respect to their dealing with third parties. This, however, does not mean that people have never acted irresponsibly. In earlier times however there was not the emphasis that exists today upon corporate responsibility to employees, the government and other groups.¹⁶ The scope of this fuller extent of modern responsibilities is illustrated in Fig.2.2.

2.3 The groups in Fig.2.2 can be extended further to sub-groups. There is no priority ranking for these groups although it is very simple to realise and accept the fact that while some firms may not have creditors due to lack of borrowing, none of the business firms today could ever exist without customers. All of them of course have owners though the pattern of ownership may differ. These groups are also inter-related. The public may overlap that of the customer or the 'Employees' may overlap that of the government. Davis & Blomstrom speak of the changing concepts of business and business responsibility. From mere performance of basic economic functions, business firms are today expected to perform business activities bearing in mind the general social problems. Fig.2.3 represents this changing concept of business.

2.4 Responsibilities towards Shareholders/Owners

2.4:1 The primary responsibility of a company is toward its stockholders who constitute the collective ownership of the Corporation. They are the legal owners of the Company by virtue of subscription to the share capital of the corporation. Assignment of high priority to their needs and expectations is important for business today if we realise the great risk undertaken by the shareholders in investing their valuable financial resources in the Company. A business is basically an economic institution.¹⁷ It has to make the optimum use of scarce resources to be profitable and expand.

Figure 2.3

Changing Concepts of Business



Source: Davis K. and Blomstrom R.L. *Business and Society: Environment & Responsibility* 3rd ed., McGraw-Hill, New York, 1975.

Business firms have to sustain themselves on the wealth creating capacities. Karl Marx had rightly remarked that "Capital comes first - Capital is future". Profits are a vote of confidence from the customer and the society¹⁸ and should not be regarded as a dirty word. Profitability is the first and absolute law even in the Soviet Union. Social responsibilities is not something contrary to profit making. If a firm is not operating on healthy financial grounds it will neither be able to sustain nor be in a position to help Society or the Publics.

Th. 7351

2.4:2 Primarily the responsibility is to see that the owner or shareholder or partner gets fair dividend or a fair return on the capital which he invests. This is his expectation for carrying on the business. A reasonable or a fair return is naturally expected by the owners of a business enterprise. Besides fair return, stockholders expect security of capital and capital appreciation. By growth, innovation and diversification the company should consolidate and improve its position and help in even strengthening share prices.¹⁹

2.4:3 Profit is a necessary condition for a business enterprise. There must be a return on the investment therefore to owners to provide the necessary capital to conduct the business. Milton Friedman, a supporter of Adam Smith's concept of the 'Invisible Hand' has stated that in a free society, "There is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."²⁰

Th. 7351

2.4:4 A 'reasonable profit' or a 'fair return' - is one that enables an efficient business firm to compete successfully for investment capital.²¹ With adequate capital resources a firm can conduct new product research to meet consumer needs,

improve existing products, modernize facilities and create new jobs. When business earns a reasonable profit, consumers are the chief beneficiaries, when business is denied a reasonable profit, consumers are the real losers.²² In a survey of 'fortune', 500 companies in 1979-80, 80% of the respondents indicated that the highest ethical duty of a corporate president was to make a profit, but at the same time meet society's needs by fair and humane means.²³ In another survey in California, a majority of respondents indicated that Profit Maximization in the long run was considered to be socially responsible.²⁴

2.5 Responsibilities towards employees

2.5:1 Employees in business are initiating some startling and exciting changes at the work place. They are making business firms realise more and more of their responsibilities towards its greatest resources - its human resources. The success of many organizations depends upon the employee morale and their co-operation in accomplishment of corporate goals. Social responsibilities of business demand a new orientation of the employer-employee relationship. Harmonious relationship between employer and employee is fundamental to economic progress and to the progress of the society.

2.5:2 The responsibilities of the business firms towards employees include :

- a) Payment of fair wages,
- b) Provision of meaningful work to provide a sense of satisfaction to employees,
- c) Assistance in increasing productivity,
- d) Improving the Quality of Work Life (QWL),
- e) Proper training facilities,
- f) Proper system of appraisal and promotion,
- g) Proper system of recognition, incentive and appreciation.

- h) Opportunity for participation in decision making/representation on the Board,
- i) Opportunities for equity participation, and
- j) Ensuring job safety and eliminating health hazards.

