CHAPTER - III

CORPORATE SOCIAL RESPONSIBILITY: CONCEPTS, THEORIES AND CONCEPTUAL FRAMEWORK
# CHAPTER - III

**CORPORATE SOCIAL RESPONSIBILITY: CONCEPTS, THEORIES AND CONCEPTUAL FRAMEWORK**

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CHAPTER - III
CORPORATE SOCIAL RESPONSIBILITY:
CONCEPTS, THEORIES AND CONCEPTUAL FRAMEWORK

3.1 Introduction
In order to study the research gap identified in the review of related literature and illustrate the proposed research work, the conceptual framework of the study is desired. The conceptual framework is based on the concepts, theories and development of hypothesis relating to the study of corporate social responsibility. The study of concepts and theories are inevitable to substantiate the desired hypothesis and conceptualization of any research work. Hence this chapter involves the study of concepts, theories, hypothesis development and conceptual framework.

3.2 The concept of Corporate Social Responsibility

Corporates interact with society in various 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 the many facets of society around them. The vision that business can and should play a part in society beyond just profit making is a general opinion and increased cooperation among business and society is adopted not only by politicians but also by business leaders (Andriof & McIntosh, 2001). As the organization is a part of the society, it cannot function in isolation. So there is an obligation and responsibility from the part of the Corporates to take action that protect and improve the welfare of society as in addition to their own interest (Keith Davis, 1975).
Society plays a pivotal role in the success of any organization. Hence, no organization can achieve long-term success without fulfilling its responsibility to society. Originally, businesses were seen strictly as economic entities with the primary responsibility for 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)’ “Corporate social responsibility is beyond the basic purpose of business and violates the responsibility of business to its owners, the stockholders”. However, over time, business came to see 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 more conscious of their rights, which has led to a rise in the expectations of society from business. An organization receives resources from society in the form of labour, raw material and other services and in turn, offers goods and services to society. Thus, businesses depend on society for their 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, i.e., in society.

Corporate Social Responsibility involves a commitment by a company towards the sustainable economic development of 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 the businesses’ contribution to the nation’s sustainable development goals.
Essentially, it is about how business takes into account the economic, social and environmental impact of the way 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. According to George Goyder (1951)', industry in the twentieth century can no longer be regarded as private arrangement for enriching shareholders. It has become a joint enterprise in which workers, management, consumers, the local government and trade union officials playing a part. Goyder pleaded that business has to be accountable to the public at large and he sought to equate the suggestion of a responsible company with the trusteeship concept advocated by Gandhiji, the aim of which is to ensure that private property is used for the common good.

Business today is realizing that the world is not made up of strangers. There is a human bondage. There are customers, employees, suppliers of goods, shareholders and the competitors. Most firms today recognize and realize that they have obligations to the society that extend beyond economic performance. This concept came to be known as "corporate social responsibility". Thus, the business has an obligation to consider the impact of its activities on all stakeholders who constitute broader segments of society. The managers of large corporations and smaller businesses came to realize that they have responsibilities that extend beyond their own stockholders to a wide range of parties dependent on or affected by corporate performance, these parties are known as stakeholders. Freeman's (1984)\(^5\) classic definition of stakeholders, arguably the most popular definition cited in the literature, proposed that stakeholders are "any group or individual who can affect or is affected by the achievement of a corporation’s purpose". In addition to a company’s shareholders, its stakeholders include its employees, the communities in
which it operates suppliers, customers, government and society at large. In the opinion of Davis and Blomstrom (1975), 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 general people. 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. 3.1 like social, legal and ethical environment.

**Fig. 3.1**

**Corporates and Environmental Factors**

**Social Environment**
- Shareholders
- Customers
- Employees
- Creditors
- Suppliers of Goods
- Society at Large

**Legal Environment**
- Law
- Government

**Ethical environment**
- Moral Theories
- Moral Values and Judgments
- Ethical Standards

Figure 3.1 reveals that the 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, suppliers of goods, society and legal environment comprises of state and local governments. To get successful results the corporate should hold moral values and judgments and ethical standards. Corporate is not merely profit making institution. They have a responsibility to help society to overcome problems of the business. The areas in which corporate social responsibility has to be practiced by corporate are health, environmental issues, education, community, and promotion of art and culture and climate change. Figure 3.2 shows clearly some of the practices expected from Corporates as their social responsibility towards society at large.

