LITERATURE REVIEW

2.1 Review of Previous Published Literature

Over the past decades, the concept of Corporate Social Responsibility (CSR) has become the most important concept in the study of researchers, industrialists and scholars.

The concept of CSR is one of the key ethical and moral problems which corporate decision-making and behavior is surrounded (Branco and Rodrigues 2006\textsuperscript{11}). As a business concept, corporate social responsibility (CSR) has emerged in the late years of the twentieth century, when a growing number of companies started to consider the impacts of corporate decisions on society and the environment. In general, CSR refers to the obligations of firms to society, more particularly, refers to the obligations to stakeholders and those who persuade corporate policies and practices. According to Caroll (1991)\textsuperscript{12} CSR consists of four elements represented in the form of a pyramid, whose top is a philanthropic, followed by legal, economic and social responsibility to the bottom.

- Economic responsibility is the basic responsibility of the company in terms of company profits through the satisfaction of the needs and expectations of consumers.
- Legal responsibility is reflected in the fact that the corporation has a responsibility to comply with the law. A company that behaves in accordance

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with the requirements of social responsibility, we can say that it works considering the business ethical standards.

- Philanthropic responsibility assumes that the company is a "good citizen" and contributes to community resources. CSR encompasses two main aspects accountability and transparency. In addition to the default responsibility for its financial performance and profitability, companies are accountable to stakeholders, for their performance in relation to human rights, environmental policies, business moral principles, corporate governance, society development, and diversity and job creation problems.

Advocates of CSR point out the following benefits of corporate social responsibility: the increased engagement and retention, stronger associations with the community, enhanced reputation and brand image, competitive advantage, better financial performance and profitability and improved access to capital. CSR is the solution of achieving sustainable competitive advantage in the turbulent global environment.

The analysis of CSR literature reveals the below mentioned economic arguments which can make implementation of CSR more successful:
Creation of a good corporate reputation - reputation is the key to corporate success and comes on top of the list of intangible assets. The scope in which the company can identify, balance, give priority to, and fulfill expectations of, a number of a variety of stakeholders, is very important for the creation and preservation of reputation; Increased sales and improved consumer loyalty - consumers today not only seek high quality and safety of a product but wish to be secure in the knowledge that the purchased goods were produced in a socially and environmentally responsible way; Easier access to capital – until recently companies believed that investors have little or no interest in non-financial aspects of business operations. However, it is becoming more obvious every day that there exists a positive connection between good corporate citizenship and financial performance; a small number of investors can ignore the ways within which companies perform their business activities in accordance with their environmental and social responsibilities; Improved retention, motivation and the moral of employees - stakeholders have the power to commend or punish corporations. An employee who is
considered to be a stakeholder is not only the user of CSR policies but is also the key instrument in the implementation of company policies. Employees who are satisfied with the company’s commitment to the society will most probably be more optimistic, trustworthy and fruitful than those who work for a less socially responsible employer.

Cannon (1992) discussed the development of corporate social responsibility via the historical development of business involvement leading to a post-war re-examination of the nature of the relationship between business, society and government. This traditional contract between business and society has changed over the years because of the addition of new social value responsibilities placed upon business. Social value responsibilities include: stricter fulfillment with local, state, and international laws; social problems; human values; health care; pollution; quality of life; equal employment opportunities; sexual harassment; elimination of poverty; child care and elderly care; support of the arts and universities; and many others.

Frederick (1986, 1994) identified corporate social responsibility as an examination of corporations’ responsibility to work for social betterment and refers this to as CSR1. According to Frederick (1994), the move to “corporate social responsiveness” started from 1970, that he refers to as CSR2. According to him, corporate social responsiveness as the ability of a corporation to respond to social pressures. He argues that the effect of the move from CSR1 to CSR2 is reflected from a philosophical approach.

John Elkington who the founder of a British consultancy called SustainAbility in 1994 framed the phrase “the triple bottom line”. According to him, companies should be preparing three different bottom lines. The traditional measure of corporate profit—the profit and loss account. The second bottom line of a company is “people account”—a measure in some form of how socially responsible an organization has been throughout its operations. Company's “planet” account is the third bottom line of the company

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which is the measure of how environmentally responsible the company has been. The triple bottom line (TBL) thus consists of three Ps: profit, people and planet which aims to measure the social, financial and environmental performance of the corporation over a period of time. TBL of the company is taking account of the full cost involved in doing business.

Within the literature on corporate social responsibility, we can recognize developments in our understanding as well as in business practice (Moir, 2001\(^{15}\)). The article of Windsor (2001)\(^{16}\), examined the future of Corporate Social Responsibility or the relationship between business and society in long run. The researcher tried to find out that whether the organization and society will come closer to each other in future or not and the changing stage of CSR. With the help of history or past movement of CSR, Caroll’s model analysis and in global context, the researcher found three up-and-coming alternatives of CSR i.e. global corporate citizenship, conception of responsibility, stakeholder management practices.

The Harvard Business Review on corporate responsibility gathers the latest thinking on the strategic significance of CSR and concentrates on a concept of “corporate philanthropy”. Companies such as AT&T, IBM and Levi Strauss, have tied forces to develop strategies that increase their name and recognition among customers, boost employee productivity, reduce R&D costs, face regulatory obstacles and encourage synergy among business units. The strategic use of philanthropy has begun to give companies a powerful competitive edge.

The research paper of Nigel Sarbutts (2003\(^{17}\)), expressed the way of doing CSR by small and medium sized companies. The research depicted that a structured approach to

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managing corporate reputation and profit maximization of SME’s through CSR. The community activities of small and medium sized companies are based on their Cost & Benefit Analysis. Small Corporation always struggle for more reputation and reduction of risk. In such a condition, CSR comes as hope for these companies. SMEs lack resources compared to large companies hence CSR activities are more implemented in large firms. SME’s can decrease their risk and manage CSR in such a way that they by imparting much information, proper utilization of resources, they can do better for businesses,

A speech delivered by Mr. Fredrick Ma, secretary, financial services of Britan, based on Corporate Social Responsibility (2004) organized by the British consulate. The speaker explored the concept of CSR on the basis of survey of 1500 business leader attending the world economic forum. In which 5% leaders said that CSR is important for the success of business, while 24% said CSR is not important but the shareholder’s interest is most significant for the businesses. But for the speaker, CSR and corporate governance are complementary to each other. Corporate governance is a medium of driving CSR among corporate. Further the speaker also talked about the role of government in CSR, SMEs as well as for unlisted companies. It was also included in their views that CSR should be a part of company’s objective. Moon (2004)\(^{18}\), paper examined the role of government in driving corporate social responsibility among the corporate. The study elucidated that the drivers of CSR are related with business and society. Business includes its reputation, corporation itself, employees relation knowledge, goals etc. further, the study cleared that government is driver of CSR by making this relationship true and fair through making through making policies and regulations. The study also embarked other’s country’s situation that how their government entered into businesses for driving CSR.

Another perspective of corporate social responsibility is corporate social reporting. It can be argued that corporations have an ethical duty to disclose the impact their actions

have on society. Today with the demise of state enterprises and the growing dominance of business, there is a focus on management viewpoint as there is a consensus that business thrives best under certain strategic and structural conditions (McIntosh et al., 1998). This gave rise to the concept of corporate governance, which is the system of regulations that control the operations of a company (Fisher and Lovell, 2009). Business advisors see it as a process of high-level control of an organization. Corporate governance is however not an abstract goal but exists to serve corporate purposes by providing a structure within which stockholders can track most effectively and responsibly the objectives of the corporation. Whether or not business should carry out CSR, and the forms the responsibility should take, is based on the economic perception that is adopted by the firm (Cozens, 1996).

A large number of empirical papers have examined in the past the relationship between social responsibility and corporate performance. Argument about the relationship have however been debated since the mid-1970s and still have not resulted in a consensus (Burke and Logsdon, 1996; McWilliams and Siegel, 2001). A major proportion of preceding research revealed that there is an adverse relationship between CSR and financial performance due to the additional costs associated with high investments in social responsibility. It is the belief that those profit opportunities forgone by investing in CSR will depress the profit of the organization (McGuire et al., 1988; Aupperle et al., 1985; Ullmann, 1985; Vance, 1975, cited in Dentchev, 2005). However, a much more significant proportion has similarly argued that corporations that are socially responsible obtain internal benefits that influence financial performance. For example, Curran (2005), in summarizing the available research on the effects of CSR on


indicators of financial performance discovered that 24 of the 34 studies (70 percent) were positive. These studies showed a positive and statistically significant relationship between CSR and financial performance.

One of the most impressive researches done in this field is the rigorous and groundbreaking study that took place in October 2004 which won the Moskowitz Prize of the Social Investment Forum which is an award for exceptional research in social investing. The research was undertaken by Orlitzky et al. (2003). Their meta-analysis on corporate social responsibility and financial performance was a compilation of 52 studies over 30 years. Their research showed that a positively and statistically significant association between corporate social performance and financial performance exists, which varies from highly positive to modestly positive. However, due to varying and questionable measures of CSR, differences in measures of business success and research methodology used, there have been inconsistencies in studies of the association between CSR and corporate performance (Balabanis et al., 1998). Decisions have been inconclusive about whether the relationship between the two variables remains negative, positive or neutral. Customers may favorably be disposed to products of firms seen to be socially responsible. In addition, they are more likely to believe that by consuming those products they are directly or indirectly supporting the CSR cause. In the United Kingdom alone, ethical consumer purchases, at a conservative estimate, made up over 14 billion in 2000 (The Economist, 2005). In addition, research by Globescan (2007) showed that investors in developed countries do consider the social performance of companies when they make decisions about buying or selling.