2.5:3 Employees are a major constituency towards whom the Corporation has significant responsibilities.²⁵ Employees, today, all over the world are seeking a more active role in those decisions that affect them in their work. Employees have the negative power to shut down the operations of a corporation or a business firm. A high level of corporate responsibility and relations with employees can lead to very productive results. A new industrial system, it is argued must include three basic elements²⁶ :

- 1) The development of a non-adversarial relationship on the shop-floor,
- 2) A reform of bargaining based on a mutuality of interests,
- c) A thorough-going change in the Management Style, by pushing decisions to lower levels.

2.5:4 Much industrial work is inherently hazardous due to the extensive use of high speed and noisy machinery, production processes, requiring high temperature and increasing reliance on sophisticated technology & raw materials. Minimizing accidents and industrial illness, has become a priority in recent years, should be carefully monitored by businessmen in the interest of society. Equal employment opportunities to all is also important. Job discrimination needs to be eliminated and minority groups including women need some form of protection. Discrimination practices based on race, color, religion, sex, national origin, physical or mental handicap or age should be avoided. Besides legislation in these areas, a positive action by business firms is required in this regard. Men and women must receive equal pay for equal work.

2.6 Responsibilities towards labour unions

2.6:1 If a climate of distrust and animosity exist between Management & Trade Unions, there could be continual unrest and loss of production to the firm. In India, distrust by either of these two sensitive parties have led to violence, strikes, riots, and even loss of precious human life besides crippling the production process. Sometimes mere militancy on the part of Trade Unions may lead to low levels of productivity and severe losses to the firm. By closure of firms due to this problem, several employees are deprived of earnings and loose their only means of livelihood ; thus generating a series of other problems. It is thus labour unions which need to be dealt with a lot of caution, respect and precision.

2.6:2 Although economic power is a primary goal of labour unions it is not the only one ; besides social functions have always been of great concern to labour unions. Some white-collar unions like Airline pilots have helped in developing a sense of professional status and identity for their members.²⁷ Employees organisations have arisen largely due to the failure of managements to cater to the needs and requirements of employees. Perhaps only due to exploitation and illtreatment and a strong urge of affiliation, labour unions have come into prominence. Corporations have a legal obligation to recognize unions and bargain with them, as they represent a majority of the employees. An American Economist says that "more controls on business are needed to protect the American people against the dangers of unchecked corporate power."²⁸ This is quite relevant to India as Labour Unions in our country are acting as a countervailing power.

2.7 Responsibility to Consumers

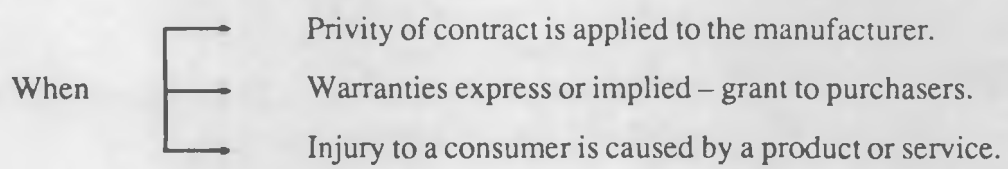
2.7:1 Peter F. Drucker had rightly remarked that "there is only one valid definition of business and that is to create a customer". The customer is the foundation of a business enterprise. We must recognise the revolution in consumer expectations, and respond with products of durability, utility and value, fully tested for safety and performance by manufactures of integrity.²⁹ Perhaps the first lesson of social responsibilities of business is to learn that the purpose of all economic activity is to meet customer needs. Business owes it to the customer to produce goods that give value to the customer at a fair and reasonable price.³⁰

2.7:2 Important responsibilities of the business firms to the customers are to :

- 1) Improve the efficiency of the functioning of business to increase productivity and reduce prices,
- 2) Improve the quality of goods,
- 3) Ensure easy availability of goods,
- 4) Undertake Research & Development activities,
- 5) Remove imperfections or barriers in the distribution system,
- 6) Supply goods at reasonable prices,
- 7) Provide after-sales service,
- 8) Ensure that there are no side-effects of products.
- 9) Provide sufficient information of products,
- 10) Eliminate and avoid misleading advertisements,
- 11) Provide machinery for redressal of grievances of customers.
- 12) Understand customer needs & satisfaction of customer needs.³¹
- 13) Encourage upward communications from customers,

Figure 2.4

A Business may be legally liable to consumers:



Source: Keith Davis & William Frederick Business & Society McGraw-Hill, Book Co., U.S.A., 1984, p. 295.

