Chapter Four

Literature Review

Creating a strong business and building a better world are not conflicting goals – they are both essential ingredients for long-term success.

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4.1: General Introduction

The preceding chapters dealt with a comprehensive understanding of the historical significance of CSR in United States of America, Europe and India. To take the discussion forward, the chapter on literature review focuses on academic discussions, to identify the knowledge gap. Globally, research scholars have shown deep interest in understanding the concept of CSR and its impact on business performances. Hence, the researcher has selected contemporary literature references on the basis of the scholarly discussions in the academia fraternity.

4.2: Mandatory CSR: Analyzing India Inc. CSR Scorecard

Post the ephemeral of the historic Companies Act-2013, calling for Mandatory CSR in India, industry association bodies have conducted extensive surveys to track the CSR performances of top Indian firms over the years.

Ernst & Young-India (2014)1 conducted a survey analysis to understand the reactions of India Inc. in terms of its CSR related provisions. Conducted via webcast to top India Inc. management executives, financial officers and company secretaries, the following are the survey findings:

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Company’s strategy with respect to penal provision for non-conduct of CSR activities: Out of the total 549 respondents, 55 percent have decided to spend two percent for CSR activities. 11 percent will explain reasons in the board reporting for not spending and the approximately 34 percent companies are waiting for practices to emerge before they take a call.

Identification of CSR Thematic spend as per Mandatory CSR: Out of companies who have decided to spend two percent amount on CSR activities, 52 percent companies have identified activities on which they will spend the prescribed amount and 48 percent of the companies have still not identified these activities or projects.

Ernst and Young in association with New Delhi based PHD Chambers of Commerce (2013) released a special research report to highlight the trends of CSR practices in India of 50 companies from the top S&P BSE Top 100 Index with respect to how companies are managing their CSR practices, their focus areas and how they are disclosing their CSR practices.

The research focused on three parameters. First, to understand the partnership preference and the implementation mechanism for CSR activities. Second, to identify the thematic areas that best describes the company’s activities and their geographic focus and finally, to provide an insight on how companies are disclosing their CSR activities.

CSR implementation mechanism: In terms of implementation mechanisms for CSR practices, 70 percent of the companies have partnerships with non-government organizations for implementation of CSR practices. This is followed by 60 percent of the selected companies are managing CSR initiatives from within the organization either independently or cross functionally.

CSR thematic areas: According to the study, the most common thematic CSR focus areas are education, health, environment, livelihood and rural development.

Education: 88 percent of the companies support education by way of infrastructure support.

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> **Health**: 74 percent of the companies organizes health camps to offer curative services.

> **Environment**: 76 percent of the companies implement green initiatives like tree-plantation drives, water conservation and zero-garbage disposal projects.

> **Livelihood**: 88 percent support skill development through vocational training and career counseling to improve skills and employability of candidates and subsequently their earning capacities.

> **Rural development**: 68 percent of all researched companies have been working toward betterment of rural areas by providing infrastructure support such as building of check dams, revamping of water pumps and laying down of roads to improve connectivity.

**CSR Disclosure**: Approximately 66 percent of all the considered companies had compiled a report regarding their CSR activities. Among these, the different forms of CSR disclosure are sustainability report (19 companies) and business responsibility report (five companies) and nine companies reported their CSR activities under other titles such as CSR Activity report.

**Confederation of Indian Industries—ITC Centre of Excellence for Sustainable Development (2013)** conducted the first of its kind survey of top 200 listed companies in India. The research revealed the good practices in business responsibilities. Primarily, the survey highlighted how companies are responding to the demands from various stakeholders to become sustainable and responsive business. Interestingly, out of the total 200 companies, only 25 percent companies spend at least two percent of Profit after Tax on CSR activities.

The study highlighted several key recommendations for Indian Inc. First, companies find it difficult to exhaust their budgets, if areas and methods of spends are restricted. It suggested that India faces many challenges that require innovative ways of solving them and creation of new institutions.

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4 http://www.cii.in/ResourceDetails.aspx?enc=VxPJiB+uDdtAG1+cveA/zjK0rKK1Qmu4qPo/7YbSRLzbT NjK0KZYyZgKx4j0vAhvyto1848V9Zd1L4paoDrUA viewed 10 July 2014.
Second, every company engages with government departments for CSR activities. However, it suggested that government collaborations could be a key to success to address various developmental challenges.