According to Porter and Kramer (2006) there is a lack of success with the company's efforts related to CSR in improving business results. Better link of CSR with key

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business source allows employers to recognize that it can be a source of: opportunities, innovation and competitive advantage. CSR is related to the incorporation of reasonable policies in corporate strategy, culture and daily decision making, consecutively to meet the needs of stakeholders. This is related to the creation of company strategy and successful brands (Werther and Chandler 2004).

Baker (2006) argues that proponents of CSR claim that it is in the enlightened self-interest of business to undertake various forms of CSR. A report by the World Business Council for Sustainable Development stated in its introductory section on corporate social responsibility (World Business Council for Sustainable Development, 1999, p. 5) that: ... business benefits ... accrue from the adoption of a broader world view, which enables business to monitor shifts in social expectations and helps control risks and identify market opportunities. Such a strategy also helps to align corporate and societal values, thus improving reputation and maintaining public support. This analysis is supported by a study in Australia of motivations by business for community involvement (CCPA, 2000). The study revealed that Australian businesses were experiencing a positive transition in expectations of its social role, but part of the reason was that this social role contributes to the continuing health and growth of business. The study pointed out that 75 percent of the companies surveyed favored community involvement. The involvement was a way to maintain trust, support and legitimacy with the community, government and employees. In addition, the study found that a further 10 percent of the companies claimed that community involvement is a way to put back without seeking a return and 10 percent saw their social obligations as being met exclusively by returning value to their shareholders.


Samuel O. Idowu (2007)\textsuperscript{30}, with their study of twenty companies in U.K., propounded that the U.K. companies has now become ethical in the content of social responsibility as companies disclose its CSR with a view of public benefits, government request and issue information to stakeholders because the companies think that stakeholders of twenty first century are better educated than past.

The World Business Council for Sustainable Development (1999, p. 6) defined corporate social responsibility as: The ethical behavior of an organization towards society – management acting responsibly in its relationship with other stakeholders who have legitimate interest in the business. Basically, corporate social responsibility is how companies manage their business processes to produce an overall positive impact on society. However, what constitutes corporate social responsibility varies from company to company, as there have been conflicting expectations of the nature of companies’ responsibility to society. For example, CSR is defined by Barclays Bank plc, through the concept of “responsible banking”: Responsible banking means making informed reasoned and ethical decisions about how we conduct our business, how we treat our employees and how we behave towards our customers and clients.

Vaaland, Heide (2008)\textsuperscript{31}, paper based on a case study methodology. The paper purpose was to handle the CSR critical incidents and utilize this experience in enforcing the CSR activities. The study concluded that CSR should be managed by handling unexpected incidents, long term reduction of gap between stakeholders and their expectations and company performance and finally maintaining relationship with society through interplay between actor, resources and activities.

Gond, Crane (2008)\textsuperscript{32}, made an analysis on the distortion of corporate social performance concept.

The research analyzed that the past researches and found some reason of emerging fall in the interest of corporate social performance research among the scholars. The paper also suggested models on the basis of which the researcher explained that why the CSP concept has lost its importance and development. Further, the researcher depicted some model which the researcher can used in their research related to corporate social performance. The paper argued that tensions and contradictions are the starting point to develop the CSP concept. CSP has an umbrella of activities which need to measure differently in order to move the researches from a simple concept to development.

Truscott, Bartlett, Trwoniak (2009), paper “The reputation of Corporate Social Responsibility industry in Australia” in Australian marketing journal, based on case study methodology. On the basis of the interview of key persons of industries in Australia, the term CSR has been explained. The industrialist revealed that CSR increasingly has become significant. They shared their views of CSR in economic, legal and ethical roles of business in society. Beside this, the industrialist viewed CSR as a model of corporate reputation.

Shah, Bhaskar (2010), has taken a case study of public sector undertaking i.e. Bharat Petroleum Corporation Ltd. in their research work. The research has discussed that there is a broad relationship between the organization and society. Organization has its existence only with the society. Organization used the resources/inputs of the society like material and human etc. In reverse, the organization provides services to the society. From the case study of the BPCL, it was found that company has taken a lot of initiatives in order to serve the society.


Mc William & S. Seigal (2010) provided the importance of CSR as a strategy of enhancing reputation of companies. The study indicated that firms selling convincing goods which comes under the umbrella of CSR activities, leads to consumer loyalty and increased revenue. Further the study also indicated the importance of advertising for providing information to consumers about the social welfare activities of the firm. Beside this the study also included the importance of media and T.V etc. in order to aware the consumers about firm’s activities and increasing as well damaging the reputation. In this way the study concluded about the reputation of firm through CSR.

Hartman (2011), article “Corporate social Responsibility in the food sector” in European review of agriculture economics journal, analyzed the importance of CSR in food sector, particularly those companies which have high brand. CSR is an important part of these companies. But SMEs are less capable in discharging their obligation towards society. Further, the research found that food sector always tries to improve the controlling and discharging its services towards consumers. Consumers also prefer those brands or food firms which give preference to CSR activities and provide good product and services.

Borogonovi, Veronica (2011), article in knowledge@ Wharton, stated that today, CSR has different meaning for different companies. Some termed CSR in the sense of social issues while other for environmental issues. But there are not any mandatory guidelines for CSR so that the problem of areas of CSR can be sort out. In addition to this, the researcher discussed about various views and plans of government and other authorized institution like union corporate minister like Mr. Murli Deora, Companies act 1956, Companies bill 2008 and 2009, Dhavaludani (CEO of non-governmental organization), FICCI etc. All these institution and persons presented their ideas and bills about CSR


requirement. The paper also differentiates the term CSR from other one like Corporate Philanthropy, CSV (creating Share Value) etc. CSR has defined in such a way that how the businesses are conducting their activities in society marked at the place.

Brammer, Jackson & Matten (2012)\textsuperscript{38}, study entitled as “Corporate Social Responsibility and institutional theory: new perspective on private governance” in Social economic review depicted that CSR is not only a voluntary action but beyond that. In this study, CSR had defined under institutional theory. The institutional theory stated that corporate social activities are not only voluntary activities but it is a part of interface between business and society. Regulation/ governance are necessary for enhancing the corporate performance of businesses through CSR. The theory also suggested that in what form companies should take its social responsibilities whether historical, political or legal form.

Agunis, glovas (2012), \textsuperscript{39} Paper entitled “what we know and don’t know about corporate social responsibility: A review and research agenda” in Journal of management, based on 588 journal articles and 102 books. The study provided a framework of CSR actions which affects external as well as internal stakeholders and outcomes of such actions. The paper also enhanced the knowledge regarding levels, forms of CSR; need to understand CSR with outcomes etc. further the researcher also suggested a framework of research design, data analysis and measurement for future research of CSR.

Mallen (2012)\textsuperscript{40}, In this article the researcher depicted that how the trends of CSR have changed from last so many years. This change has affected both the society and business. The researcher explained three basic things about the changes in trend. These are:


\textsuperscript{39} http://www.studymode.com/essays/Corpres-Journal-1676720.html

\textsuperscript{40} Mallen, B. (2012). Corporate Social Responsibility: What Does It Mean?.

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• Firstly, the relationship between business and society has changed. This is happening because of social and environmental problem around the world. Because of these conditions, business and society came closer.
• Second, the businessman strategy of developing business also affected society a lot. Businesses new ideas, concept, developments also came with CSR management that reflects in their product and services.
• Third, the other parties like outside agencies and firm’s own goals also interfere the firms activity.

An article published at knowledge at Wharton on 23 may 2012, suggested that as per changing generation, CSR importance are also changing. The researcher said that the next generation of business will give excessive importance to the CSR activities while past researchers like Milton Friedman referred CSR as window coverage for businesses. Added to, in this article, with the help of several examples it has explained that companies occupied in CSR are more profitable in terms of money, human capital and other resources. Some companies and researchers termed CSR as cost saver while some taken it as reputation building activities. Lastly, it was concluded that CSR is valuable for the society as well as business.

An article published in Tripple Bottom Line Magazine entitled “Initializing CSR: The top three essential elements” presented CSR according to changing time period. It has exposed through the article that CSR should be at the heart of business goals. Sometimes, companies runaway because of social activities in which they engaged but in reality they suffered from financial problem at that time, or may be under scam. The paper has taken an example of Lehman brothers. The article also suggested some variables for initializing CSR. In these variables, it was firstly discussed that CSR can coerce through efficient corporate governance. Secondly, through savings and increase in operating profits, so that investment in CSR can be upgraded. Thirdly, according to article, corporate volunteers believe to be an important variable to ensure that corporate responsibility can be satisfied through the volunteer strategy.

The economic Times (2012), news highlighted the views of former president Dr. APJ Abdul Kalam in a CSR award function organized by industry body Assocham. Kalam
said that companies should dedicate some part of its goal to corporate services. It should make compulsory for all the companies to spend a percentage of its profit on corporate social responsibility. Kalam also discussed that greater importance of CSR in building the lives of the country’s citizens.

