CHAPTER - III
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REVIEW OF LITERATURE:

During the last three decades, a good number of research studies have been made on various aspects of business-society relationship. An attempt is made here to present a brief review of some research works that have direct & indirect relation to the research problem.

In 1971, the Harvard Business Review Surveyed 3453 of its subscribers and asked them how valid they thought, each of the following observations was:

1. “A Corporation’s duty is primarily to its owners and only to its owners”.

2. “A Corporation’s duty is primarily to its owners and secondarily to employees, customers and the public”.

3. “A Corporations’ duty is to serve as fairly and equitably as it can, the interests of four, sometimes competing groups – owners, employees, customers and public”.

4. “The primary duty of the enterprise is to itself to ensure its future growth and continued functioning as a profit making supplier of goods and services”. Seventy four percent responded that the first statement was the least valid of the four. Only two percent said it was the most valid. Sixty one percent said that the third statement was the most valid. [1]

Abdul Farooq Khan made an investigation into the perceptions of corporate social responsibility among 41 Senior Executives of Companies in Delhi and Ghaziabad district in U.P. in India.\textsuperscript{[2]} He found that 98% of respondents agreed that social responsibility was relevant to business. They considered profit an equally important goal.

He conducted another survey of executive perception in England adopting mail questionnaires and interview method. From a sample of 46 respondents, he found that almost all managers were in favour of corporate social responsibility.

Webley reported in his survey that over 90% of the 130 U.K. Chief Executives questioned, agreed with the statement, that the company has functions and obligations beyond the pursuit of profit.\textsuperscript{[3]}

Gill and Leinbach studied the attitudes concerning social responsibility by taking a sample of 83 companies in Hongkong. They found that there is an understanding and appreciation to corporate social responsibility.\textsuperscript{[4]}

Buchler and Shetty studied 232 major corporations, from among the Fortune 500, to determine how and to what extent they were involved in social programmes. This research indicated that the greatest involvement in social programmes concerned quality control to meet consumer expectations, anti-pollution activities, and employment and training.

\textsuperscript{[2]} Abdul Farooq Khan, Managerial Responses to Social Responsibility Challenge, Indian Management, Vol.20, No.9, P.P. 13 - 19.
\textsuperscript{[3]} S. Webley, Corporate Social Responsibility: Report on a survey conducted on behalf of Public Relations Consultant's Association.
Motivations for social programmes were probed and the conclusion was that enlightened self-interest was the most important motive for social action in urban and consumer affairs. [5]

Holmes conducted a similar survey (like the survey conducted by Harvard Business Review in 1971) among the Fortune 500 in 1976 and concluded that the trend towards greater acceptance of social responsibilities was continuing. [6]

John Steiner conducted direct interviews with top executives about their beliefs. He made videotapes of approximately 15 Chief Executive Officers of major corporations in a continuing series, concerned with their social attitudes. [7]

The survey of Hammaker, Norniman and Rader and Bowman reported that more managers were concerned with establishing stronger ethical and moral policies to govern the actions of managers in their operations. [8]

Newmann conducted a study on social issue of transnational enterprises and concluded that profit-sharing, local employment and local ownership are major areas of social concern and that managements of transnational are considering more delegation of authority, local autonomy and employment of higher percentage of nationals in managerial positions as appropriate moves to reduce local tension. [9]

Abdul Farooq Khan in his study of 41 British Companies found that Medicare, quality control, employment and training, contributions to education, air and water pollution are receiving greater attention. [10]

There was a study in India by Abdul Farooq Khan [11] on management attitudes towards corporate social responsibility. The study was based on a small sample of 41 senior executives. In the study it was found that:

- Managers in Indian Industry are very much favourable to corporate social responsibility. The various factors responsible for their acceptance are the value change in society, prominent status and role of industry in shaping the society into a democratic and socialistic society, the public criticism about the less satisfactory performance of industry in respect of political affairs, consumers interests, human relations and environmental pollutions; and the rising expectation of public influenced by success of industry in the economic front and meaningful social performance by some leading firms.