**Fig. 3.2**

**Corporate Social Responsibility towards the society at large**

Source: Own elaboration
Companies have begun to carefully examine their corporate responsibilities and are beginning to integrate sustainability principles into their business strategies and policies. As moving into the third millennium, business will increasingly find itself with no option but to cooperatively help to evolve the global phenomenon of corporate social responsibility (CSR) (Starkey & Welford, 2001). Altman & Vidaver-Cohen (2000) believe that CSR is not a new concept, but one whose time has come. The forces of globalisation, international trade, deregulation and privatization, have changed the context of companies and the role of businesses in a global society (Post, 2000); (Andriof & McIntosh, 2001). Companies are acknowledged as the most powerful social construct in today’s society (Andriof & McIntosh, 2001), and the public is now more aware of the impact companies have on humanity (Marsden, 2000). Therefore, companies are expected to take on a new role, one that signifies a broader social responsibility (Carroll, 1998). An important driving force behind CSR is the fact that companies’ intangible values like reputation, image, identity and responsibilities, have become an important part of their comparative advantage (Post & Berman, 2001). The two authors noticed a change of attitudes among people, by being more critical against companies and their actions and caring more for business ethics and social responsible investments.

The lack of a well-developed consensus of CSR and its voluntary characteristics, have resulted in confusion among theorists and business leaders regarding which definition to adopt and how to act as a socially responsible company (Marrewijk, 2003). In the vision of Snider, Hill & Martin (2003), CSR is about companies making a contribution to the company’s stakeholders, i.e. shareholders, employees, customers, suppliers, government, society, and other individuals and institutions which have an interest in the company’s operations. In
the same spirit, Bloom & Gundlach (2001)\(^{16}\) defined CSR as “the obligation to its
stakeholders – people and groups who can affect or are affected by corporate
policies and practices”.

Holme and Watts (2000)\(^{17}\) identified five key issues of corporate social
responsibility: human rights, employee rights, environmental protection, community
involvement and supplier relations. These areas can be presented as priority areas of
interest for managers, in order to create and achieve the image they would like to
have in the minds of their stakeholders. The challenge lies in communicating
corporate values expressed in strategies and every day procedures to stakeholders
with a variety of interests and expectations (Whitehouse, 2006)\(^{18}\).

3.2.1 The Evolution of Corporate Social Responsibility

The man who is considered as the author who introduced the modern debate
about CSR is H. R. Bowen. In 1953 he initially proposed the term CSR, suggesting
that business should take into accordance the objectives and values of the society
(Wartick & Cochran, 1985)\(^{19}\). Since the introduction of the term CSR in the 1950s
and onwards, the concept has gained considerable acceptance and broader meaning
(Carroll, 1989)\(^{20}\). Windsor (2001)\(^{21}\) argues that CSR gave business a role to play
when confronting serious social problems.

The notion of CSR as seen today, is one of ethical and moral issues
surrounding corporate decision making and behaviour (Branco and Rodrigues,
2007)\(^{22}\). In principle, the term corporate social responsibility (CSR) refers to the
obligations of companies to society; more specifically, it refers to a company’s
stakeholders and those affected by corporate policies and practices. The concept of
CSR has evolved from being regarded as detrimental to a company’s profitability, to
being considered as somehow benefiting the company as a whole, at least in the long
Over the years the collection of terminology has been used for what is now broadly called CSR, the term Corporate Social Responsibility (CSR) has been variously termed “corporate citizenship”, “corporate responsibility”, “corporate social performance” and “business citizenship”, as well as “business ethics” and “stakeholder management”, “relationships and engagement” (Waddock, 2004). Table 3.1 aims at helping researchers to easily identify in the literature certain CSR concepts often specified just by their codes.