Bhattacharyya & Chaturvedi (2012)\textsuperscript{41}, article entitled “CSR looks set to emerge as an independent stream with measurable output” on India CSR site, declared about the proposed bill of CSR that how the bill will affect the company’s policies. The researchers presented their views and said that due to this bill, company’s activities will change a lot the companies who has not engaged in CSR activities till now, will start investing on society. Further, who has already engaged in these areas will get a strong foundation or bond with the society.

An article presented on IndiaCSR entitled “Is CSR all Bullshit?” depicted those companies do not have a strong will power to invest in social activities nor they aware about the areas in which comes under CSR. The reason of this problem is lack of knowledge about the concept of CSR and not any legal framework. The researcher also presented the solution of this problem that knowledge should provide in the institutions through training, induction programmes and through other teaching programmes. If needed, foreign experiences should be used in India for Indian society welfare.

Bibhu Parshed (2012)\textsuperscript{42}, article presented that CSR is the face of industry face of doing trade. Bibhu said that today, corporate houses took CSR as a medium execution of profit greed of corporate houses. Further the article explored that companies today invests in a lot of areas like child labour, ground water, food, education, employment etc. but nobody is aware about the essential need of world’s poor. The article suggested that profit earning is a natural fact of companies but CSR is beyond the natural and statutory


\textsuperscript{42} Mohanty,Bibhu Prasad“Sustainable Development Vis-a-Vis Actual Corporate Social Responsibility
obligation of the companies. At last it was concluded in the article that sustainable development is the expansion of society as well as the company in a balanced way.

Bansal, Parida, Kumar (2012), paper entitled “Emerging trends of Corporate Social Responsibility in India” in KAIM Journal of Management and Research analyzed 30 companies of 11 sectors listed in the Bombay Stock Exchange with the help of their annual reports. Some of these sectors were Transport Equipment sector, Finance and Metal Mining sector, IT & Power, Capital goods, Telecom, Housing, FMCG, Oil & Gas and Cipla. The paper considered the nature and areas of society in which the companies are investing. By considering all those areas it was concluded in the paper that today companies are not functioning only to earn profit but also have realized the significance of being social friendly. So, on the basis of the paper it can be said that social responsibility has now ongoing taking a turn in the new direction.

The Economic Times (11 Jan.2013), news highlighted about the company Dell’s strategy of motivating its employees in initializing CSR. The news discussed that company’s employees are the power that forced the company to do more for the society. Company with its employees are busy in social responsibility activities in the areas of education, environment and employee’s welfare. Beside Dell Company, the news also discussed about other companies like Maruti and Gogrej that these companies also provide induction training to its employees for preparing them for community services. Maruti Company run a program named e-parivartan for a group of employees to make them aware about community problem and their solution.

According to Daniel Korschun, C.B. Bhattacharya, & Scott D. Swain (2014), the study examines frontline employee responses to corporate social responsibility (CSR) using a multsource data set at a Global 500 financial services company. The authors

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find that frontline employees identify with the organization (i.e., organizational identification) and with customers (i.e., employee–customer identification) as a function of how much the employees recognize management and customers (respectively) to support the company's CSR activities. However, these respective effects are stronger among employees for whom CSR is already tied to their sense of self (i.e., CSR importance to the employee). The research empirically addresses the open questions of whether and when CSR can yield observable changes in employee behavior and alerts researchers to a novel target of recognition for frontline employees.

According to Lovins et al (1999) "the long-term stability and sustainability of India might be threatened if the social and environmental problems are not solved." This is exactly what made the researcher’s mind to think about possible ways to tackle India’s problems. The Indian government lacked both vision and resource to handle the social and environmental problems that emerged with the country’s growth. (Rowe, (2005)\textsuperscript{45}; Marg, (2004)). As a possible solution the growing Corporate Sector of India needs to contribute to this responsibility. Based on the theory one might expect CSR to have the potential to contribute to the development of the Indian society. (Newell (2008)\textsuperscript{46}, Sood and Arora (2006)\textsuperscript{47}). Here the topic of this thesis was born and is the result of research study on the possibilities of the beneficial influence of CSR by India’s corporate sector on the Indian society especially large organizations which the focus was initiated.

India’s economic growth is among the highest in the world. Companies are growing at a rapid pace and many new businesses are starting each year. The Middle class is getting richer, resulting in a high growth rate in consumption. However, India’s economic progress also has a drawback. The economic growth has increased the pressure on India’s environment and resources. Inequality between India’s middle class and the poor


\textsuperscript{47} Sood, A., & Arora, B. (2006). The political economy of corporate responsibility in India. UNRISD.
has widened. The IT revolution of India helped build and nurture a very strong middle class amongst the educated people in India. However this revolution did not help alleviate the many chronic problems the uneducated-rural India faces. This broadened the gap between the haves and the have nots even more, thus resulting in even further disparity.

### Table 2.1: Summary of Literature Review

<table>
<thead>
<tr>
<th>Author</th>
<th>Year</th>
<th>Objective</th>
</tr>
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<tbody>
<tr>
<td>Bowen Howard.R</td>
<td>1953</td>
<td>CSR is obligation on businessmen they should inculcate it into policy and do better for society and maintain relations</td>
</tr>
<tr>
<td>Eells and Walton</td>
<td>1974</td>
<td>In its broadest sense, corporate social responsibility represents a concern with the needs and goals of society which goes beyond the merely economic“</td>
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<tr>
<td>Carroll A.B</td>
<td>1979</td>
<td>Corporate have four responsibilities economic, legal, ethical and discretionary and corporate have to make strategic decision.</td>
</tr>
<tr>
<td>Barney ,J</td>
<td>1991</td>
<td>Competitive advantage is created through strategy &amp; core competencies shall be used to drive CSR Companies shall follow international code of CSR.</td>
</tr>
<tr>
<td>Ferrel,O.C &amp; Freidr John</td>
<td>1997</td>
<td>CSR is to maximize positive impact on society &amp; to minimize negative impact.</td>
</tr>
<tr>
<td>Weeden.C</td>
<td>1998</td>
<td>Corporate philanthropy is donation of cash and products to any charitable organisations, but corporate has to link strategic philanthropy with the main business.</td>
</tr>
<tr>
<td>Bajpai,G.N</td>
<td>2001</td>
<td>Ideal CSR has both ethical &amp; philosophical dimension specifically in India</td>
</tr>
<tr>
<td>Lantos,G.P</td>
<td>2001</td>
<td>Ethical demand for firms is to be morally responsible to prevent harm or injuries that could be caused by their activities. 3 kinds of CSR: 1. Ethical-demand for firms to be morally responsible, 2. Altrusitic- true voluntary caring, 3. Strategic- it is exhibited when firm undertakes certain ‘caring corporate community service activity that accomplish strategic business goals.</td>
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<tr>
<td>Author(s)</td>
<td>Year</td>
<td>Summary</td>
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<td>------------------------------------------------</td>
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<tr>
<td>Ashley, P.A</td>
<td>2002</td>
<td>CSR as competitive advantage</td>
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<tr>
<td>Commission of the European Communities</td>
<td>2002</td>
<td>CSR is important as the concept which frames the business contribution to sustainable development</td>
</tr>
<tr>
<td>Pralhad, C.K &amp; Hammond, A</td>
<td>2003</td>
<td>Corporate shall focus on overall world by expanding business</td>
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<tr>
<td>Smith, C</td>
<td>2003</td>
<td>Focus on how to align corporate strategy with its CSR approach.</td>
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<tr>
<td>Hemingway, C.A &amp; Maclagan, P.W</td>
<td>2004</td>
<td>Corporate shall promote human rights, democracy community and sustainability development.</td>
</tr>
<tr>
<td>Krishnan, S.K &amp; Balachandran, R</td>
<td>2004</td>
<td>Emerging market and customers will prefer to boycott companies product and services in case of negative corporate behavior towards society.</td>
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<tr>
<td>Porter, M.E &amp; Kramer, M.R</td>
<td>2006</td>
<td>Corporate and society are interdependent</td>
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<tr>
<td>Jocelyn, E. Mackie &amp; Andrew D. Taylor</td>
<td>2006</td>
<td>CSR is essential for survival of all companies and CSR practices will enhance market reputation and social image of the corporate.</td>
</tr>
<tr>
<td>Mette Morsing &amp; Majken Schultz</td>
<td>2006</td>
<td>Develop theories on Stakeholder management and involvement is important so that company stay in tune by changing stakeholders expectations.</td>
</tr>
<tr>
<td>Husted et al.</td>
<td>2007</td>
<td>Firms identify CSR practices with the core strategy &amp; policy of the company as such aspects like a. Defining plan for social action, b. Intensity of investment in social programs, c. commitment of employees, d. Perceived impact of social action on competitive position and E. measuring outcomes of programs</td>
</tr>
<tr>
<td>Sharma, S</td>
<td>2011</td>
<td>Obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large, and improving the welfare of the society independently of the direct gains to the company.</td>
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</tbody>
</table>
2.2 Theoretical Framework

The attempt to clearly define CSR resulted in a rather unsatisfying outcome. According to The Oxford Handbook of Corporate Social Responsibility by Crane et al. (2008), only few of the management disciplines arouse as much contestation and controversy as CSR does. According to Williams et al. (2006), the current state of theory and analysis of CSR is embryonic and, like so many other scholars in the field, they point out that there exists no general agreement on a definition for CSR (cf. Baron, 2001; Crane et al., 2008; McWilliams et al., 2006; McWilliams/Siegel, 2011). However, the term CSR is generally “used to consider and evaluate the effects of business on society, beyond the traditional role of seeking profits” (Crane et al., 2008:569).