- Job creation, internal employee service programmes, society relief and reconstruction, support of small and minority enterprise and encouraging consumerism are the priority areas of social effort. The managerial choices on priority areas are influenced by difficulty in implementation, adverse effects on profitability, moral obligation and marginal liberal attitude of managers.

- The most preferred organizational arrangement for implementation is a prominent committee of executives.

• The most acceptable method of social audit is performance goals method. The main purposes of social audit are identifying social programmes that the company undertakes on its own or by external influence, and evaluating the performance systematically. The principal obstacles to social audit are lack of measures for evaluation and lack of consensus on areas to be evaluated.

• There is no significant difference in the perceptions of top and middle level managers on corporate social responsibility.

• There is no significant difference in the perceptions of public and private sector managers on corporate social responsibility.

• The hurdles to implementation are poor profit performance, adhoc approach of top management, busy work schedule of managers, lack of consensus on priority social areas, difficulty in assessment and evaluation of programmes and lack of motivation and encouragement to executives. The external hurdles are those created by government policies, corrupt administrative machinery, political parties with vested interests, and poor responsiveness of unions and other concerned organizations and public.

Lovdal, Bauer and Treverton found that many major corporations have public responsibility committees. They believed the idea of such a committee is sound but that most companies are surviving without such a committee. They believed also that such committees had been in a formative state and that because of their potential values they would grow in usage. [12]

James E. Post and Edward Baer investigated the complex policy

problems in social performance of International Infant Formula Industry and came to the conclusion that public issues evolved through a life cycle consisting of predictable stages. The study identified the convergence between public policy and corporate policy and also the influence of factors like orientation towards the industry, basic business strategy states in maintaining status quo in the LDCs, and management perception of validity to critic’s claims. [13]

On the overall process of institutionalizing social policy in the decision making process, one of the valuable contribution is that of Blake [14] who, on the basis of emotional observation, set forth guidelines for managing the corporate social policy process.

Bowman & Haire reported a significant positive relationship between return on equity and their social responsibility measure, the proportion of lines of prose in the annual report devoted to social responsibility. [15] Further, they found that performance was highest for the medium – responsibility group, next highest for the high responsibility group and lowest for the low responsibility group.

Their reanalysis of the Bragdon and Marlin data yielded a similar curvilinear relationship. A similar pattern was reported by Sturdivant and Ginter.

Parket and Eilbirt [16] collected data from 96 major companies concerning social issues. They found that, in terms of a number of economic indices, respondents to their survey out

performed the remainder of the Fortune 500 list. They concluded that, since their respondents were likely to be more socially responsible than were non-respondents, these findings provided evidence of a favourable relationship between social responsibility and economic performance.

Milton Moskowitz, [17] former editor of Business and Society, developed portfolios of "responsible" and "irresponsible" companies (1974, 1975). The Moskowitz ratings were a function of many factors such as pollution control, equal employment opportunity, community relations, plant safety and responsibility of advertising. In 1972, share value of his "responsible" companies rose 16.9% as compared to between 14% and 15.6% for major market indices. However, in 1973, his portfolio of responsible companies declined 26.3% versus 20.5% for the "irresponsible" companies and Bauer (1976) noted that, while Moskowitz did not continue the newsletter in 1975, if he had 1973 portfolio of "responsible" companies, would have declined by 46% in 1974 versus about 30% for each of the major indices and only 13% for the "socially irresponsible" companies.

Sturdivant and Ginter [18] developed a 65 item instrument to determine the profile of a top management groups' attitudes on socially sensitive issues. Items on the instrument concerned attitudes about a variety of issues, including business, education and social order. One hundred thirty key decision makers in 67 companies responded to the questionnaire. Further Sturdivant and Ginter classified firms as "best", "worst" or "honorable mention" in terms social performance on the basis of ratings developed by Milton Moskowitz. Finally, data concerning ten years (1964 – 1974) growth in earnings per share were obtained for each

Responses of managers from “best” firms were significantly more liberal along several dimensions, especially concerning racial attitudes and perceptions of the poor and other non-mainstream citizens, than were responses of managers from “worst” firms. Further, in terms of the relative economic performance of firms, the “honourable mention” firms were found to outperform the “best” firms, which in turn, out performed “worst” firms.