**TABLE 3.1**

**Key terms in the evolution of Corporate Social Responsibility**

<table>
<thead>
<tr>
<th>Serial Number</th>
<th>Key Terms</th>
<th>Abbreviations</th>
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<tbody>
<tr>
<td>1</td>
<td>Corporate Citizenship</td>
<td>CC</td>
</tr>
<tr>
<td>2</td>
<td>Business Citizenship</td>
<td>BC</td>
</tr>
<tr>
<td>3</td>
<td>Corporate Community Relations</td>
<td>CCR</td>
</tr>
<tr>
<td>4</td>
<td>Corporate Community Involvement</td>
<td>CCI</td>
</tr>
<tr>
<td>5</td>
<td>Corporate Responsibility</td>
<td>CR</td>
</tr>
<tr>
<td>6</td>
<td>Corporate Social Performance</td>
<td>CSP</td>
</tr>
<tr>
<td>7</td>
<td>Corporate Social Responsibility</td>
<td>CSR</td>
</tr>
<tr>
<td>8</td>
<td>Corporate Social Rectitude/ethics</td>
<td>CSR</td>
</tr>
<tr>
<td>9</td>
<td>Corporate Social Religion</td>
<td>CSR</td>
</tr>
<tr>
<td>10</td>
<td>Corporate Social Relationships</td>
<td>CSR</td>
</tr>
<tr>
<td>11</td>
<td>Corporate Social Reputations</td>
<td>CSR</td>
</tr>
</tbody>
</table>

Source: Adapted from Waddock (2004)
There are many definitions of CSR among academics, consultants and business executives (Marrewijk, 2003)^27. This section will present some of the most relevant definitions given to CSR. The European Commission defines corporate social responsibility as “a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment.” It is related to complex issues such as environmental protection, human resources management, health and safety at work, relations with local communities, relations with suppliers and consumers. This holistic approach to business practically views organizations as being full partners in their communities, rather than seeing them as being primarily in business to make profits and serve the needs of their shareholders. Companies that embrace CSR recognize that their social and environmental impact has to be managed in just the same way as their economic or commercial performance. It is important to distinguish CSR from charitable donations and "good works". CSR goes beyond charity and requires that a responsible company take into full account its impact on all stakeholders and on the environment when making decisions. This requires the company to balance the needs of all stakeholders with its need to make a profit and reward shareholders adequately. The notion of CSR has been presented in a number of different ways which are related to differing views regarding the role of business in society (Branco & Rodrigues, 2007^28; Lantos, 2001^29).

According to Marrewijk (2003)^30, CSR refers to company activities, involving economic, social and environmental concerns in business operations. These three elements are often referred to as the triple bottom line (Zadek, 2001)^31, and are illustrated in Figure 3.3.
The Triple Bottom Line model is also known as: "People, Planet, and Profit" and captures an expanded spectrum of values and criteria for measuring organizational (and societal) success: economic, environmental and social. “People, Planet and Profit” are used to succinctly describe the triple bottom lines and the goal of sustainability. The three elements - economic, social and environmental - constitute the components of CSR and can be presented as follows: Economic: The economic element relates to the creation of material wealth, including financial income and assets for the company (Zadek, 2001)\textsuperscript{32}. Social: The social element refers to the quality of people’s lives, particularly about equity between people, communities and nations (Zadek, 2001)\textsuperscript{33}. This element is connected to the organisation’s impact on society, including employees, customers, community, supply chain and business partners. Environment: The environmental element can be
defined as the protection and conservation of our natural environment (Zadek, 2001). Organisations create environmental impacts locally, nationally and internationally, and these impacts occur in relation to air, water, and land and biodiversity resources. Zadek (2001) emphasises the importance of understanding the ways these dimensions affect each other. The three elements do not stand alone, they can mutually reinforce each other, or cause trade-offs between or within the elements.

3.2.2 Pyramid of CSR

In trying to conceptualize CSR, Carroll (1979) has proposed a comprehensive definition CSR embracing four kinds of social responsibilities for business: economic, legal, ethical and philanthropic. The CSR literature often refers to Carroll’s definition when capturing the basics of CSR (e.g. Wartick & Cochran, 1985; Andriof & McIntosh, 2001; Snider, Hill & Martin, 2003).

![The Pyramid of Corporate Social Responsibility](source: Adapted from Carroll (1991))
Carroll (1991)\textsuperscript{41} has illustrated these responsibilities in the form of a pyramid (Figure 3.4) with the foundation being represented by economic responsibilities, since business’s principal role has to produce goods and services that consumers demand, and to make a profit in the process.

3.2.2.1 Economic Responsibilities

Business has been expected to pursue the profit motive while complying with laws and regulations instituted by the government.

3.2.2.2 Legal Responsibilities

Together with the economic responsibilities these legal responsibilities serve as fundamental for business operations and they constitute the second layer of the pyramid of CSR (Carroll, 1991)\textsuperscript{42}.