Moreover and very importantly, one also has to take into account that CSR is a concept that evolved over time and thus also changed its focal area over the decades. Regarding CSR on a chronological timeline, the beginning of the modern era of social


responsibility can be traced back to the 1950s when CSR was being recognized as responsibilities of businessmen. In the 1960s CSR developed significantly and began to proliferate in the 1970s, when also alternative emphases, such as “corporate social responsiveness” and “corporate social performance” came into being. A wider number of CSR research and measures were undertaken in the 1980s and in the 1990s the CSR concept transitioned significantly to alternative subjects, as for instance stakeholder and business ethics theory. After the turn of the century CSR became increasingly important and new realms in which to think about businesses responsibilities to society, especially at a global level, could be observed. (cf. Carroll, 1999). The emphasis on theoretical contributions to the concept of CSR had been widely complemented by empirical research and focused on topics such as sustainability, business ethics and corporate citizenship. Renowned approaches of CSR during this era include e.g. the *Three-domain approach* proposed by Schwartz and Carroll (2003) which recognizes economic, legal and ethical responsibilities of a company, and depicts a revised version of Carroll’s widely enjoyed four-domain version of CSR (which also included a philanthropic domain) (cf. Carroll, 2008; Paul Lee, 2008; Schwartz/Carroll, 2003).

As becomes clear from the above discussion, CSR represents a landscape of theories and different approaches which are complex, unclear and also controversial (cf. Garriga/Melé, 2004). Hence, in order to receive a better overview and understanding of the major theories and concepts of CSR, the following are presented in this research:

**The Archie Carroll Model**

The Carroll’s Corporate Social Responsibility pyramid, a dominant model that has enjoyed wide popularity among business and society scholars. Carroll (1991) differentiates Corporate Social Responsibilities into four levels: “economic (required), legal(required), ethical (expected), and discretionary (philanthropy)”. The Corporate Social Responsibility pyramid was framed to embrace the entire spectrum of society’s

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expectations of business responsibilities and define them in terms of categories. According to the model (Figure 1), four kinds of social responsibilities constitute total Corporate Social Responsibility: economic (“make profit”), legal (“obey the law”), ethical (“be ethical”), and philanthropic (“be a good corporate citizen”).

The central assumptions underlying the Corporate Social Responsibility pyramid are presented below. Nature of Corporate Social Responsibility taking a managerial approach, the four-part pyramid defines Corporate Social Responsibility in terms of social expectations that responsible corporations should strive to meet. Prevailing social norms and expectations provide external criteria against which corporate performance can be measured; thus, the notion of responsibility in the pyramid model is reduced to normative restraints of responsiveness. In other words, Corporate Social Responsibility in the pyramid formulation is basically accommodative. Suggesting that businesses should treat Corporate Social Responsibility not as a goal to be maximized but as a constraint, the pyramid does in effect promote satisfying behavior rather than striving for excellence.

**Scope of responsibilities**: Understanding Corporate Social Responsibility as an array of separate domains naturally leads to narrow definitions of the different responsibilities. Thus, the economic role of the corporation is reduced in the pyramid model to the narrow emphasis on profit making of neoclassical economics. Likewise, legal responsibility is restricted to the “letter” of the law, while the “spirit” of law is reserved for the ethical domain. The ethical domain is further separated from the legal domain using a negative definition as mentioned above: ethical responsibility relates to those social expectations and norms not yet codified into law. In the same vein, philanthropic responsibility designates those areas of voluntary social involvement not specifically prohibited or demanded of companies because of their economic, legal, and ethical responsibilities.

Total Corporate Social Responsibility the pyramid is a conjunction of separate domains of responsibility. In contrast to the ordinary view, the so-called separation theory, that businesses can focus either on profits or social concerns but not on both, the Corporate Social Responsibility pyramid “sought to argue that businesses can not only be
profitable and ethical, but they should fulfill these obligations simultaneously.” However, the clearcut separation of the domains raises the problem of integration. At most, the pyramid model can postulate that while separate, the bundle of responsibilities formulated as a simple arithmetic sum must apply simultaneously; it says nothing about how these responsibilities are interwoven.

According to Carroll, the use of a pyramid to depict the conceptual model of Corporate Social Responsibility is intended to portray that the total Corporate Social Responsibility of business comprises distinct components that, taken together, constitute the whole. The model categorizes the different responsibilities hierarchically in the order of decreasing importance.

**Figure 2.1 : Carroll’s Corporate Social Responsibility-Pyramid with four kinds of duties, responsibilities for a company. (Source: Carroll 1991)**
The most fundamental is economic responsibility, “all other business responsibilities are predicated upon the economic responsibility of the firm, because without it the others become moot considerations.” Businesses are expected to operate within the framework of law, thus legal responsibility is depicted as the next layer of the pyramid. Following is ethical responsibility defined in terms of “those activities or practices that are expected or prohibited by society members even though they are not codified into law.” Last in importance, at the top of the pyramid, is philanthropic responsibility, which is discretionary in nature. In the main, the pyramid purports to describe a necessary and sufficient set of obligations that socially responsible businesses should simultaneously fulfill, taking into consideration their decreasing importance.

**Stakeholder Theory**

A key feature of CSR involves the way that a company engages, involves, and collaborates with its stakeholders including shareholders, employees, debt-holders, suppliers, customers, communities, non-governmental organisations, and governments. M. C. Branco and L. L. Rodrigues (2007) argued that companies need to use stakeholder engagement to internalise society’s needs, hopes, circumstances into their corporate views and decision-making. While there are many questions about how far a company’s responsibilities extend into communities relative to the roles of governments and individual citizens, there is a strong argument that CSR can effectively improve a company’s relations with communities and thereby produce some key features that will improve business prospects for its future.

Schwartz and Carroll’s Three-domain approach / Venn diagram

Schwartz and Carroll (2003)\(^{56}\) were refining Carroll’s (1979) work and introduced a *Three-domain approach* which incorporates a *Venn diagram* and yields seven CSR categories which result from the overlap of the three core domains – economic, legal and ethical\(^6\). This model is shown below:

**Figure 2.2 : Schwartz and Carroll’s - Three-domain model/Venn diagram**

![Venn Diagram](image)

According to Schwartz and Carroll (2003), the *economic* domain includes those activities which have either a direct or indirect positive economic impact on the company, i.e. profit and share value maximization. The *legal* domain includes the firm’s responsiveness to legal expectations mandated by society, i.e. that it conforms to the law. Finally, the *ethical* domain refers to the ethical responsibilities of the corporation as expected by relevant stakeholders and the general population. As Carroll and Schwartz’ (2003) *Three-domain approach* is widely cited in many academic journals and highly influential in the development of CSR (cf. Bonn/Fisher, 2005; Frynas, 2008; Garriga/Melé, 2004; Melé, 2008), this framework will be used in order to categorize various CSR activities by companies studied in the empirical part of the underlying

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thesis. Since this framework has been established from a perspective of the Western, developed countries, it hence represents CSR elements from a developed country point of view.

**Operational Efficiency Theory**

Operational Efficiency occurs when the right combination of people, process, and technology to enhance the productivity and value of any business operation, while reducing cost of routine operations to a desired level. In the context of CSR, operational efficiencies can be achieved through managing in the near future risks and liabilities more effectively and efficiently through CSR tools and perspectives by reducing costs; streaming information to stakeholders concerning the investment community for better transparency and by using corporate responsibility and sustainability approaches within business decision-making to result in new market opportunities, newly developed manufacturing processes that can be expanded to other plants, regions or markets as advocated by S. B. Banerjee (2008).  

**Social Contract Theory**

The current practice of CSR by corporations was explained by O. O. Amao (2007) under the social contract theory. This theory dates from the classic period of history but took its modern form in the 16th and 18th centuries with best known philosophers like Thomas Hobbes, John Locke and Jean Jacques Rousseau who talk on social contract. Rousseau, in fact, conceptualized the individual-society relationship as a symbiotic situation whereby the two parties mutually confer some right to the state in order to

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maintain social order which makes human life and cohabitation better and to gain benefits of community and safety. In parallel to the social contract, the corporate social theory, pertaining to a firm’s indirect social obligations, is advanced where businesses are bound by the social contract to perform various socially desired actions in return for approval of their objectives and other rewards.

**Ackerman’s Model**

Micro-level theorist Robert Ackerman was among the earliest people to suggest that responsiveness, (he prefers to use the term ‘responsiveness’), should be the goal of corporate social endeavor. Ackerman described three phases through which companies commonly tend to pass in developing a response to social issues as explained in the following Table 2.1. In Phase 1, a corporation’s top managers deal an existing social problem. At this stage, no one asks the company to deal with it. The Chief Executive Officer merely acknowledges the problem by making a written or oral statement of the company’s policy towards it.