- 14) Ensuring free market competition, and
- 15) Accepting product liabilities.

Fig. 2.4 signifies three principal ways that a business may be legally liable to consumers :

2.7:3 There is no question of a business until a sale is actually made. That is why responsibility to customers is an important responsibility to be discharged by business. It is true that a business firm may be established and investment done or capital raised and products manufactured. But until these goods or services are sold to someone, there is no question of a 'business'. Other responsibilities of business firms cannot be fulfilled for very long without the fulfilment of these crucial responsibilities. Business firms cannot afford today to neglect customers. Successful U.S. corporations, Japanese firms and some successful Indian companies have focussed the spotlight on customer needs. The IBM Corporation, MacDonaldis Fast Food, Coca-Cola, Pepsi-Cola and most Japanese firms have 'Customer Satisfaction' as the sole objective. Large, as well as smaller firms have begun to reckon the fact that responsibility to the customer pays.

2.7:4 Manufacturers must be extremely cautious regarding the nature of their products, to insure that inherent or potential defects are eliminated or reduced to a minimum. Under ideal conditions the business system would be a self-regulating system with regards to consumer responsibilities. Ideally, every business firm should recognize its responsibilities to its fullest ability. However, business's job of satisfying customers has become more difficult and complex as markets have expanded and have become more complicated. The consumer movement is an attempt to expand the power of the public in its dealings with business firms. Consumer interest groups and government regulations have been employed to give consumers more and better information,

to protect against possible hazards and to ensure competitive and fair prices. Three major consumer issues are : Truth in Advertising, Product Liability and the Impact of Energy and Ecology on consumer behaviour. Business has responded to consumerism by establishing Consumer Affairs Department, using arbitration to settle disputes, sponsoring 'Better Business Bureaus', 'Consumer Action Panels' and recalling 'Hazardous Products'. Consumerism is identified today with the public interest as well as with the interest of customers of a particular company or industry. It fits into the broader category of corporate social responsibility.

2.8 Responsibility to Public

2.8:1 Corporate responsibilities include a wide range of considerations, whether regulated or not.³² With respect to the public; clean air, clean water, good products, reasonable prices, fair employment, community service and other factors are relevant. Keith Davis (1975) suggested five propositions for social responsibility :

- 1) Social responsibility varies from social power :
Modern business has immense social power and a just relationship demands that business also bear responsibility for its actions in these areas.
- 2) Business should operate as a two-way open system with open receipt of inputs from society and open declarations of its operations to the public.
- 3) Social costs as well as benefits of an activity, product, or service shall be thoroughly calculated and considered in order to decide whether to proceed with it.
- 4) Social costs of each activity, product or service should be priced into it so that the consumer pays for the efforts of consumption on society.

5) Beyond social costs, business institutions as citizens have responsibilities for social development in areas of their competence where major social needs exist. Business actions are only indirectly related to certain social problems, but nevertheless business is obliged to help solve them.³³

2.8:2 Measurements of social responsibility are being developed in some areas such as pollution control and fair employment evaluations. Other studies have been made on banks and large merchandise firms in fair employment evaluations.³⁴ In those studies in U.S.A., it was found that many major corporations were willing to disclose information to establish relative rankings as well as to determine performance and improvement. Management should improve its public relations through media releases and seek better means of learning through the public. Corporations should undertake studies to get constant, systematic and organized feedback on the way the changing social values and public demands have an impact on their operations and incorporate this information into the strategic planning system of the company.³⁵

2.8:3 The Board of Directors of Corporations have been the focus of some of the public discontent about corporate activity partly because its members are sometimes more visible part of the company than are other executives or employees. Most U.S. corporation Boards are moving towards the formation of Public Responsibility Committee within the Board. Not only can such a committee relate to the public outside the corporate enterprise but it can also act as a body to consider social issues among the employees of the corporations.³⁶