Indian Companies are in bigger dilemma in terms of Mandatory CSR spending as to ‘where to give’ and ‘how to give’ which coined the new term ‘Designing for Impact’. Throwing interesting insights are McKinsey and Company (2013) — a multinational research insight company in collaboration with GiveIndia—an online portal for e-donations, conducted a research study to identify the biggest gaps in Indian Philanthropy. With respect to where and how to give, the paper identified two important issues:

- First, donors provide disproportionate funding to a limited number of popular causes, while many other critical needs attract limited support. 90 percent of Indian donor contributions are concentrated in fewer than ten sectors, including primary education, primary health care and disaster relief.
- Second, Indian donors tend to prefer direct interventions designed to help beneficiaries immediately. The study concluded that Indian donors must explore a wide range of sectors to start as well go beyond their own personal experiences.

NASSCOM Foundation (2014) in support with the Rockefeller Foundation has conducted interesting insights as to how poverty could be reduced through information and digital employment. It dealt with a deep understanding on how to build capabilities and promote innovative models by Impact Sourcing Service Providers.

According to the report, the Indian Impact Sourcing Service Providers (ISSP’s) have the potential to address a market opportunity of $7.6 billion by 2017, thereby creating employment opportunities to 80,000 beneficiaries from excluded and low-income communities. There is a lack of enabling ecosystem that inhibits the Impact Sourcing

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Industry from achieving an exponential growth in terms of creation of employment opportunities due to the following five major gaps:

- Low focus on mainstreaming of the Impact Sourcing industry
- Lack of sustained support from governments in fostering Impact Sourcing
- Appropriate skill development models
- Stringent quality management process
- Appropriate technology adoption

The key conclusions of this study are listed below:

Advocacy at industry level: Advocacy for mainstreaming is essential to provide ISSP’s access to diverse funding mechanisms that shall enable to expand skills to compete for more varied businesses and clients.

Supportive Government Policies: Government friendly policy measures for ISSP’s is needed at the national level to promote infrastructural support to the company by way of easy available set-ups and quick approvals in terms of regulatory systems.

Appropriate Skills Development Models: The report revealed that there is a need to develop collaborative models that effectively engages organizations specializing in modular skills training along with the efforts of National Skill Development Council and its training partners.

Appropriate Technology Adoption: The delivery and training effectiveness can be improved by adoption of cutting-edge technologies.

In the Pune district context, the Mahratta Chambers of Commerce, Industries and Agriculture and The Nav Maharashtra Community Foundation (2009) conducted the first ever research study—‘Report on Corporate Social Responsibility’ to gain an insight into the CSR initiatives undertaken by Pune companies to understand the existing and potential CSR practices during the economic slowdown. Based on the 80 member companies’ participation, the key findings are mentioned below:

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Involvement in CSR: Out of the 80 companies, 49 percent of the companies, are involved in CSR activities, while the remaining 51 percent companies have not yet started any CSR initiative.

Sector-wise programmes: Out of the 80 companies, education (29 companies), health (28 companies) and environment are the most preferred CSR areas carried out by Pune companies.

Reasons for not taking up CSR: 51 percent of the companies do not carry out CSR for different reasons like focus on profitability, no specific CSR policy, lack of opportunities to initiate CSR policies, lack of appropriate legal, institutional and regulatory framework, threat from local political groups and objections from stakeholders.

4.3: A Comparison of Mandatory CSR in India and China

In the years to come, it is a known fact that India and China are all set to emerge as global economic super-powers. Against this backdrop, Afsharipour, Afra and Rana, Shruti (2014) conducted a deep comparative understanding of the emerging CSR regimes in China and India. It attempted to develop a better understanding for the evolution towards mandatory CSR and SWOT analysis of their CSR models.

According to the authors, both the countries have been heavily influenced by Western and international CSR standards. With both the countries moving towards robust mandatory CSR, both countries are attempting to develop a CSR regime with their own national characteristics. They have sought to find cultural and national roots for their CSR regimes. They have rejected the notion that the social responsibility of corporations is purely voluntary and that the corporation’s aim should be to maximize shareholder value.