![Figure 2.3 : Ackerman’s Model](image)

<table>
<thead>
<tr>
<th>ORGANIZATIONAL LEVEL</th>
<th>PHASES OF ORGANIZATIONAL INVOLVEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Phase I</td>
</tr>
<tr>
<td>Chief Executive</td>
<td>Issue: Corporate obligation</td>
</tr>
<tr>
<td></td>
<td>Action: Write and communicate policy</td>
</tr>
<tr>
<td></td>
<td>Outcome: Enriched purpose, increased awareness</td>
</tr>
<tr>
<td>Staff Specialists</td>
<td>Issue: Technical problem</td>
</tr>
<tr>
<td></td>
<td>Action: Design data system and interpret environment</td>
</tr>
<tr>
<td></td>
<td>Outcome: Technical and informational groundwork</td>
</tr>
<tr>
<td>Division Management</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Adapted from Aswathappa, 1997)
In Phase 2, the company hires staff specialists or engages outside consultants to study the problem and to suggest ways of dealing with it. Up to this point, the company has limited itself to declaring its intentions and formulating its plans. Phase 3 is implementation. The company now integrates the policy into its ongoing operations. Unfortunately, implementation often comes slowly and often not until the government or public opinion forces the company to act. But by that time, the company has lost the initiative.

Ackerman thus advises that managers should “act early in the life cycle of any social issue in order to enjoy the largest amount of managerial discretion over the outcome.”

**Legitimacy Theory**

Similar to the social contract theory, the legacy theory was adopted by corporations to ensure that operations are within the limits and norms of their respective societies and the outside parties perceive their activities as being legitimate.

“Society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it.” This principle developed by Davis (1973) 59 is commonly known as the Iron Law of Responsibility. It expresses legitimacy as a societal-level concept and describes the responsibility of business as a social institution that must avoid abusing its power. Thus, this principle expresses a prohibition rather than an affirmative duty, and it applies equally to all companies, regardless of their particular circumstances.

The legitimacy theory is fundamentally a system-oriented theory where organisations are viewed as components of the larger social environment within which they exist.

Quazi And O'brien’s Two-Dimensional Model Of Corporate Social Responsibility

Quazi and O’Brien (2000) proposed a two-dimensional model of Corporate Social Responsibility comprising two axes. The horizontal axis is intended to capture variations in views of social responsibility, from the narrow view or the classical lens (i.e., business responsible for providing goods and services and profit maximization within the rules of the game). To the broader view where business considers itself responsible for a wider array of issues, expectations, and stakeholders. The vertical axis of the model represents two extremes in terms of perceptions of the consequences of the social action of business, ranging from pure concern with the cost of social commitment to a focus on the benefits of social involvement.

Resulting from the intersections of the two axes are four quadrants, representing four possible views of Corporate Social Responsibility, which they label as the classical view, the socioeconomic view, the modern view, and the philanthropic view.

**Figure 2.4: Two dimensional model of CSR (Quazi And O’Brien’s 2000)**

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The classical view embodies a narrow conception of responsibility and a focus on costs. The socio-economic view depicts a narrow conception of responsibility with a focus on potential benefits. The modern view captures, on the other hand, a wide conception of responsibility with a focus on benefits and the philanthropic view represents a wide conception of responsibility with an alertness to costs. The classical view reflects the orthodox neoclassical perspective discussed above, in which there is no provision for business to look beyond profit-making, and where Corporate Social Responsibility is seen to generate only costs but no benefits. The socio-economic view represents a narrow view of social responsibility, coupled with acceptance of potential benefits to be associated with Corporate Social Responsibility as in the avoidance of regulation, building good customer and supplier relationships or networking. Here business continues to pursue profit maximization as a primary concern, while also trying to meet social demand and derive some benefits in the process. The modern view captures a perspective in which a business sees added value in serving a wider array of societal needs and expectations and perceiving net benefits to own from socially responsible action. This is consistent with the stakeholder approach to Corporate Social Responsibility. The philanthropic view depicts a broader view of social responsibility in which a business decides to undertake Corporate Social Responsibility actions even when the latter are generally perceived as a net cost. This stance may be enticed by a combination of altruistic/ethical motives to do well despite the costs involved.

**Relational Theory**

Relational theory has a root from the complex firm-environment relationships. As the term implies, interrelations between the two are the focus of the analysis of CSR. Relational theory is further divided into four sub-groups of theories: 1) business and society; 2) stakeholder approach; 3) corporate citizenship; and 4) social contract.

Business and society is proposed to mean ‘business in society’ in which CSR emerges as a matter of interaction between the two entities. One of the measures of CSR is the development of economic values in a society. Another is a person’s obligation to consider the effects of his decision and action on the whole social system. Stated in the
form of a general relationship, social responsibilities of businessmen need to reflect the amount of social power they have.

Stakeholder approach has been developed as one of the strategies in improving the management of the firm. It is also said as a way to understand reality in order to manage the socially responsible behavior of a firm. The stakeholder approach further considers a firm as an interconnected web of different interests where self creation and community creation happen interdependently; and individuals behave altruistically.

Based on Garriga and Mele’s (2004)\(^\text{62}\) analysis, stakeholder approach is both within the integrative and ethical theories, where the former emphasizes the integration of social demands and the latter focuses on the right thing to achieve a good society. These are supported by the work of Mitchel, Agle and Wood (1997)\(^\text{63}\) where balances among the interests of the stakeholders are the emphases; and the work of Freeman and Phillips(2002)\(^\text{64}\) that considers fiduciary duties towards stakeholders of the firms, respectively.

Corporate citizenship of the relational theory strongly depends on the type of community to which it is referred. It is a path that a corporation may take to behave responsibly. Fundamentally, it is about the relationship that a corporation develops with its stakeholders, and therefore, the former has to continuously search for engagement and commitment with the latter. Corporate citizenship based on Garriga and Mele’s (2004) analysis is an approach used under the integrative and political theories and this is supported by Swanson (1995)\(^\text{65}\) and Wood and Lodgson (2002), respectively.

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Finally, the social contract theory of the relational group refers to the fundamental issue of justifying the morality of economic activities in order to have a theoretical basis for analyzing social relations between corporation and society. Hence, CSR is derived from the moral legitimacy the corporation achieves in the society and understanding about CSR is contained in the justification of social actions that legitimize the behavior of the corporation. Garriga and Mele’s (2004) analysis puts the social contract theory under the group of ethical theories, the approaches of which include universal rights (UN Global Compact, 1999) and sustainable development (WCED, 1987; Korhonen, 2003). Both approaches of CSR are based on human rights, labor rights and respect for the environment.

Managerial Theory

Secchi’s (2007) analysis further stresses the logic of managerial theory that emphasizes corporate management in which CSR are approached by the corporation internally. This makes the difference between utilitarian and managerial perspective of CSR. This suggests that everything external to the corporation is taken into account for organizational decision making. Managerial theories have been divided into three subgroups: 1) Corporate social performance (CSP); 2) Social accountability, auditing and reporting (SAAR), and 3) Social responsibility for multinationals.

CSP aims to measure the contribution the social variable makes to economic performance. Thus, the problem is that of managing the firm considering social and economic factors together. It is based on the assumption that business depends on society for its growth and sustainability. CSP of a corporation is further sub-divided into five dimensions in order to keep detailed information about its existence in the corporate chains: 1) Centrality measures the way CSR is compatible with mission of the core goals; 2) specificity gauges the advantages CSR brings to the corporation; 3) proactivity that measures the degree of reaction to external demands; 4) voluntarism that

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accounts for the discretion the firm in implementing CSR; and 5) visibility refers to the way the responsible behavior is perceived by community of stakeholders. As conclusion, the managerial theory generates interests in the sense that CSR considers socio-economic variables to measure firms’ socio-economic performance, as well as to link social responsibility ideology to business strategy. Secchi (2005) further elaborates that SAAR are strictly related to social performance contributions through accounting, auditing and reporting procedures. SAAR means a firm accounts for its action. By doing so, firms are controlled and regulated in their actions towards performing their core business while responsible to the relevant community.

The three activities are separate managerial activities but they are interrelated to each other. All these contribute to the socially responsible behavior of a firm, which finally measures the corporations’ activities that have social impact. Firms are involved in SAAR activities for communication needs, to have better stakeholder involvement and for discloser concerns CSR for multinationals (MNCs) grows as a result of global competitions and challenges they faced. This aspect of managerial theory comes into being as a result of the responsibility the managers have to shoulder by defining useful tools about the CSR for the MNCs to survive in foreign countries.

Donaldson (1989, cited in Secchi, 2007: 359) refers to the MNCs as ‘moral agents’, analyzed on the basis of the moral values when managers make decision in the firms, going beyond profit maximization. The logic of CSR for MNCs is also derived from the fact that when cultural clashes become relevant due to events such as protests, demonstrations, boycotts, strikes and other negative actions against the employers. The answer to these actions is the formulation of ‘code of conduct’ that should be adopted by MNCs. The success of this initiative, however, depends on client expectation and corporate reputation; the level of trust, acceptance, and cooperation shown by the stakeholders and community of workers. Managerial theories are also strongly related to political theories based on the conceptualization by Garriga and Mele (2004) (see Table 2) and supported by Wood and Lodgson (2002) as well as Detomasi (2008)67. They

stress that social responsibilities of businesses arise from the amount of social power a corporation has and the corporation is understood as being like a citizen with certain involvement in the community. The origin of the political power of CSR is based on Davis’s (1960) idea who proposed that business is a social institution and it must use power responsibly. It is also noted that causes that generate the social power are from inside and outside of the corporation.