3.2.2.3 Ethical responsibilities

It embraces those activities that are expected by society even though they are not embodied in law. They reflect a concern for what is regarded by customers, employees, society etc., as fair and just, and go beyond mere compliance with laws and regulations (Carroll, 1991)\textsuperscript{43}. According to Carroll (1989; 1991)\textsuperscript{44}, the ethical responsibilities constitute the driving force behind the very creation of laws and regulations, thus indicating a dynamic interplay with the layer of legal responsibilities.

3.2.2.4 Philanthropic responsibilities

It includes business contributions of financial and human resources, facilities or executive time to education, arts or community, and activities improving quality of life in general (Carroll, 1991)\textsuperscript{45}. Such philanthropic activities constitute a response to society’s expectations of business being a good corporate citizen. Carroll (1989)\textsuperscript{46} adds to the discussion that when people generally speak about CSR they...
often refer to ethical and philanthropic responsibilities. It is important to stress that even though the four components of the pyramid have been described separately and they might be seen as independent, they are rather intimately related (Carroll, 1989; 1998). The total concept of CSR entails the simultaneous fulfillment of the business's economic, legal, ethical and philanthropic responsibilities (Carroll, 1991), and there is a frequent tension for business executives between especially economic and legal, economic and ethical, and economic and philanthropic responsibilities (Carroll, 1991; 1998).

Due to CSR pyramid's acceptance and impact, Schwartz & Carroll (2003) decided to modify and improve it, so they created a Venn diagram (Figure 5) constituted by the economical, legal and ethical domain, treating the philanthropic category separately. The limitations that carried out to this new model were: a) the pyramid framework suggested a hierarchy of CSR domain, so one may be led to conclude that the domain at the top of the pyramid, philanthropic responsibilities, is the most important one, so that should be strived for by all corporations, while the economic domain at the base of the pyramid is the least valued CSR domain (certainly, Carroll didn’t intend that, since he stipulates the contrary within the text); b) a pyramid framework cannot fully capture the overlapping nature of the CSR domains. The Venn framework yields seven CSR categories resulting from the overlap of the three core domains (Schwartz & Carroll, 2003).
3.3 Theoretical Approaches of CSR

According to Klimosky (1991) a theory is “a set of logically related propositions that explain a set of observations”. He further articulated a theory as a linguistic device used to organize a complex empirical world. With this idea in mind, scholars have attempted to create theories which best describe and capture the entire CSR phenomenon. There is however, considerable inconsistency within the
literature as to which theory is most suitable for the study of CSR. Just as there are many definitions of CSR proposed in the literature, there are also a considerable number of proposed theories. Depending on what the researcher is investigating, his/her theory to explain CSR may vary from others’ conceptualizations, for example, a researcher interested in financial aspects of CSR may select a stakeholder theory to frame the research if they were hypothetically studying the effects of CSR on shareholder gains. On the other hand, a researcher studying the effects of firm’s environmental disclosures may want to investigate the matter through a legitimacy theory lens. While there are a variety of theories in the literature - Garriga and Mele (2004) discussed over ten different theories - there are several theories which are more prevalent in the literature. One of the most commonly discussed and often cited theories is the ‘stakeholder theory’.

3.3.1 Stakeholder theory

It is based on the questions of “who matters to an organization and to whom should organizations pay attention to” (Mitchell, Agle, & Wood, 1997). A stakeholder can be considered anyone an organization may impact whether that be employees, consumers, society, or even the environment. In the organizational literature, there is no major disagreement on entities which may be considered stakeholders (Mitchell, et al., 1997). What is seen as more of an issue is which stakeholders are most affected by an organization’s actions and to which stakeholders should organizational management devote their attention. One of the main components of stakeholder theory is the actual stakeholders. Freeman’s (1984) definition of stakeholders has been one of the most commonly used definitions in the literature: a stakeholder is “any group or individual who can affect
or is affected by the achievement of the organization’s objectives”. As evident from Freeman’s definition, there can be multiple organizational stakeholders.

Carroll (1991)\textsuperscript{56} believed there was a natural fit between an organization and its stakeholders and many researchers echoed this belief as many primarily focused on stakeholder issues and CSR. Despite the apparent case of fit between stakeholders and CSR, the two constructs did not develop consecutively (Jones, Wicks, & Freeman, 2002)\textsuperscript{57}. Kakabadse and Rozuel (2007) argued this was mainly due to the difference between CSR and stakeholders. CSR, they argued, dealt more with what responsibilities businesses should fulfill while the stakeholder concepts was more concerned with to whom businesses should be accountable. Still with this differentiation, it is easy to see how both construct fit together so well to help explain the CSR phenomenon as a whole.