According to the authors, India appears to be moving forward in comparison to China. It is implementing legal reforms in the CSR arena more quickly and more broadly than China. It also has a thriving stakeholder dialogue that is filling the space opened up by the move from state to private economic activity. While China also needs to allow

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further development of its civil society organizations, which can enhance checks and balances on government and corporate CSR measures.

The authors suggested that in the near future, it will be important to continue to assess the success and development of China’s and India’s CSR system in terms of its enforcement and implementation. Moreover, an exploratory study is essential in connection with the political economy of China’s and India’s CSR models.

### 4.4: CSR and Leadership

Wu Long-Zeng, Kwong Kwan Ho and Yim Frederick Hong-kit (2014) examined the relationship between CEO ethical leadership and corporate social responsibility. It focused on the mediating role of organizational ethical culture and the moderating role of management discretion, i.e. CEO founder status and the firm size.

The author’s main contribution focused on the examination of management discretion as a moderator of the CEO ethical leadership’s effect. According to them, the moderating role of management discretion helps in assisting the positive effects of CEO ethical leadership on CSR by bridging the gap between management discretion and CSR.

The authors suggested two practical suggestions through which CEO’s and organizations can promote CSR. First, to introduce steps to enhance CEO ethical leadership. Second, organizations should pay additional attention to such CEOs and encourage them to exercise ethical leadership aimed at promoting the organizational ethical culture and corporate social responsibility. The authors felt that future studies must be concentrated on understanding corporate governance.

Zhu Yan, Sun Lun, Li and Leung Alicia (2013) highlighted the role of ethical leadership in linking the antecedents, outcomes of CSR and the moderating effects of

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ethical leadership. The data was extracted from sources (general and vice-general managers) in 199 tourism firms (hotels and travel agencies) in southeast China.

The major findings of the study were two-fold. Firstly, ethical leadership had an indirect and positive effect on firm reputation through CSR when ethical leadership was strong. Secondly, there was an indirect and positive effect of CSR when ethical leadership was strong.

The study provided avenues for future research. First, in examining the impact of firm performance. The study focused on the advantages that CSR has brought, but it neglected the potential costs of CSR that might decrease firm performance. Secondly, the data was obtained from high-level managers which may be biased. Finally, the study was restricted to one geographic region in China, which limited the generalizability of the findings.

Shuili Du, Swaen Valerie et al (2013) investigated the relationship between leadership styles and institutional CSR practices. They revealed that firms with greater transformational leadership are engaged in institutional CSR practices. According to the scholars, leadership styles play an important role in a firm’s CSR endeavor.

Specifically, a transformational leadership style is best suited for implementing and deriving business benefits from socially responsible practices. The findings suggest that transformational leaders should mindfully build and leverage complementary capabilities that facilitate their socially responsible actions.

Jeannenot Jeremie, Moser Roger and Collazzo Pablo (2012) revolutionary research paper dealt with understanding of CSR among Indian managers. The whole objective behind this study is to extend the understanding of CSR concepts among managers in the Indian context.

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The scholars revealed that Indian managers put different priorities and preferences on CSR than their pre-dominant Western counterparts. The results of the expert panel study indicate that the so-called third generation CSR in the Western literature, is the most current and established understanding of CSR in India. By third-generation CSR, we mean, a form of competitive CSR which is based on the collective actions of companies and their stakeholders in order to develop markets.

The second most widespread and appropriate concept is the classic view of CSR. By classic view of CSR, the expert panel referred to the Carol's famous pyramid of four layers of responsibilities labelled as economic, legal, ethical and philanthropic responsibilities. Innovation CSR received the third highest agreement level from the Indian participants. By innovative CSR, it focuses on understanding social issues as a source of innovating new businesses, environmental issues and accessing new markets.

The data analyzed encourages further research in evaluating the differences in different cultural and regional contexts. The expert panelists pointed out that the study covered only a fraction of the Indian management community. Further data collection is essential to create additional perspectives.

Hung H (2011) strongly felt that directors play a crucial role in CSR. According to them, directors help to manage the interest of organizational stakeholders and assist in protecting the interest of their organizations as stakeholders in society. He has coined it as 'Director's Role in Corporate Social Responsibility—DR-CSR'. According to him, directors perform four roles viz. Direction setting, guardian role, social networking and social participation roles.