2.8:3 The Public or the Community, as Keith Davis calls it, is an organization's area of local business influence. The involvement of business with the community is called Community Relations. Keeping their community ties alive, well and relevant is a major task for today's business. The Community or Public may make certain requests to business firms, for example, Provision of Assistance to less advantaged persons, support for air and water pollution control, support for education and culture, support for health care and hospitals. Assisting in overall development of the locality or city, rehabilitation of displaced persons, contribution to Research & Development, conservation of scarce resources, development of backward areas, promotion of ancillary industries, provision of employment opportunities for weaker sections, contribution to the national endeavour and support for other important social issues. There is therefor a mutual interdependence between Business and Public that requires mutual support from both for effectiveness. Communities need jobs, specialised skills, talents and resources that business can provide. Business firms need co-operative attitudes in providing basic infrastructural facilities. Under these circumstances, much can be accomplished to upgrade the quality of community life. Business firms have therefore responded by rebuilding townships and providing substantial support, fair community needs, including gifts. Business & other community institutions need to co-operate as partners. Recent instances of irresponsibilities in India have made this area sensitive.

2.9 Responsibility to the Government

2.9:1 Business responsibility related to government basically involves compliance with regulations and payment of all taxes. In considering business responsibility to government, we can also consider government's responsibility to business and the interactions between them. For example, both business firms and the government could be culprits for

inflationary conditions. It has also been suggested by some quarters that the rising tide of regulations has become a major barrier to productive economic activity. There have been instances of contradictory regulations also, for example, in the U.S., The National Highway Safety Administration insists on safety equipment for cars that obviously add weight to the cars, while The Transportation Department insists on lighter vehicles to conserve gasoline.³⁷

2.9:2 A basic fact that business firms must remember is that the raw materials and other resources made available to business firms are actually due to the state. These assets of the nations are put at the disposal of business firms by the government, in the interest of the society. The state also provides other facilities for establishment, maintenance, survival and revival of units. Business firms must therefore take the initiative of working closely with the government in the formulation and administration of relevant laws for the benefit of the community at large. Strategies suggested for business firms in dealing with government include :

- 1) Pay all taxes when they are due,
- 2) Obey all laws that pertain to business,
- 3) Co-operate with government officials who regulate the affairs of business,
- 4) Actively engage itself in governmental affairs affecting its specific interest.
- 5) Refrain from purchasing political support by unfair and fraudulent means,
- 6) Strive fairly and honestly to stimulate economic growth,
- 7) To sell goods and offer services without adulteration, imitation and use of unscrupulous means, and
- 8) To maintain fair trade practices and refrain from restrictive activities.

2.9:3 However, as specified, the government has also certain obligations towards business firms. They are :

- 1) Provide protection for business,
- 2) Provide the necessary services for business to flourish,
- 3) Establish a favourable political, social and economic environment for the conduct of business.
- 4) Enforce rules and regulations in providing fair competition among business firms,³⁸
- 5) Expect clean, prompt and efficient administration,
- 6) Intelligent, practical and simple laws for general applicability and implementation,
- 7) Reasonable stability in legislative, administrative and fiscal policies,
- 8) Preservation of law and order,
- 9) A rational tax structure.³⁹

It is reasonable to predict that the future of business-government relationships in the United States will be a continuing reconciliation of conflicting forces rather than an inevitable movement to a polar alternative.⁴⁰ One hopes that the situation in India will be a similar one. Government regulation is one way of implementing social choices by modifying the operation of the free market. Some regulations are economic, others are social. The future is likely to see the continuation of the see-sawing between government regulation and free market approaches.⁴¹

2.10 Responsibility to Creditors

If a business firm owes a large amount of money to a bank or financial institution, the terms and covenants of the loan may restrict it in various ways beyond the immediate financial terms. Creditors have extensive rights under law. If a business firm defaults on its agreement with creditors

under certain conditions the creditors can then over-ride management and place the company into bankruptcy and receivership. On the positive side a responsible attitude towards creditors can result in tapping sources of credit not otherwise available. The most common difficulty often encountered is simply the lack of credit. Availability of credit has helped many a company to get started and has been the mainstay of the operations of business firms. Creditors have a right to expect repayment of principal sum and interest along with collateral security.

2.11 Responsibility to Suppliers

2.11:1 In the complex nature of our present business structure, there is considerable interdependence between main manufacturer and sub-supplier. Distinction is however not easy. A manufacturer having many suppliers may himself be a supplier to a bigger manufacturer. This then could be a long chain.⁴² Business firms, in their own interest, ought to create, nourish and encourage sub-suppliers and establish a lasting relationship with them. Small suppliers have to be treated well without harming their interest and welfare. A steady and lasting relationship with the suppliers makes sound business sense.⁴³ This is one of the key elements in the success of large Japanese companies who have lasting family type relationships with their suppliers.