Detomasi (2008) further argued that strategies firms choose to adopt CSR initiatives are conditioned in part upon the domestic political institutional structures present in the home market. Political theories further demonstrate the links between economic globalization pressures felt by the companies, domestic political structures where the companies are in, and CSR policies.

Managerial theories are also covered under the integrative theories of Garriga and Mele (2004), namely, the entities of public responsibility and corporate social performance. Public responsibility stresses on law and public policy process that are taken as a reference for social performance, while corporate social performance searches for social legitimacy relevant to social issues.

**Utilitarian and Instrumental Theories**

In the utilitarian theories the corporation serves as a part of the economic system in which the function is mechanical i.e. traditionally known as in profit maximization. CSR ideas emerged after a realization that there is a need for an economics of responsibility, embedded in the business ethics of a corporation. Hence, the old idea of *laissez faire* business gives way to determinism, individualism to public control, and personal responsibility to social responsibility. Utilitarian could also be taken synonymously with instrumental theories (Garriga and Mele, 2004; 68 Jensen, 200269)

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in which the corporation is seen as only an instrument for wealth creation, and its social activities are only a means to achieve economic results.

Instrumental theories were also based on the basic idea about investment in a local community in which Friedman (1970) strongly stated earlier that the investment will be in long run provide resources and amenities for the livelihoods of the people in the community. The utilitarian theories are related to strategies for competitive advantages. The proponents of these theories are, for instance, Porter and Cramer (2002) and Litz (1996) who viewed the theories as bases for formulating strategies in the dynamic usage of natural resources of the corporation for competitive advantages. The strategies also include altruistic activities that are socially recognized as instruments for marketing.

Secchi (2007) further divides the utilitarian group of theories into two, namely, the social costs of the corporation and the idea of functionalism. The social cost theory has a basis for CSR in which the socio-economic system in the community is said to be influenced by the corporate non-economic forces. It is also called instrumental theory (Garriga and Mele, 2004) because it is understood that CSR as a mere means to the end, which leads to the fact that the social power of the corporation is materialized specifically in its political relationship with society. The utilitarian theory, therefore, suggests that the corporation needs to accept social duties and rights to participate in social co-operation. Within it, the functionalist theory, specifically advocates that the corporation is seen as a part of the economic system, which one of the goals is profit making. The firm is viewed as an investment, and investment should be profitable to the

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70 Friedman, M. (2007). The social responsibility of business is to increase its profits (pp. 173-178). Springer Berlin Heidelberg.


investors and stakeholders. Putting it from the internal point of view of the firm, CSR was coined as a defense tactic of the industrial system against external attacks because there needs a balance between profit making and social objectives for the economic system’s equilibrium.

There are three main groups of instrumental theories which depend on the economic objectives. The three groups are;

**Maximizing the shareholder value** - According to the authors, any investment social demands that contribute to maximizing the shareholder without deception and fraud are included in this group. It has been noted that the shareholder value maximization as the supreme reference for corporate decision-making.

**Strategies for achieving competitive advantages** - Garriga and Melé, (2004) noted that this group of theories is concentrated on long term social objectives by knowing how to allocate resource and create a competitive advantage. There are three approaches can be included within this strategies i.e., social investments in competitive context, natural resource-based view of the firm and its dynamic capabilities and strategies for the bottom of the economic pyramid.

**Cause-related marketing** - Cause-related marketing refers as the process of formulating and implementing marketing activities and the goal is to enhance company revenues, sales or customer relationship by building the brand through the acquisition of, and association with the ethical dimension or social responsibility dimension (Garriga and Melé, 2004).

**Agency Theory**

This theory comes to explain the relationship that exists between the owners/shareholders and the management. The latter is the agent appointed by the principal (owner/subsidiary). In such an agent-principal relationship, problems such as
the potential moral hazard and conflict of interest are likely to occur. CSR comes as a middle way so that both parties can maximise their gains. As such, when CFP is strong, managers may reduce social expenditures in order to maximise their own short term private gains whereas when CFP weakens, managers will try to offset their disappointing results by engaging in conspicuous social programs, hence increasing their own wealth and that of shareholders as well, pursuant to the managerial opportunism hypothesis by Preston & O’Bannon (1997).  

**Diffusion of innovations theory**

Diffusion of innovations theory has been previously used by many CSR scholars (e.g. Corbett & Muthulingam, 2007; Corbett & Kirsch, 2001; Delmas, 2002; King & Lenox, 2001) in their endeavor to establish whether firms adopt CSR tools, such as ICMS, as a means of enhancing their CSR performance or for other reasons. The literature on diffusion of innovations perceives management standards as managerial innovations (Rogers, 2003). According to this theory, organizations do not all adopt a managerial innovation simultaneously but in an over-time sequence. The theory suggests that the adoption of an innovation follows an S-shaped curve over time. During the first years after the introduction of a managerial innovation only few companies adopt it each year. Then a critical mass of adopters is reached and the cumulative rate of adoption speeds up. The important point is that at this stage the wide adoption of the

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innovation does not take place due to its technical or managerial effectiveness, but due to pressures from other companies that have already adopted this innovation (Abrahamson, 1991). This phenomenon, otherwise known as bandwagon, signifies that a managerial innovation may continue to spread even if the late adopters do not really gain in terms of organizational efficiency. Bandwagon pressures occur when there is the threat of losing either legitimacy or competitive advantage (Abrahamson, 1991). Empirical evidence indicates that any innovation, even if there is an ambiguity regarding its returns, can diffuse in a bandwagon way (Abrahamson & Rosenkopf, 1993). The literature also points out that when the number of organizations that adopt an innovation increases, this innovation becomes synonymous of normal business behaviour and firms that do not adopt it are perceived as illegitimate (Selznick, 1957). Businesses that do not implement a widely accepted innovation need to justify their choice since their behaviour provokes questions about their operations. Accordingly, companies may be enticed to imitate the commonly used practices as a defensive measure, as their adoption allows them a) to gain acceptance from the government and the public and b) to be perceived as more legitimate compared to those that deviate from what is perceived as a normal behavior (Deephouse, 1996).

Van Marrewijk’s “Three Approaches” theory
Another way of explaining the different levels of CSR could be found in Van Marrewijk’s “Three Approaches” theory and model. In this theory CSR is parted into three different levels or approaches: shareholder approach, stakeholder approach and societal approach. Marrewijk argues that sustainability is the ultimate goal of CSR and that it is possible to build an integrated model to better show this theory. (Van Marrewijk, 2003).

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Institutional theory

Institutional theory has been widely used by CSR scholars (e.g. Aravind & Christmann, 2010\textsuperscript{81}; Campbell, 2007\textsuperscript{82}; Delmas & Montes-Sancho, 2010\textsuperscript{83}; Matten & Moon, 2008\textsuperscript{84}; Schaefer, 2007\textsuperscript{85}) as a conceptual framework for understanding the implementation of CSR. Similarly with diffusion of innovation research, studies in institutional theory are able to shed new light on the topic of this research. This theory also supports the view that firms may have motives for implementing CSR practices other than their potential to improve firms’ efficiency in terms of CSR (Cashore, 2002; Delmas, 2003). Institutional theory proposes that a) organizations’ survival depends on resources provided by the institutional environment, and b) access to resources needed for their operations is dependent on organizations’ legitimacy (Baum & Oliver, 1992).

Institutions play an important role establishing norms and values prevalent in societies and defining the current perception of what is legitimate (Scott, 1987a; 2001). Therefore, companies’ legitimacy depends on the degree to which their organizational structure resembles the structure of the institutions pertaining to their business and social environment. Institutional theory indicates that because organizations adopt the structure of the same institutions and face similar conditions they become similar to each other (isomorphic) (Meyer & Rowan, 1977). DiMaggio and Powell (1983), in their widely quoted article, term the framework outlined by institutions as an ‘iron cage’, which constraints organizations’ operations and promotes isomorphism. It is maintained that the latter is imposed through coercive, normative and cognitive forces to


organizations (DiMaggio, et al., 1983; Scott, 2002). Coercive forces most commonly take the form of regulations and they influence organizational behaviour through enactment or threat of legal sanctions. Also, coercive forces may stem from pressures from other organizations on which the firm is dependent. Normative forces are result of professionalization, where members of professions receive similar training and interact through professional bodies (Schaefer, 2007). Finally, cognitive forces include widely accepted symbols and cultural rules that are taken-for-granted, i.e. their connection to social norms, values and beliefs is not questioned.