The author revealed that that the directors need to play proactive role in direction setting, social networking, social participation and controlling function of management by way of active participation at the strategic leadership level. The paper suggested that corporate leaders, including CEOs and boards of directors, can help in generating support for the effort within and outside the organization as well as enable them to motivate active participation of the employees.

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4.5: Sustainability: A yardstick towards financial performance

Sustainability is the global phenomenon among corporations around the world. Corporate firms link sustainability initiatives in terms of improved financial performance, corporate reputation, responsible leadership and improved investor’s relations. Academic scholars have studied this aspect especially in the banking and financial sectors.

Boateng and Sheena Lovi (2014) endeavored to develop a framework for sustainable strategic CSR and presented a novel way by which banking businesses could integrate sustainability into their CSR strategy. The paper discussed as to how banking firms could deploy sustainable CSR initiatives to communicate the CSR impact to the stakeholders. The paper revealed that sustainability has the capacity to influence all aspects of firms operations, both in the short and long-term period.

Some of the research findings suggest that at all levels of the company, there is a need to involve both internal and external stakeholders in the process of sustainable strategic CSR. In communicating the outcomes of sustainable CSR, firms need to shift from merely delivering messages to stakeholders to a strategy that includes a deeper understanding of how stakeholders perceive these messages differently.

For the scope of future research, future scholars must consider test the different CSR models in different contexts, including the banking business to test the applicability to businesses.

Ernst & Young - United States (2013) in association with GreenBiz Group explored series of developments in the sphere of corporate sustainability programmes in United States with over 300 top executives and leaders in corporate environmental strategy and performance.

According to the survey, the report revealed two interesting findings. One, six percent of the respondents anticipate natural resource shortages will affect their core business objectives over the next five years. Two, 65 percent of respondents stated their

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Chief Financial Officers have become personally involved in sustainability. The trend suggested that sustainability efforts in United States are now well-integrated into the corporate fabric of a growing number of large and midsized US based companies. It revealed that Chief Financial Officers are emerging as key players in sustainability and employees are also drivers of corporate sustainability initiatives.

Yeung Shirley (2011) explored the perceptions of respondents on Corporate Social Responsibility and the banking practices of major banks in Hong Kong. This study identified the key elements of CSR in terms of understanding complex financial services, conducting risk assessment, strengthening business ethics, implementing strategy for financial crisis, protecting consumer rights and setting up channels for customers to address complaints.

Based on testing the key elements, he revealed that that a banking organization to become a social responsible bank must undertake bold measures. First, they must establish a mindset of risk management, business ethics and CSR through internal management of people and processes. Second, they must be able to understand complex financial products through external management of economic situation. Third, they must protect consumer rights with setting up of consumer grievance cell. In short, a banking organization shall have appropriate policy in place for establishing positive organizational culture.

4.6: CSR and Marketing

Lowe Lintas (2011)—an international acclaimed communication agency in unique collaboration with Cross-Tabs, an international recognized research agency and MSN India—an online leading web-portal conducted an interesting survey on ‘Consumer Attitudes towards CSR in India’. The study covered 2000 respondents from Tier I Indian Cities to understand how CSR initiative can benefit both society and the company. Some of the survey findings are mentioned as under:

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58 per cent of the respondents felt that it is acceptable for companies to use social
initiatives for marketing.

56 per cent of the respondents felt that supporting a brand that does CSR is as good
as being socially responsible themselves.

65 per cent of the respondents felt that the main motivation for corporates to do
CSR was to build their reputation.

From the above study, the researcher concluded that CSR can be a real force as a strategic
and competitive branding tool among consumers. Consumers see a bigger role for CSR
towards changing attitudes and hence marketers must focus their CSR efforts.

4.7: CSR and Communication
CSR Communication is of critical importance in multi-stakeholder engagement. Western
scholars are increasingly studying as to how corporates use different traditional and
contemporary communication media towards CSR communication.