2.11:2 Large firms should create and nurture small suppliers and train them. The relationship between a business firm and its supplier may become critical in times when business is booming and supplies are short. It should also pay the bills on time and be able to negotiate acceptable terms and conditions.

2.12 Responsibility to other groups

2.12:1 Industry associations serve member companies by compiling business information and by representing the industry to government and others. The extent to which these associations spend time on government matters has been increasing in recent years.

2.12:2 Universities are a source of technology and of personnel for a business firm, as are Research Institutes, Schools and Colleges. Corporate relations with the world's institutions of research and education are of vital importance to business progress.

2.12:3 Competitors are to be considered because of laws preventing unfair competitions. Competition can be wasteful to society or overdone, but it is very beneficial to progress in the free enterprise system.

3.0 CATEGORIES OF SOCIAL RESPONSIBILITY ISSUES

3.1 Social responsibilities of business are inter-related with economic responsibilities. Social responsibilities and related economic responsibilities touch on just about every phase of corporate activity as Tables 1 & 2 depict. The committee on Accounting for Social Performance mentioned major areas of social performance for business.⁴⁴

TABLE 1

CATEGORIES OF SOCIAL RESPONSIBILITY ISSUES

Product Line

- * Internal standards for product
- * Product performance
- * Packaging

Marketing Practices

- * Sales practices
- * Credit practices against legal standards
- * Accuracy of advertising claims - specific government complaints
- * Consumer complaints about marketing practices
- * Fair pricing
- * Packaging

Employee education and training

- * Policy on leaves of absence
- * Career training and counselling

Corporate Philanthropy

- * Contribution performance
- * Selection criteria for contributions
- * Procedures for performance, tracking of recipient institutions or groups
- * Extent of employee involvement in philanthropic decision making

Environmental Control

- * Measurable pollution
- * Violations of government, federal state and local standards
- * Resources devoted to pollution control
- * Effort to monitor new standards as proposed
- * Procedures of evaluating environmental impact of new packages or products

External Relations

- * Community development
- * Support of minority and community enterprises
- * Government relations
- * Political contributions
- * Disclosure of information communications
- * Measure of employee understanding of program
- * Relations and communications with constituencies such as stock holder, fund manager, major customers, and so on

International

- * Comparison of quality and performance between countries and versus local standards

Employee Relations, Benefits, Satisfaction with Work

- * Comparison with competition (and or national averages)
- * Promotion policy, equitable and understood
- * Transfer policy
- * Termination policy
- * Evaluation of employee benefits, preferences and understanding

Minority and Women Employment and Advancement

- * Current hiring policies in relation to requirement of all affirmative action programs
- * Company versus local industry and national performance
- * Percentage of minority and women employment in major facilities relative to minority labour force available locally.
- * Specific hiring and job upgrading goals established for minority group and women
- * Specialised minority and women career counselling

Employment Satisfy and Health

- * Work environment measures satisfy performance
- * Safety performance
- * Services provided (and cost)
- * Spending for safety equipment
- * Special safety programs (including safety instructions)

Source : Summarized from Terry W. McAdamy "How to put Corporate Social Responsibility into practice" in Corporate Social Policy eds. Robert L. Heilbroner and Paul London, Addison-Wesley, Mass: U.S.A. 1975, p.208-209.

TABLE 2

Major Areas of Social Performance as outlined by the National Association of Accountants Committee on Accounting for Corporate Social Performance, 1974.

Community Involvement

- 1) General philanthropy - corporate support of educational institutions, cultural activities, recreational programs, health and community welfare agencies, and similar eleemosynary organizations.
- 2) Public and private transportation - alleviating or preventing urban transportation problems including the provision of mass transportation of employees.
- 3) Health services - providing care facilities and services and the support of programs to reduce disease and illness.
- 4) Housing - improving the standard of dwellings, the construction of needed dwellings, and the financing of housing renovation and construction.
- 5) Aid in personal and business problems - alleviation of problems related to the physically handicapped, child care, minority businesses, disadvantaged persons and the like.
- 6) Community planning and improvement - programs of urban planning and renewal, crime prevention, and the like.
- 7) Volunteer activities - encouraging and providing time for employees to be active as volunteers in community activities.
- 8) Specialized food programs - the provision of meals to meet the dietary needs of the aged, infirm, the disadvantaged child, and other groups.
- 9) Education - the development and implementation of educational programs to supplement those of the public or private schools, such as work study programs, and employee service on school boards, school authorities, and college university trustee and advisory boards.