**Self-regulation theory**

CSR scholars have used self-regulation theory to analyse the conditions necessary for securing successful implementation of CSR practices (e.g. Albareda, 2008; Christmann & Taylor, 2006; Hart, 2010; King & Toffel, 2009; Lenox, 2006; Utting, 2005). Some authors dispute the potential of CSR self-regulatory tools, such as

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ICMS, to effectively control for-profit organizations (Cragg, 2005). They suggest that companies will not put the collective interest above their own and will behave opportunistically when adopting these measures (Hardin, 1971; Maitland, 1985). They further assert that free-riding, i.e. non-conformance with the tools’ requirements is unavoidable (Maitland, 1985). According to this analysis, companies are not sure if posing stricter rules on their operations will mean that they will gain an advantage or a disadvantage towards their competitors. In this context, they choose to free-ride and not implement substantially the self-regulatory measures (Lenway & Rehbein, 1991). Adherence to various requirements will only succeed when the adoption of a tool includes some benefits for the firm. As Kollman and Prakash (2002) argue, CSR measures such as ICMS need to have excludable benefits for firms, i.e. benefits that cannot be gained by competitors. Otherwise, companies will prefer to serve own interests and not fully comply to the standards’ requirements (Delmas, 2004). Firms are interested in differentiating themselves from their competitors and on that basis they decide to adopt or withdraw a practice (Lenox & Nash, 2003). Given that companies pursue increasing own profits, it is rational for them to avoid conforming to any requirements if such avoidance is compatible with retaining their ICMS certification (Cradden, 2005). Businesses will attempt to minimize obligations stemming from the adoption of CSR self-regulatory tools and will only conform to requirements if to refuse would heavily influence their survival (Cradden, 2005).

**Resource dependence theory**

Resource dependence theory (RDT) is the study of how the external resources of organizations affect the behaviour of the organization. The procurement of external

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resources is an important tenet of both the strategic and tactical management of any company. Nevertheless, a theory of the consequences of this importance was not formalized until the 1970s, with the publication of *The External Control of Organizations: A Resource Dependence Perspective* (Pfeffer and Salancik 1978\(^99\)). Resource dependence theory has implications regarding the optimal divisional structure of organizations, recruitment of board members and employees, production strategies, contract structure, external organizational links, and many other aspects of organizational strategy. However, this theory includes three core ideas (Davis \(^100\) & Cobb 2009): social context matters, strategies to enhance autonomy and pursue interest power for understanding internal and external actions of organisations. Resource dependence theory is one of many theories of organizational studies that characterize organizational behaviour. In many ways, resource dependence theory predictions are similar to those of transaction cost economics, but it also shares some aspects with institutional theory.

### 2.3. Societal benefits from CSR

According to Joel Makower (1994), long ago social responsibility used to be in hands of the church. About four hundred years ago this responsibility shifted to the state. Since then the roles of the relationship of the State, business and civil society have been clearly alienated. The control function belonged to the State. The state had to create and maintain legislation. Business had the market function and was supposed to use competition and cooperation to create wealth. Civil Society had to give shape and structure to the society through collective participation (Van Marrewijk, (2002)\(^101\)).

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\(^101\) van Marrewijk, M. (2002). Concepts and definitions of CSR and corporate sustainability
Now this relationship has undergone a transformation and business is held responsible for different issues concerning the society, which earlier used to be solely the responsibility of the state and the civil society. At one side, influence in global and national governance of businesses has increased. At the other side, governments leave societal issues within the authority of corporations. This has contributed to a discussion regarding the role of international business as an actor of development in society.

J.R.D TATA, the founder of TATA STEEL, stated, ‘Every company has a special continuing responsibility towards the people of the area in which it is located and in which its employees and their families live.’ The aspect of social responsibility of a company is mainly concerned with the role of the company in addressing issues of societal benefit and of reduction in social costs. There have been different instances where businesses originate in social awareness and welfare. Corporate Social Responsibility is a growing movement and to sustain it, it is necessary to improve and promote the interest in investment and the competence of both the society in general and of the governments in the individual countries to adjust to the CSR programme.

In essence it is about building sustainable businesses, which need healthy economies, markets and communities, which again necessitate all business houses whether private or public to carry out CSR activities. The government has declared it compulsory for industries to be socially responsible. They cannot ignore the society while carrying out production and amassing profit. A vibrant association or a high degree of correlation can be revealed between CSR and good public governance. Earlier this was neither specified nor executed, as the industrial policy resolutions failed to point out the real role of industries in society.

Cisco takes an entrepreneurial or venture-capital approach to social investing. They address important social issues through multiyear initiatives that can have an immediate impact, but that also can scale in size and scope, be replicated in other environments,
and support a mechanism for achieving sustainability over time. These initiatives generally take the form of public-private partnerships that respond to a broad range of stakeholder perspectives and make the most of Cisco's core competencies, including their technologies, expertise, and collaborative approach.

2.4 Corporate Social Responsibility and Work culture

Deloitte recently published its 2011 Volunteer IMPACT Survey, focusing on employed adults from 21-35 and explored the connection between workplace volunteerism activities and employee engagement. The results showed that those who “frequently participate in their company’s volunteer activities” were “twice as likely to rate their corporate culture as very positive”, “more likely to be very proud to work for their company”, “more likely to feel very loyal toward their company” and “nearly twice as likely to be very satisfied with the progression of their career”. These results show the impact that CSR activities can have on corporate culture and employee perceptions of their workplace.

According to a study conducted by the Center for Creative Leadership’s (CCL), employee volunteerism and corporate philanthropic initiatives are linked with employees’ positive perception and commitment to their company. This is an important insight, especially for large companies looking to fit into place and retain a sizeable workforce. The CCL concludes by saying that “it is likely that the significance of CSR will increase in years to come as people become more interested in the social and environmental effects of corporations.”

Corporate Social Responsibility in simple terms refers to commitment by business for social welfare of staff, stakeholders and the community. The extent companies involve in CSR depends on the company’s view on CSR, the size of the company etc. and different companies define CSR in different ways. According to World Bank “Corporate social responsibility is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good
for business and for development.” There are two opposite views of social Responsibility. Some companies believe that their social responsibility is only maximizing profit which is referred as the classical view. On the other hand the socio economic view is that companies have to go beyond making profits and involve in improving social welfare.

2.5 Corporate Social Responsibility and Corporate Strategy

First of all, CSR needs to be more than just another form of PR. CSR should not be mistaken as something related to marketing and communication – it is about more than that. Secondly, why is it only society that needs to benefit CSR initiatives? Since society and business are two interdependent entities, we believe it to be important that CSR makes sense to both society and companies. Thirdly, CSR can act as a way to realise new business opportunities. Last but not least, make use of the company’s know-how and offer unique solutions to the world’s problems. How can CSR be integrated into corporate strategy? In the initiation phase of CSR integration, it is important to focus on who rather than when. We have found that most companies already work with CSR indirectly and the integration process is therefore more about structuring it, put it into standard procedures and divide responsibility. To ensure success, the change has to be driven by top management so that CSR is put on the corporate agenda.

Anvil Knitwear, Inc.: On the Right Thing to Do - It’s not easy to reinvent a company, but in the case of Anvil Knitwear, Inc., a recent transformation catapulted this century-old brand to be a major player in the burgeoning markets for environmentally and socially responsible activewear. At the heart of the company’s reinvention was the launch of a new organic cotton line in 2007, and a pre-consumer recycled cotton line in 2008. “Within 12 months, we’ve become the largest domestic user of American organic cotton in the U.S.,” says CEO Anthony Corsano, who recently earned the Ernst & Young Metro New York Entrepreneur of the Year® 2008 Award in the Retail and Consumer Products Category. “And we’ll soon be introducing clothes made, in part, from recycled poly from plastic bottles.”
Yahoo! Launches New Business & Human Rights Initiative - Communication and information technologies are key drivers and critical foundations of today’s global economy. Yet despite the rapid spread of tools like e-mail, user-generated content, mobile applications, and web searches to all corners of the world, providers and users of these services must still contend with efforts by governments to restrict the free expression and privacy rights these same tools enable. That’s why Yahoo! has established a new Business & Human Rights Program, which guides its approach toward existing and potential markets for its products. “This program is grounded in core values centered on open access to information, free expression, and the belief that engagement, even in countries that restrict expression and access, can have a positive impact.

on the lives of citizens – with the Internet serving as a powerful agent of change wherever it is used,” said Michael Samway, Vice President and Deputy General Counsel at Yahoo!. Yahoo!’s Business & Human Rights Program supports multi-disciplinary efforts to promote access to the Internet and limit unfair restrictions on its use. “Working both on our own and with likeminded partners, the Business & Human Rights Program is an important part of Yahoo!’s ongoing effort to protect the rights of our customers around the world – and to enable the Internet to make a positive difference in their lives,” Samway explained.

Ford Motor Company: Supply Chain Sustainability - Ford Motor Company has long recognized that treating people with dignity and respect holds a fundamental place in how it conducts business around the world. In 2000, Ford made human rights core to its sustainability strategy, and in 2003 began implementation of the Ford Code of Basic Working Conditions throughout its $90 billion supply chain. Ford requires suppliers to “ensure that our products – no matter where they are made – are manufactured under conditions that demonstrate respect for the people who make them,” according to Tony Brown, Group Vice President of Global Purchasing. “This is just as important as quality, cost-competitiveness or timeliness of delivery.”
In order to effectively engage suppliers throughout the chain, Ford has a three-phase approach:

- **Individual Facilities** Training and capability building is the fundamental basis of Ford’s Supply Chain Working Conditions program, supported by assessments of individual factories.
- **Corporate Engagement** Ford seeks supplier ownership at the corporate level to enhance policy, verification systems and supply chain impact.
- **Industry Collaboration** Ford is driving collaboration on global supply chain working conditions through the Automotive Industry Action Group (AIAG).