Liang Hao, Marquis Christopher, Renneboog Luc and Sun Sunny Li (2014) explored that the language spoken by corporate decision makers influences the firm’s social responsibility and sustainability practices. They underlined as to how differences in cross-national CSR commitment stem from characteristics of the languages spoken across the globe.

Based on the data extracted from thousands of global companies across 59
countries, the scholars discovered that CSR performance is weaker for firms that have
greater exposure to diverse global languages. This is because of corporate firms being
headquartered in countries with high degree of globalization as well as having a CEO with
more international experience.

The scholars have concluded that by focusing on whether languages with strong
future-time reference, in which the categorical boundaries between present the future are
sharper and more salient, significantly reduce firms’ propensity to engage in CSR
activities.

Liang Hao, Marquis Christopher, Renneboog Luc and Sun Sunny Li (2014) ‘Speaking of Corporate
Kim S (2011) proposed a synergistic model of corporate communication strategy based on the consumer responses tested for two Fortune 500 companies—Kellogg and Motorola. The study discovered that when a company is well-known to consumers, a CSR strategy is more effective in influencing both consumer corporate ability and CSR associations. Additionally, the study analyzed that consumers tend to automatically assume a company is good, when they associate the company with strong CSR.

The author explored the consequences of communication-based public relations strategy. He suggested that CSR from a public relations perspective should include both quality of CSR communications and CSR behaviors.

Arvidsson S (2010) analyzed the views of management teams in large-scale companies have on communication of CSR, particularly during crisis and corporate scandals. The aim of his study was to analyze the viewpoints of management teams in large listed companies in terms of CSR information.

Based upon the questionnaire and in-depth interviews, there exist a distinct trend shift towards more focus on CSR in corporate communication which is more proactive in nature. Furthermore, the findings suggest that the way respondents argue when it comes to CSR activities, where companies engage in CSR activities to avoid negative impacts instead of being driven by a will to create a difference in the society.

Grayson David (2010) explicitly discussed how corporate social responsibility is covered in the media and the media’s own corporate responsibilities particularly in the traditional media in comparison with new media. He laid special emphasis on new media.

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technologies like the Internet, mobile phones, the emergent blogosphere and 'Citizen Journalism'.

This interesting research paper threw light on four major issues. First, how is the media treating corporate responsibility and its coverage in the near future? Second, what are the media’s own corporate responsibilities? Third, what is the impact of new media in terms of reporting corporate responsibility? And finally, what are the corporate responsibilities of new media?

The paper pointed out that UK based top media houses do not mention CSR directly, but indirectly in terms of business of doing good. However, the author stressed the media increase the frequency in terms of CSR related coverage. They can succeed in getting coverage of their CSR activities only when they use the language of the audience segments of news products, better story-telling and participating in dialogue.

4.8: CSR and Employee Perception

Azim Mohammad and Diyab Abdulhamid (2014)\textsuperscript{22} explored the relationship between the external CSR practices of the organizations and employees' job satisfaction, employee engagement and organizational citizenship behavior in the context of the Saudi Banking industry. The authors' objective was to explain as to how CSR influences employee job satisfaction, job engagement and organizational engagement.

According to the authors, they suggested strongly that there is a significant and positive relationship between employee perception in terms of CSR and organizational engagement. According to them, CSR is a natural extension of organizational ethics in meeting the stakeholder’s requirements. In case of employees as a stakeholders, when an individual finds his organization is involved in CSR, he feels good about his organization in terms of enhanced self-image, which ultimately leads to a higher sense of job satisfaction.

Iqbal Nadeem, Ahmad Naveed and others (2012)\textsuperscript{33} conducted an interesting study to understand as to how employees perceive CSR activities developed by their employer. They have explored the profound impact of perceived CSR on employees’ behaviors through attitudinal reactions in the context of Pakistani corporate firms. The study revealed three interesting findings. First, the majority of respondents consider that respecting the employees’ rights, fair wages and safety at work are the most prevalent dimensions in the image of a responsible employer. Secondly, the research shows that women are more likely to engage in CSR activities as compared to men. Thirdly, most of employees are aware of the CSR activities of their employer, but fewer are actually involved in these activities.

4.9: CSR and Organizational Behaviour

Andreia Diana, Elena Claudia, & Ismail Nilgun (2013)\textsuperscript{34} attempted to study as to how CSR helps in building organizational identity in post-crisis economy. It explored in detail the role of CSR in creating the fundamentals of public policies of modern organizations.