Human Resources

- 1) Employment practices - providing equal job opportunities for all persons, creation of summer job opportunities for students, and recruiting in depressed areas.
- 2) Training programs - providing programs for all employees to increase their skills, earning potential and job satisfaction.

- 3) Promotion policies - recognizing the abilities of all employees and providing equal opportunities for promotion.
- 4) Employment continuity - scheduling production so as to minimize layoffs and recalls, maintaining facilities in efficient operating condition so that they will not have to be abandoned because of deterioration, and exploring all feasible alternatives to closing a facility.
- 5) Remuneration - maintaining a level of total salaries and wages plus benefits that is in line with others in either the industry or community.
- 6) Working conditions - providing safe, healthful, and pleasant working environment.
- 7) Drugs and alcohol - providing education and counseling for employees to prevent or alleviate problems in these and similar areas.
- 8) Job enrichment - providing the most meaningful work experiences practical for all employees.
- 9) Communications - establishing and maintaining two-way communication between all levels of employees to secure suggestions, to provide information as to what the company is actually doing and how each department's activities relate to the total corporate activity, and to inform employee's families and friends of corporate activities.

Physical Resources and Environmental Contribution

- 1) Air - timely meeting of the law and going beyond the law in avoiding the creation of, alleviating, or eliminating pollution in these areas.
- 2) Water - timely meeting of the law and going beyond the law in avoiding the creation of, alleviating, or eliminating pollutants in these areas.
- 3) Sound - timely meeting of the law and going beyond the law in avoiding the creation of, alleviating, or eliminating pollutants in these areas.
- 4) Solid Waste - disposal of solid waste in such a manner as to minimize contamination, reduce its bulk, and the like, and the design of processes and products that will minimize the creation of solid waste.
- 5) Use of scarce resources - the conservation of existing energy sources, the development of new energy sources, and the conservation of scarce materials.
- 6) Aesthetics - the design and location of facilities in conformance with surroundings and with pleasing architecture and landscaping.

Product or service contribution

- 1) Completeness and clarity of labeling, packaging, and marketing representation - assurance that labeling and representation as to methods of use, limitations on use, shelf life, quantity of contents, and quality cannot be misunderstood.
- 2) Warranty provisions - adherence to all stated or implied warranties of a product with implementation through timely recalls, repairs, or replacements.
- 3) Responsiveness to consumer complaints - prompt and complete responses to all complaints received.
- 4) Consumer education - literature and media programs to keep consumers informed of product or service characteristics, methods and areas of use of products, and of planned product changes or discontinuances.
- 5) Product quality - assurance through adequate control, "quality assurance", that quality is at least equal to what customers may reasonably expect on the basis of company representations.
- 6) Product safety - design or formulation and packaging of products to minimize possibilities of harm or injury in product use.
- 7) Content and frequency of advertising - giving full consideration to the omission of any media material that may be adverse or offensive and the avoidance of repetition to the extent that it becomes repugnant.
- 8) Constructive research - orienting technical and market research to meet defined social needs and to avoid creating social and environmental problems or to minimize such problems; that is, energy consumption.

Source : Wayne Keller, Chairman, Committee on Accounting for Social Performance, "Accounting for Corporate Social Performance", Management Accounting, February 1974, p.41.

3.2 Business-baiting and sermonizing it on its social responsibilities have become a fashionable past-time.⁴⁵

The image of business has been tarnished in recent years due to certain acts of irresponsibility. However, to condemn all business firms would be incorrect. Business firms have come to reckon the fact that if they discharge their responsibilities to the milieu of forces, they are in fact, enriching themselves and ensuring their own survival and existence. This enhances their claim for existence in addition to economic and moral legitimacy. Perhaps one dimension to this problem needs to be emphasised regarding the responsibilities of the publics towards business firms. As discussed above, practically each area of responsibility is interdependent and interlinked. If society is to reap the fruits of business firms, the publics, viz., the different groups must ensure their own responsibility to business firms. Till the realisation of this fact, the battle will be one sided.