3.3.2 Instrumental Theories

In addition to stakeholder theory as one of the most commonly used frameworks for CSR research, instrumental theories are also quite popular. Categorized by Garriga and Mele (2004), instrumental theories are those in which the corporation is viewed only as a means to create profits and wealth with its social activities only implemented to help achieve those results. Theories of this type are driven by Friedman’s (1962) view that the main goal of business is to make profits for the shareholders. The orthodox theory of CSR would fall in this category. Orthodox theory emphasizes the thought that business is business, and in alignment with Friedman’s (1970) thoughts, the theory is based on the idea that “businesses have the sole responsibility to make adequate provisions of goods and services for society at a profit under a regulatory framework” (Quazi, 2003)\textsuperscript{58}. While this is not
the most popular theory on which to base a research framework, there are several scholars who endorse orthodox theory (Bhide & Stevenson, 1990; Gaski, 1985; James, 1991).

3.3.3 Legitimacy theory

A final theory which is somewhat prevalent in the literature is legitimacy theory, the main idea being grounded in a definition of legitimacy provided by Suchman (1995): “Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. Suchman went on to emphasize how heavy legitimacy of an organization relies on communication. Consequently, CSR literature usually incorporates legitimacy theory when researchers are investing the impacts of social responsibility disclosures (such as environmental disclosures) and basically when forms of corporate communication are under investigation.

3.3.4 Political Theories

Garriga and Melé (2004) in their attempt to categorize various CSR theories presented four categories of theories. One of these theories, political theories dealt with corporations’ responsible (or irresponsible) use of power in society. It seems however that this categorization of theories could be considered as a part of the legitimacy theories. Suchman (1995) in his definition of legitimacy, incorporated actions of an entity that are desirable, proper, and appropriate as based on some commonly accepted norms and values. It would seem then that the use of political power by corporations could be categorized as a legitimacy theory with the main premise of the theories resting on the idea that corporations are properly using their political power.
3.4. Perspectives of CSR

The theories discussed above represent the most commonly used theories related to CSR. This is of course not an all inclusive list as there are several other theories which are sometimes used - social contracts theory, social identity theory and the like. What theories discussed above do represent is the mainstream literature on the CSR and which provides the two dominant perspectives of CSR viz., Shareholder perspectives and Stakeholder Perspectives.

The "shareholder perspective" is based on the idea that the only responsibility of managers is to serve the interests of shareholders in the best possible way, using corporate resources to increase their wealth by seeking profits (Friedman, 1998)\(^5\); (Jensen, 2001)\(^6\). This perspective is grounded on the neoclassical economic theory, which is the "classical view" on the role of business in society. This theory defines the role of business in society as purely economic profit making terms, focusing on the profit of the shareholders. In contrast, the "stakeholder perspective" suggests that besides shareholders, other groups or constituents are affected by a company's activities (such as employees or the local community), and have to be considered in managers' decisions, possibly equally with shareholders (Freeman, 1998)\(^5\); (Werhane & Freeman, 1999)\(^6\).

TABLE 3.2
Viewpoints on the Role of Business in the Society

<table>
<thead>
<tr>
<th>View</th>
<th>Position on Business' Role in Society</th>
</tr>
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<tbody>
<tr>
<td>Classical - shareholder</td>
<td></td>
</tr>
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</table>
  Pure profit-making view: business has lower standards of ethics than society and no social responsibility other than obedience to the law.  
  Constrained profit-making view: business should maximize shareholder wealth, obey the law, and be ethical. |
| Stakeholder        | Socially aware view: business should be sensitive to potential harms of its actions on various stakeholder groups.  
  Social activism: business must use its vast resources for social good. |

Source: Adapted from Lantos (2001, p. 602)
According to Mitchell & Wood (1997), there is not much disagreement on what kind of entity can be a stakeholder. Persons, groups, neighborhoods, organizations, institutions, societies and even the natural environment are generally thought to qualify as potential stakeholders. Jones (1980), has defined corporate social responsibility as: “the notion that corporations have an obligation to constituent groups in society other than stockholders and may go beyond mere ownership”. In relation to the Jones’ definition, the Stakeholder theory attempts to articulate a fundamental question: What are these groups? How many of these groups must be served? Which of their interests are most important and how can they be balanced? How much of corporate money should be allocated to serve these interests? As a result, stakeholder theory is seen as a necessary process in the operationalisation of corporate citizenship (Matten, et al., 2003).