The paper pointed out that there should be proper CSR implementation, not only at the regional level, but also at the global level. CSR must be considered as a unique ‘additional duty’ of the organization and must have the ability to defend the market uncertainties.

The research paper highlighted the need to underline the corporate social responsibility and its role not only as a simple concept, but rather as an alternative identity model for the post-crisis economy. According to them, CSR strengthens the communication links between organizations and audience, and it helps to develop a responsible behavior towards sustainable principles.


\textsuperscript{34} Andreia Diana, Elena Claudia and Ismail Nilgun (2013) Corporate Social Responsibility and Organizational Identity in Post-Crisis Economy, Theoretical & Applied Economics, 20, 1, pp. 113-120, Business Source Complete, ebscohost, viewed 8 July 2013.
4.10: CSR & Corruption

Arafa P, Mohamed A (2014) studied in depth the role of Corporate Social Responsibility in Egypt after ‘The White Peaceful Revolution’ in 2011, which led to Mohammad Mubarak downfall due to the failure his Government’s economic strategies.

Against this backdrop, the researchers explored the perception of CSR among Egyptian corporations and its fight against corruption. They studied as to whether corporations were acquainted with the universal anti-corruption guidelines. Secondly, the researchers attempted to explore as to whether corporations have voluntarily adopted code of conduct to eliminate corrupt behavior.

According to the study, it has been revealed that CSR is a philanthropic concept and is inspired by the Islamic and Christian faiths. Post the Revolution, CSR is still waiting to become a full-fledged and integral part of core business activities.

The author suggested the business role of CSR in battling corruption with tools for creating clean corporate behavior in corporate transactions. Some of the tools recommended are the designing a code of conduct within the business in battling corruption on lines with International standards like The United Nations Global Compact Principles, OECD Guidelines for Multinational Enterprises and so on. Secondly, ethical leadership plays a very crucial role, if codes of conduct are to be adhered to and used positively to control the moral behavior of employees.

4.11: Doctoral Thesis Review on CSR

During the last few decades, several academic scholars in Indian universities have conducted an empirical and critical doctoral studies on Corporate Social Responsibility.

Bhakare Sharayu (2012) critically examined the CSR practices exclusively towards education. The study revealed that corporates prefer to work towards education

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for several reasons like employee satisfaction, increased literacy, skill development and employment generation. The study emphasized that corporates are working towards formal and non-formal education in specific areas. Some of the suggestions include a separate dedicated policy towards education, linkage of educational CSR practices and government plans, effective monitoring mechanisms and feedback to assess the impact of learning processes.

Borge Nishikant (2009) examined the commitment of private sector companies for accepting CSR during the course of their economic activity. The study touched upon the nature of social performance that exists in the private sector companies with respect to environment as well the exploration of management commitment towards public responsibility. Among the interesting findings, it revealed that companies with high annual turnover has more connected to accepting CSR practices. They are more adaptable towards socially responsiveness. Moreover, the private companies do not have the infrastructure for scanning of social issues, analyzing emerging social trends and prioritizing them.

Srinivas Kalyani (2008) empirical study dealt with an overall view of CSR of top 50 major Indian industries across various spectrums. It highlighted the CSR approach in developed and developing economies, types of CSR strategies and different ways and means of CSR implementation. The researcher explored different benchmarks by international regulatory bodies for monitoring CSR activities.

4.12: The Knowledge Gap

Based on the extensive literature reviewed, it has been observed that the mainstream CSR research focused primarily in relationship with business practices and perception of different stakeholders. Most of the research papers were directed to understand the business impact of CSR practices. Moreover, the studies were primarily contextual in nature with focus on their respective countries.

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1) The biggest knowledge gap identified is that there was no research study or mention of understanding corporate social responsibility from the sector-wise dimension, particularly the engineering and information technology in Pune.

2) There was no study conducted to understand the management perception for CSR practices.

3) A comparative analysis of two sectors has not been conducted by any scholar till date. Based on the knowledge gap identified, the researcher tried to bridge this knowledge gap by studying the management perception in terms of CSR practices of engineering and information technology sector.