4.0 SOCIAL RESPONSIBILITY : WHAT IT ISN'T

4.1 Given the investigations of recent years, it is also useful, however, to examine what CSR does not mean. A variety of false trails, red herrings, and confusions have complicated the discussion of business in the contemporary United States. The first such confusion is that social responsibility gives business managers a portfolio to decide for themselves what constitutes proper behaviour. The fear is that the executives will decide independently how stockholders' money is to be spent on various "worthy" causes that gratify the tastes and preferences of top managerial officers. As powerful executives frame what business should and should not do, they take on a political role in a free society. A nightmare conjured up is that of non-elected, essentially autocratic but perhaps benevolent, despots allocating resources outside both market and government control.

Big business managers are in the saddle with social responsibility. Society rather than freewheeling business writes the prescription for social responsibility.

4.2 Costly employee turnover, undesired legislation, anti-discrimination suits, and the rise of the consumer movement are the consequences of executives trying to develop their own definitions of responsible business practice. Responsible executives, as those at the mercy of an effective market apparatus, are more like pawns than despots. Another false trail toward understanding the nature of social responsibility is to identify it as altruism. This erroneous identification confines social responsibility to a minor fringe of corporate resource allocation, for company contributions total about only 1 or 2 percent of the before-taxes profits of most business organizations. In this picture, the whole focus of responsibility, and hence of CSR, is on the relative minutiae of corporate charity. To be sure, it is excessively naive to suppose that the utility functions of executives are limited to their personal income or wealth, or by some magic of altruism restricted to the income or wealth of stockholders. But the whole intent of the current knowledge of social responsibility is to put it on a basis other than the voluntary expression of goodwill. Social responsibility is a social control on business behaviour that prescribes details for all aspects of commercial life, from plant location, capital expansion, marketing, and personnel practice to production and finance.

4.3 To characterise responsibility as simply voluntary, altruistic decision making leads the discussion into a morass of confusion about motivation. Does it matter whether an activity is triggered by a component of the objective function, that is, an element of personal goals and motivations, or is prompted by social constraints, shaping decisions to certain consequences? Is a particular act

carried out because it is genuinely sought or because the sanctions of norms and expectations make it the prudent, expedient decision? The safest answer in looking at many business actions is to conclude that both dimensions are present. In any event the result is the same whether either aspect has been the cause. A dominant theme of this analysis of responsibility is to emphasize constraints, pressures and social requisites, avoiding the complexities of motivation. It is behaviour, not intent, that counts in the final analysis. Social responsibility refers to actions and choices for whatever reason, with the ambiguities of motivation better left to mind readers or analytical psychiatrists.

4.4 Another controversial error is to extrapolate social responsibility into a halfway house on the road to socialism. Executives conceived of as acting beyond check and balance governmental powers as responsible managers in a free society would only have those capacities temporarily. They would be transferred to a constitutional bureaucracy. Recent work with social responsibility, however, suggests that it relates to a market system functioning in an evolving socio-cultural environment that constraints and directs behaviour.⁴⁶ A fear of socialism as a near cousin to social responsibility arises from an overly simplified application of the standard economics paradigm, which visualizes market economies devoid of interchange with a sociocultural system. A more accurate understanding of the modern world is in terms of the organization theory and institutional, social economics' conceptual maps of current reality.

REFERENCES

- 1) Symposium Report on Social Responsibility of Business, Asian Productivity Organization, A.P.O., Tokyo, Japan 1983, p.17.
- 2) W. Jack Duncan, Management; Progressive Responsibility in Administration, Random House Business Division, N.Y., U.S.A., 1983, p.437.
- 3) T.M. Jones, "Corporate Social Responsibility Revisited, Redefined", California Management Review 22, (spring) 1980, p.59.
- 4) P.Lippin, "When Business and the Community Co-operate", Administrative Management 42 (fall 1981), p.34-35.
- 5) Freedman Robert, "The Challenge of Business Ethics", 1967.
- 6) Beesley M. and Evans T., Corporate Social Responsibility : A Reassessment, Croom Helm, London, 1978, p.16.
- 7) Blum F., Social Responsibilities of Business - India International Centre, new Delhi, 1966, p.47.
- 8) George Gorder, The Future of Private Enterprises : A study in Responsibility, Oxford, Basil Blackwell, 1951, p.1.
- 9) Ibid
- 10) Government of India, Report of the High Powered Committee on Companies & MRTP Acts, Controller of Publications, Govt. of India, New Delhi, August 1978, p.95.
- 11) Ibid, p.110.
- 12) Herbert G. Hicks and C. Ray Cullett, The Management of Organizations, 2nd ed., McGraw Hill, Tokyo, Japan, 1967, p.68.