### 2.6 Corporate Social Responsibility and Competitive Advantage

CSR, therefore, embraces the range of economic, legal, ethical, and discretionary actions that affect the economic performance of the firm. A significant part of a firm’s fundamental responsibilities is complying with the legal or regulatory requirements that relate to day-to-day operations. To break these regulations is to break the law, which does not constitute socially responsible behavior. Clearly, adhering to the law is an important component of any ethical organization. But, legal compliance is merely a minimum condition of CSR. Rather than focus on firms’ legal and regulatory obligations, *Strategic CSR* focuses more on the ethical and discretionary concerns that are less precisely defined and for which there is often no clear societal consensus. CSR is a key element of business strategy. In the words of *The Economist*, it is “just good business.” Strategy strives to provide the business with a source of sustainable competitive advantage. For any competitive advantage to be sustainable, however, the strategy must be acceptable to the wider environment in which the firm competes. CSR done incorrectly—or, worse, completely ignored—may threaten whatever comparative advantage the firm holds within its industry. One hundred and twenty years ago, for example, Standard Oil Trust pressured industry suppliers to treat its competitors unfairly in the eyes of society. The result was a series of antitrust laws introduced by government that eventually forced Standard Oil to break into separate companies. Today, activist organizations such as Greenpeace and the Rainforest Action Network
target corporate actions they deem to be socially irresponsible. The result of these protests and boycotts can be dramatic shifts in corporate policies and damage to the brand such as Shell’s change of course regarding the breakup of the Brent Spar oil platform, or Citigroup’s adoption of wide-ranging environmental metrics in the criteria it uses to grant loans—action that ultimately resulted in Citigroup playing a leading role in the creation of the Equator Principles.

However, leaders should address stakeholder concerns like these in ways that carry strategic benefit for the firm. CSR is not about saving the whales or ending poverty or other worthwhile goals that are unrelated to a firm’s operations and are better left to government or nonprofits. Instead, CSR is about the economic, legal, ethical, and discretionary issues that stakeholders view as directly related to the firm’s plans and actions. The solution to these issues, the overlap where economic and social value intersect, is at the heart of any successful CSR policy. Michael Porter and Mark Kramer outline this approach in defining “strategic corporate philanthropy,” but the same approach can be applied to the wider issue of CSR: The acid test of good corporate philanthropy is whether the desired social change is so beneficial to the company that the organization would pursue the change even if no one ever knew about it. Beyond the desired changes, however, are the approaches employed to achieve those changes. Too often, the end (building shareholder wealth, for example) has been used to justify the means (polluting the environment). A firm that seeks to implement a CSR policy that carries strategic benefits is concerned with both the ends of economic viability and the means of being socially responsible. As such, the connection between these means and ends is an important component of strategic CSR and something that sets it apart from other areas of social responsibility.

This distinction becomes apparent when discussing an issue such as ethics, which is concerned about the honesty, judgment, and integrity with which various stakeholders are treated. There is no debate: Ethical behavior is a prerequisite assumption for strategic CSR. It is hard to see how a firm’s actions could be both socially responsible
and unethical. Ethics, however, is not the central focus for strategic CSR, except insofar as constituents are affected or society defines a firm’s actions as unethical, thus harming the firm’s legitimacy and profit potential. Likewise, other socially important issues also exist outside the direct focus of strategic CSR. Concerns over domestic and international income disparity, gender issues, discrimination, human rights, spirituality and workplace religiosity, technological impacts on indigenous populations, and other issues affect societal well-being. Unless firms take actions that directly affect stakeholders in these areas, however, the study of these topics might better fall under ethics, public policy, sociology, or developmental economics courses, which are better suited to explore these complex and socially important topics in greater depth.

Corporate philanthropy falls within the organization’s ethical and social commitments. These are values that organizations subscribe to comprising of ethical and social standards as evidenced in their mission, organizational objectives and organizational culture (Meehan et al., 2006). According to Porter and Kramer (2002), “Strategic Philanthropy” involves organizations’ giving charitable contributions to society with an aim of generating organizational good-will, good publicity and also boosting employee morale. All these can be sources of competitive advantage. One of the earliest forms of “strategic philanthropy” is “cause-related marketing” whereby organizations concentrate on a single cause or a single organization over time. Such practice can improve the reputation of the organization as it links itself with the qualities of an admired corporate partner (Porter and Kramer, 2002).

Another form of corporate philanthropy involves giving time and expertise to local non-profit organizations through a form of partnership by way of Employee Volunteer Programme (EVP) (Vaidyanathan, 2008). Through this programme, organizations


sponsor their employees to work with these organizations towards some cause. Employee Volunteering Programme can lead to several benefits including reaping returns from the market due to the organization’s commitment to the cause, meeting social and economic objectives simultaneously and also attracting and maintaining high quality employees (Vaidyanathan, 2008). These programmes can also add value to the organization by improving the reputation and credibility of the organization thereby enhancing the organization’s public image.

According to Clemes et al (2010), one of the reasons why customers switch banks in a competitive banking environment is the reputation created by a bank among its customers. When a banking institution has a good reputation, it creates a positive image among its customers and this can lead to corporate success. Bank managers should therefore use a relationship marketing approach in order to enhance trust between the banks and their clients and also build a good reputation. CSR can play a big role in building trust, reputation and hence increase customer retention and acquisition. What customers talk about among themselves about an organization is important to business success (Clemes et al, 2010). It is important for the banking institutions to understand how their social programmes are likely to influence consumer perceptions about them for their corporate philanthropy activities to have a meaningful impact on their positive reputation (Lee et al, 2012).

According to Porter and Kramer (2002), organizations can use corporate philanthropy efforts to increase their competitive advantage as corporate philanthropy aligns the social goals of the organization with economic goals of profitability thereby creating long-term business success. It does not only take the provision of quality products and


services for organizations to gain public support. The type of employees an organization has is also a major factor. Therefore it is prudent for organizations to develop responsible and ethical staff (Yeung, 2011\textsuperscript{107}).

According to Brammer and Millington (2007)\textsuperscript{108}, CSR policies can lead employers to form favorable perceptions of the organization. Such policies influence employee commitment to the organization as they make them feel proud to be associated with the good that the organization does to its constituents and may make them more eager to share the “good deed” that the organization does with others outside the organization (Stawiski et al, 2010\textsuperscript{109}). Tsai et al (2006) say that employees should be encouraged to learn new and innovative ways of relating with customers as this will be beneficial to both the customers and the organization due to the positive feedback gained from the consumers. The end result will be a fulfillment of the organization’s responsibilities towards society.

The staff has to be committed in their work in order to establish an organizational culture devoted to provision of quality service to consumers (Michalos, 2006\textsuperscript{110}). This gains confidence from the consumers leading to customer satisfaction hence becoming a source of competitive advantage.

Harrison (2000) points out that individual performance is influenced by “knowledge, skill and the environment”. He says that poor performance is caused by several factors


among them poor working conditions, lack of information or skills, inadequate working tools and poor motivation and/or incentives. Employees can be actively involved in CSR activities not only on the responsible organizational labour practices like health and safety, fair remuneration, training, discrimination, work/life balance, e.t.c. but also as a group that can commit personal resources to make contributions to CSR activities (Haski-Leventhal, 2012\textsuperscript{111}). They can commit their personal resources through participating in voluntary fundraising to assist particular causes within the community or make direct contributions through pay-roll deductions. These contributions can then be channeled to a particular cause. They can also volunteer their time and expertise in local non-profit programmes through employee volunteering programmes. Such involvement by employees can lead to their moral satisfaction, organizational commitment and business success.

According to Palazzi and Starcher (2006), employee-centered CSR can take several forms. These include management creating a good working environment whereby employees are developed so as to realize their potential. Empowering employees especially the middle management and also establishing good communication channels throughout the organization are other forms. There should be a balance between work, family and leisure for employees to be more productive in the long-run. Continuing employee education and training, job security and profit sharing to enhance employee turnover can also be implemented. The results of such actions include improved organizational performance through increased profits and productivity and higher quality of life in the workplace. They can also make the more skilled and committed employees to be retained in the organization. Studies also show that employee satisfaction can lead to customer satisfaction (Palazzi and Starcher, 2006).

\textsuperscript{111} Haski-Leventhal, D. (2012). Corporate responsibility and responsible management education in the eyes of MBA Students.
2.7 Research Gap

In reality, while CSR seems to be successfully implemented in large organizations, it is largely noted that the systematic and continuous follow is neglected. Moreover, in order to compete, with their peers these large organizations need to retain the consistency of a systematic adoption of CSR so that efficiency, productivity and competitiveness can be prompted measured.

The following are the research gaps that are identified in this study:

1. Studies pertain to international context are as per the regulations of the home countries.
2. In the existing studies pertain to large organizations as per the Indian context, they are having a philanthropic concept rather than a strategic and management concept.
3. The concept of CSR in Indian context lack innovative approaches.
4. The approaches of CSR in large organizations are not in synchronizing with business strategy.
5. The Indian organizations are not involving all the levels of employees to participate in the activities of CSR.
6. Schedule VII section 135 of The Companies Act 2013 and its activities are followed by the large organizations to certain extent because the gap is the level of adoption by those organizations to comply with.