Freeman (1984), traces the word “stakeholder” in the research conducted by the Stanford Research Institute (SRI), which defined it in 1963 as “those groups without whose support the organization would cease to exist”. Although the SRI mainly saw shareholders as stakeholders, Freeman expands on this definition and for the first time a stakeholder approach to strategic management was proposed in his book: “Strategic management: A stakeholder approach”. Freeman stated that corporations must consider the needs and demands not only of their shareholders but also those of a wide range of other external constituencies, or “stakeholders”. Freeman (1984) defined a stakeholder as: “Any group or individual who can affect or is affected by the achievement of the firm's objectives”. These actors have direct or indirect interest in the company. Freeman was the first author in the area of management that clearly pointed out the strategic importance of groups and
individuals beyond not only the firm's stockholders, but also its employees, customers, and suppliers.

3.5. Perspectives of stakeholder theory


3.5.1 Descriptive Stakeholder Theory

This theory is rooted in organizational behaviour literature and describes the characteristics and behaviour of stakeholders involved in a system and how an organization interacts with its stakeholders (Brenner & Cochran, 1991; Jawahar & McLaughlin, 2001).

3.5.2 Normative Stakeholder Theory

This theory is grounded in the literature of business ethics and corporate social responsibility (Freeman, 1984; Clarkson, 1995; Reed, 2002), the normative theory is concerned with stakeholders as an end in themselves (Mellahi & Wood, 2003). It is based on the principle of fairness (Phillips, 1997), in that all human beings are ultimately affected by any decision and, because we all have an equal and legitimate interest in a safe and stable life, we should all have equality of opportunity and consideration.

3.5.3. Instrumental Stakeholder Theory

This theory, addresses this more openly on the hypothesis that organizations that take care of their key stakeholders will gain competitive advantage over those that do not (Clarkson 1995; Jones 1995). Jones writes that “trusting, trustworthy, and cooperative behaviour will get better results than opportunistic and selfish behaviour because it improves trust, lowers transaction costs and therefore increases
revenue” (Jones, 1995)\(^8\). This perspective is aligned with the idea that, without interactions and transactions with critical groups, an organization will fail (Pfeffer & Salancik, 1978)\(^9\). Moreover, Porter & Kramer (2002)\(^10\) have put forward a strong argument that strategic corporate philanthropy (i.e., attending to a firm’s external stakeholders) is beneficial for an organization, because social and economic goals are connected. As presented above, the descriptive, normative, and instrumental approaches are a common categorization in stakeholder literature. Table 3.3 summarizes the three perspectives.

**TABLE 3.3**

**Stakeholder Theory Approaches**

<table>
<thead>
<tr>
<th>Stakeholder Approach</th>
<th>Theoretical Aspects</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instrumental:</td>
<td>Organizations should take key stakeholders into consideration as this leads to success and competitive advantage.</td>
<td>Utilitarianism; Business and management.</td>
</tr>
</tbody>
</table>

Source: own elaboration

Under these premises, the basic principle of stakeholder theory is that the stronger your relationships are with other external parties, the easier it will be to meet your corporate business objectives; the worse your relationships, the harder it will be. Strong relationships with stakeholders are those based on trust, respect, and cooperation.
3.6. Managerial Implications on Stakeholder Theory

In this more than twenty years since Freeman’s first stakeholder approach to strategic management, an extensive body of research has been developed in this area. It is important to note that this extended research included not only the efforts of managers, researchers but also, and very importantly that the views of corporate executives who have used the stakeholder approach in their strategic planning (Clement, 2004). According to Clement (2004) there are five important aspects of the stakeholder model of CSR practices that can be used by today's managerial executives. The author underlined the direct connection between stakeholder theory and managers’ actions. These aspects are particularly important today and have direct linkages between the stakeholder theory and managers’ action in the industry, which are summarized as

i. Managers in business organizations are facing increasing pressure to respond to their stakeholders

ii. Managers in business organizations have a legal basis for responding towards a wide range of stakeholders

iii. Managers in business organizations are being lead by executives, so no longer guided by the principles of their professions

iv. Managers in business organizations have to respond towards their powerful stakeholders with legitimate urgent claims

v. Managers in business organizations can improve their bottom line by responding to stakeholder concerns.