- 13) Keith Davis and Robert L. Blomstrom, Business, Society and Environment, 3rd ed., McGraw-Hill, New York, 1975, chapter 3.
- 14) Melvin J. Stanford, Management Policy, 2nd ed., Prentice Hall Inc., N.J., U.S.A., 1983.
- 15) Symposium Report on Social Responsibility of Business Op Cit. p.17.
- 16) Melvin J. Stanford, Op Cit. P.61.
- 17) U.V. Rao, Social Responsibilities of Business, V.S. Kudwa Memorial Lecture, Forum of Free Enterprise, Bombay, 1985,p.4.
- 18) P.K. Ghosh & G.K. Kapoor, Business and Society - A study of Business Environment Interface, Sultan Chand & Sons, New Delhi, 1984, p.164.
- 19) Francis Cherunilam, Business and Society, Himalaya Publishing House, Bombay, 1984, p.120.
- 20) Milton Friedman, "The Social Responsibility of Business is to increase its profits", New York Times Magazine, September 13, 1970, p 124, 126.
- 21) Downs Matthews, "Just what is a reasonable profit?", Exxon National Magazine (Third Quarter, 1977), p.31.
- 22) Ibid
- 23) Samir P. Dagher and Peter H. Spader, "Poll of Top Managers stresses Education and Leadership by example as strong forces for higher standards", Management Review, (March 1980), p.57.
- 24) Erika Wilson, "Social Responsibility of Business - What are small business perspectives?" Journal of Small Business Management, (July 1980), p.17-24.
- 25) Melvin J. Stanford, Op Cit., p.66.
- 26) "The New Industrial Relations", Business Week, May 1981, 1, p.89.

- 27) Keith Davis and William Frederick, "Business & Society"; Management, Public Policy & Ethics, McGraw-Hill Book Co., U.S.A., 1984, p.254.
- 28) Markley Roberts "Corporate Responsibility - a goal for the 1980's, AFL-GO, American Federationist (Nov.1979), p.8-11.
- 29) Irving S. Shaprio, "Americas Third Century : A Quality Society", Conference Board Record : Du Pont Inc., April 1976, p.45.
- 30) U.V. Rao, Op Cit., p.6.
- 31) Keith Davis & William Frederick - Op Cit.
- 32) Melvin J. Stanford, Op Cit., p.69.
- 33) Keith Davis, "Five Propositions for Social Responsibility", Business Horizons, June 1975, p.20-23.
- 34) Alice Tepper Marlin, "Corporate Social Performance", in Corporations and their Critics : Issues and Answers-the Problems of Corporate Social Responsibility, eds, Thornton Bradshaw and David Vogel, McGraw-Hill, New York, 1981, p.158-167.
- 35) Susan B. Szepan, "Corporate Social Responsibility - An update", Journal of Accountancy, July 1980, U.S.A., p.81.
- 36) Michael L. Lovdal, Raymond A. Baauer and Nancy H. Treverton, "Public Responsibility Committees of the Board", Harvard Business Review, May-June, 1979, p.40-43.
- 37) "The Incoherence of Government Policy", Business Week June 30, 1980, p.67.
- 38) Robert D. Hay and Edmond R. Gray, Business and Society: Cases and Texts, Southwestern, Ohio, U.S.A., 1981, p.85.

- 39) P.K. Ghosh and G.K. Kapoor, Business and Society,
Op Cit, p.172.
- 40) Murray L. Weiderbaum, Business, Government and the
Public, 2nd ed, Prentice Hall Inc., Englewood Cliffs,
N.J. 1981, p.389.
- 41) Keith Davis & William Frederick, Op Cit. p.169.
- 42) U.V. Rao, Op Cit., p.15.
- 43) Ibid
- 44) Wayne Keller, Chairman, Committee on Accounting for
Social Performance, "Accounting for Corporate Social
Performance", Management Accounting, Feb 1974, p.41.
- 45) U.V. Rao, Op Cit., p.15.
- 46) Harold L. Johnson, Disclosure of Corporate Social
Performance : Survey, Evaluation and Prospects,
Praeger Publishers, N.Y. 1979, p.15.