Sturdivant and Ginter interpreted these results as “good news to advocates of greater corporate social responsiveness”. While the findings might suggest that liberal social attitudes on the part of key corporate division makers lead to socially responsible corporate actions that result in good economic performance.

Robert H. Hagner \[19\] made a study of U.S. Steel Corporations complete set of annual reports covering the period 1901 – 1980 and found that social accounting is not a new technique.

Baker \[20\] examined management strategies and policies relating to social responsibilities and company identity among six large companies all of which were highly oriented to consumer products. He found that each differed from the others but a comparison of them provided guidelines for other companies.

The Council on Financial Aid to Education (1972), studied the relationship between organizational size and a particularly socially responsive behaviour, charitable donations. A negative relationship

was found between organizational size and charitable donations.

Udell, Laczniak and Lusch \[21\] surveyed high level executives in the Fortune 500 industrial corporations in order to forecast the business environment of 1985. Based on the responses of 147 executive, they concluded:-

(i) Social Responsibility issues will continue to be important with consumerism being an even stronger pressure.

(ii) Environmental protection will continue to be a significant policy issue.

(iii) The regulatory environment will grow increasingly complex; and

(iv) Scarcities of natural resources and inflation will continue and technological developments may not solve these problems.

According to K.P.M.G., a U.S. Professional services firm, a 2002 survey of the Global Fortune Top 250 companies indicated a continued increase in the number of American companies reporting on corporate responsibility. In 2002, 45% of these companies issued environmental, social or sustainability reports, compared with 35% in their 1999 survey.

A review of Fortune 500 websites also indicates that a majority now have special report on giving, with sections typically labelled “Corporate Social Responsibility”, “Corporate Citizenship”, “Community Development”, “Community Giving”, or “Community Involvement”.

Many of these sections provide lengthy detail on topics like annual giving amounts, philanthropic priorities, major initiatives, employee volunteerism and sustainable business practices.

As summarized by Business for Social Responsibility, a 1999

study conducted by Environics International Ltd., The Prince of Wales Business Leaders Forum, and The Conference Board Surveyed 25000 citizens in 23 countries regarding corporate social responsibility. The highlights of the findings included the following:

- Ninety percent of respondents want companies to focus on more than profitability.

- Sixty percent said, they form an impression of a company based on perceptions of social responsibility.

- Forty percent said, they either responded negatively to or said negative things about companies they perceive as not being socially responsible.

- Seventeen percent reported that they had actually avoided the products of companies if they perceived them as not being socially responsible.

Oil India Limited conducted a social survey in its operational areas in the North-East through Dibrugarh University to evolve a CSR strategy in the year 1983. Based on the recommendation of the survey, the company introduced a scheme called "Social Welfare Programme" (SWP) in 1984 and in the year 1996, it introduced another scheme called "Area Development Scheme" (ADS).

In 2004-2005, Oil India Limited conducted a Social audit of its CSR initiatives. M/S Enterprise Group, New Delhi, a professional agency was engaged to carry out the audit to assess the impact and public participation of the same. The key findings of the audit were:

- Mobile dispensary program ranked as one of the most "useful" OIL initiatives.
• Self-Help Group (SHG) Scheme of OIL and SIRD (State Institute of Rural Development) is the current ‘favourite’.

• Schools, colleges or cultural centers drew high community involvement.

From the survey of literature the following conclusions can be made:

• The causal relationship between profit and social responsibility is not firmly established but profit is perceived as a precondition and it is one of the most important goals of business.

• Research in business-society field is increasing quantitatively as well as qualitatively. Growing interest in the field among scholars and efforts of the analysts of prominent business society are responsible for this outcome.

• Top management is primarily responsible for initiation and successful implementation of social welfare programmes.

• Social auditing is helpful to identify social issues, evaluate performance and to inject social view into the thinking of managers. But, it suffers from the lack of acceptable measures for making proper evaluation.

• There is an increasing awareness and acceptance of social responsibility among managers and the areas of social concern are wide ranging. It includes: equal employment opportunities, philanthropy, pollution control, community development etc.

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