These five aspects actually stress the fact that the managers in business organizations are facing increased pressures to respond to their stakeholders through a more responsible strategy. As a result, managerial action in the organizations is
influenced by a pressure group at a significant level. Managers to-day irrespective of their belongingness - size of the organizations, ownership of the organizations and the like, - are expected to consider their stakeholders while they performing. Therefore, the one of the goal of the stakeholder theory is to help the business houses to strengthen its relationships with external groups in order to develop a competitive advantage (Clement, 2004), furthermore, the perceptions of managerial executives towards actions with the stakeholder group is playing a crucial role in order to fulfilling the goal of stakeholder theory that is the competitive advantage. So it is necessary to shed light on the perceptions of managerial executives towards the CSR policies and practices by developing the following hypothesis.

3.7. Development of Hypotheses

In order to achieve the objectives of the study the following hypotheses have been developed and formulated

- H1: There is no significant difference between the Managerial executives’ personal profile and their perceptions towards CSR policies and practices
- H2: There is no significant difference between the Public and Private Companies towards their CSR policies and practices in Tamilnadu
- H3: There is no significant difference between the Top and Middle level managerial executives towards the chosen aspects of CSR policies and practices
- H4: There is no significant relationship between the CSR practices and financial performance of selected public and private companies in Tamilnadu
3.7.1 Personal profile of Managerial Executives Vs CSR Practices

The future success of CSR practices depends on the perceptions of the coming generations. They will influence the relations between business and society, be it as a citizen, a customer or a manager (Andre Sobczak et al. 2006). Andre Sobczak et al (2006) have remarked that culture, educational qualifications and traditional value of a manager may influence his perceptions towards CSR practices. Md Zabid Abdul Rashid and Saadiatul Ibrahim. (2002), argued that family upbringing is the most influential factor determining the attitude of executives and managers towards CSR practices followed by traditional belief and customs. In the words of Harlan C. Van Over and Sam Barone that executives do not see themselves as the alter egos of the shareholder, that personal values and Christian ethic are the most important factors in motivating executives towards social activities (Sandra L Holmes, 1976). It is viewed from the review that there is a room for analyzing the socio-economic profile of the managerial executives with their perceptions towards CSR policies and practices. Therefore, the following hypothesis has been developed

H1: There is no significant difference between the Managerial executives’ personal profile and their perceptions towards CSR policies and practices

3.7.2 Ownership structure of the organizations Vs CSR Practices

A company’s ownership structure will also affect its CSR practices in the developing nations like in India. The public sector companies in India are forced to do CSR practices due to a larger group of stakeholders than the private sector companies. The public companies may have more responsibility towards CSR practice than the private sector companies because these companies are politically sensitive and more in the eyes of the public (Nazli A. Mohd Ghazali, 2007). There are differences in the nature of social and environmental disclosure – CSR practices
depending on the Companies ownership (Tamoi Janggu et al., 2007). It is understood from the review that there is a gap between the public and private companies in respect of CSR practices in India. So it is a necessity to shed light on the relationship between public and private companies towards their CSR programme by framing the following hypothesis

H₂: There is no significant difference between the Public and Private Companies towards their CSR policies and practices in Tamilnadu.

3.7.3 Hierarchical position of Managerial Executives Vs CSR Practices

An important issue facing today’s managers is whether the corporate sector has some responsibility to improve the society or only to improve their earnings. The success rate of CSR practices is determined by the perceptions of managerial personnel in the business organization. Rober L Engle, (2007), remarked in his study that the middle and senior managers of US international businesses do believe that it is of at least moderate importance for MNCs to play a role in improving health care, poverty, education, human rights and the environment of the host countries in which they operate. Managers at the top level played more of a trustee role; they are responsible to the Board of Directors and interest of suppliers, customers, employees and other claimants (Rajasekhara Mouly Potluri and Zelalem Temesgen, 2008). Managers in the present day who stay aware of CSR and the implications for their organizations will be able to make the most informed decisions. Sarah Stawiski, (2010). It is perceived from the review that the role of managers in the companies are critical to any successful CSR strategy and that there is no studies found specifically to link the relationship between the top and middle...
level manager towards CSR practices, hence there is a ground to formulate the hypothesis in the following manner

H₃: There is no significant difference between the Top and Middle level managerial executives towards the chosen aspects of CSR programme (policy and practice)

3.7.4 Financial Performance Vs CSR Practices

The relationship between CSR practices and Corporate Financial Performance has been investigated for more than three decades in the developed nations such as US and UK with no consensus (Bayound et al 2012). Studies on the relationship found positive, negative, neutral relationships between the CSR practices and corporate financial performances (Margolish and Walsh, 2003). This makes it to be controversial relationship and an open area for further studies (Wijesinghe and Senaratne, 2011). With this view of literature, the following hypothesis has been constructed to study the link between the CSR practices and financial performance of selected public and private companies in the study area

H₄: There is no significant relationship between the CSR practices and financial performance of selected public and private companies in Tamilnadu

3.8. Selection of Variables

The dependent and independent variables of the study have been selected from the various review of literature. Some of the dependent variables relating to the CSR practices have been extracted from the Olivier Furrer et al. (2010) who have studied the attitudes toward Corporate Responsibilities in Western Europe, Central and East Europe. Similarly the dependent variable relating to the CSR policies has been extracted from the other relevant studies, variables like the important stakeholders, driving forces and the like have been extracted from the study Corporate Social Responsibility: perceptions of Indian Business conducted by the
Other variables like stakeholder expectations on CSR, managers’ attitude on CSR and the like have been extracted from the study “Corporate Social Responsibility in India” Conducted by Gopalakrishna (1992). Most of the independent variables have been taken from previous studies; however some of the variables are new and unique in this study such as Education status of the respondents’ family, Curriculum of school and Location of school, which bear an important on the perceptions of the respondents. These variables therefore have been derived also based on previous studies (Sandra L Holmes, 1976; Md Zabid Abdul Rashid and Saadiatul Ibrahim, 2002; Robert L Engle, 2007; Rajasekhara Mouly Potluri and Zelalem Temesgen, 2008). A conceptual framework has been prepared based on the variables identified and discussed above.

3.9. Conceptual Framework

The conceptual framework for proposed research work has been presented and discussed in figure 3.6 below.
Fig 3.6
Conceptual Framework

**CSR Policies**
- Basic Connotation
- Important Stakeholder
- managers’ attitude
- contemporary Managers’ concern
- Driving factors
- Stakeholders View
- Growing expectations

**CSR Practices**
- Priority area
- Focusing area
- Channel of practices
- Benefits of practices
- prompted initiatives
- Constraints of practices
- Decision makers of practices
- Review of

**Public Sector**
- Top level Executives
- Middle Level Executives

**Private Sector**
- Top level Executives
- Middle Executives

**Socio-Economic Factors**
- Age
- Gender
- Marital Status
- Qualification
- Experience
- Education status
- Curriculum of school
- Location of School

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Versus

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The Conceptual Framework shown in the Figure 3.6 reveals the linkage between the dependent and the independent variables. The dependent variable comprises of Corporate Social Responsibility Policies and Practices whereas the independent variable comprises of the perceptions of managerial executives for both top and middle levels in selected public and private sector companies. The independent variables also include the socio-economic factors of the respondents of the selected companies. Dependent variable of CSR policies comprises the seven dimensions such as basic connotations towards CSR, important stakeholders, changing level of managers’ attitude towards CSR, contemporary managers’ concern about CSR, driving forces, stakeholders view and the growing expectation of CSR policies. Similarly the CSR practices comprises Nine dimensions such as priority areas, focusing areas, channel of practices or implementation structure, organizational benefits, prompted initiation, constraints of practices, decision makers, Review activities and future plans. The independent variables of the selected companies highlight the hierarchy level as well as the socio-economic factors of the respondents, which include the Age, Gender, Marital status, Qualification, Experience, Education status, Nature of school studies and the area of school studies.

The framework reveals that the perception of respondents of the selected companies towards CSR policies as well as practices have been analysed. Since the socio-economic factors of the respondents are inevitably binding with their perception towards any aspects, so, the socio-economic factors of the respondents in this study has been considered as independent variable in order to analyse their perceptions towards the CSR policies and practices. The framework has also shown
that comparison of perceptions of the respondents towards the CSR policies and practices between the public and private companies.

3.10. Summary

The concept of Corporate Social Responsibility and its evolutionary stages are presented in this chapter. The theories of Corporate Social Responsibility with its different perspectives were also dealt with. Further, the researcher has presented the managerial implications on Stakeholder theory of CSR in order to develop the hypotheses relating to the objectives of the study. Finally this chapter presents the development of hypothesis, selection of variables to construct questionnaire and the conceptual framework for the study.
End Notes

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