Chapter 2
Review of Literature

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Chapter 2
Review of literature

Introduction

The chapter highlights some relevant work that has been done on CSR by different researchers all over the world on the basis of which research gap was identified and research objectives were framed. The objective of literature review was

- To know about the basic idea/concept/definition of corporate social responsibility
- To know what has already been done on CSR by researchers
- To know what has still not been explored/studied i.e. research gap
- To frame research objectives on the basis of research gap
- To know how to study or proceed with the research objectives i.e. research design including data analysis and interpretation techniques.

Idea/Concept/Definition of Corporate Social Responsibility

The literature base on CSR is highly rich. Many scholars and academicians have contributed towards the enrichment of CSR literature. After a thorough review of literary texts on CSR, it was found that, until now almost all crucial aspects of CSR have been explored and studied. The existing writings on the topic help in developing a better understanding of fundamental and technical aspects of corporate social responsibility. The research objectives could not have been framed without having a deep understanding of CSR, which is gained through review of literature.

The term ‘Corporate Social Responsibility’ is not new but still confusing. Different scholars have defined it differently. CSR sometimes considered as philanthropy and sometimes as ethical duty of business. But for the purpose of this research, it was crucial to understand as to what constitutes CSR.
Historical Evolution of CSR

Indian businessmen have always shown their care and respect for the society, even before the term CSR was not introduced. Traders and merchants were used to take social initiatives besides their business activities. But as far as literary work is concerned, developments could be noticed only after 1950s. However, in 1942 Peter F. Drucker has realized the importance of society for the success of any business. According to him “economic purpose of the existence of any business company is maximization of profit and this end is achieved only through realization of social dimension that is customer satisfaction”.

In 1946, again the relationship between business and society was explained by Drucker. He wrote, the fundamental question of the present society is not that we want a big business but what do we expect out of it? It means how the organizations are going to serve the wishes and demands of the society while ensuring their organizational goal of maximization of profit? To ensure a harmonious balance between profit maximization and social benefits like high employment, social contributions and provision of social good the government must deliver its policy to control this all. (Drucker, 1946)\(^1\). However, a conceptualized effort to enhance the literature base was initiated since 1953. Howard Bowen first coined the term in his article “social responsibility of businessmen” in 1953. According to him, business should consider the social impact of their business activities. Since then so many scholars came up with different views on social responsibility of business. Kieth Davis (1960) has focused on social aspect and fulfillment of societal expectations by the corporate houses. In this era, scholars were tried to connect the business with the society. Social elements were became the part of the business. Execution of the businesses policies shall not be restricted to the firm's corporate interests only rather it should also cater for the sociologic aspects as well (Davis, 1960)\(^2\). Thus, till 1960s attempts were made to link the business with society.

The concept was further broadened during 1970s and it was argued that social responsibility goes beyond technical, economical and legal requirement of the firm (Davis, 1973)\(^3\). The social responsibility has become an ethical concept (Zenisek, 1973)\(^4\). Mere charity and philanthropy was not all about CSR. Prof. Carrol has explained the term
in a very clear and systematic way in 1979 as the social responsibility is set of economic, legal, ethical and discretionary expectations of society towards the business organizations operating within its premises (Carrol,1979)\(^5\). During 1980s and 1990s also, scholars kept on looking at CSR with an ethical perspective. Even modern scholars and corporate leaders also consider CSR as an ethical concept.

In the more recent times, corporate social responsibility has become a matter of strategic relevance. CSR is a very important dimension of corporate strategy and not a precondition for business success. With rapidly changing scenario, competition has become more intense, in such a condition CSR is even being employed as a part of a differentiating strategy at the product, business and corporate level (Orlitzky, 2003)\(^6\). The businesses must find a viable course of action between what is socially and ethically rights and what is economically profitable. CSR is business response to the growing public concerns which revolves around its socio-moral responsibility towards the well beings of society (David Vogel, 2005)\(^7\). Integration of CSR with overall business objective and across all functional area insures the success of social initiatives (White, 2013)\(^8\). Juan Lavis Martinez and Ana Aguero have explained the basic requirements of CSR in “The why when and how of Corporate Social Responsibility” , according to them, CSR initiatives should be taken voluntarily and it should be pro-active. They further explained that CSR needs to be aligned with organization’s strategy and must be integrated with company’s mission. Thus, the concept has CSR has broadened its scope from mere philanthropy to ethical phenomena and now it has become a strategic tool(Molinaro, 2014)\(^9\). A good amount of work has already been done and still being done on these different ideologies of CSR. Actually the social responsibility of business is not a static term; it keeps on changing its meaning and scope from time to time. Social condition, corporate image, business impact and societal expectations are few driving forces that motivate the researchers all over the world to study and define new versions of CSR.

Most acceptable definition of CSR is given by World business council for sustainable development in 1964.
As per WBCSD CSR is a Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

This definition focuses on invisible and intrinsic aspect of social responsibility along with economic development. Internal factors like human dignity, honesty and morality are the elements that decide quality of life. The idea to study behavioral aspect of CSR was derived from this definition only.

From time to time authors have incorporated moral and ethical dimensions as well as behavioral factors in their definitions. Table given below exhibits how these factors have been occupied an important role in CSR literature.
### Exhibit 2.1 Behavioral factors involved in CSR

<table>
<thead>
<tr>
<th>Focus</th>
<th>Authors</th>
<th>Key Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Dignity</td>
<td>Drucker Peter (1946)</td>
<td>Survival of any enterprise is outcome of the harmony between the company’s objectives, objectives of the state system and the people. Any conflict between the objectives of these three interactive players would stuck the business firm in the middle of the road, corporations are responsible for worker’s human dignity and status, and worker’s training and development as Corporation’s resource and not cost.</td>
</tr>
<tr>
<td>Social Values</td>
<td>Bowen &amp; Howard (1953) (Cited by dr. Qadar bakhsh baloch in 2011)</td>
<td>Businesses are obliged to make and pursue those policies decisions which are desirable to social values of the community.</td>
</tr>
<tr>
<td>Social Needs</td>
<td>Davis, &amp; Kieth (1960)</td>
<td>Execution of the businesses policies shall not be restricted to the firm's Financial gain, corporate interests only rather it should also cater for the sociologic aspects as well</td>
</tr>
<tr>
<td>Ethical Concept</td>
<td>ZeniseK (1979)</td>
<td>The social responsibility has become an ethical concept</td>
</tr>
<tr>
<td></td>
<td>Carrol (1979)</td>
<td>CSR is a very important dimension of corporate strategy and not a precondition for business success. The businesses must find a viable Course of action between what is socially and ethically rights and what is economically profitable.</td>
</tr>
</tbody>
</table>
Focus | Authors | Key Points
--- | --- | ---
CSR is the ethical behavior of the company | Kilcullen& Kolstra (1999) | CSR is a voluntary initiative and should be proactive. It is an ethical concept.
CSR is business response to the growing public concerns which revolves around its socio-moral responsibility towards the well beings of society. | | |
CSR is behavior of business over and above what is ordinarily required by regulatory bodies and legal requirements. | | |
Environmental dimension, Social dimension, Economic dimension, Stakeholders dimension and Voluntariness dimension (Dahlsrud, 2006). | Moral Duty | |
Indian Corporate Sector is actively performing well in all the above mentioned areas. Concentration of corporate action is determined by the intensity of the social issue, capability of the organization, social expectation and the extant of corporate impact. Social tensions create the problem of selection of the CSR projects for the companies. These social problems also determine the scope of CSR, for example, high rate of illiteracy provide corporations an opportunity to increase the literacy rate by facilitating education across the country. It is a signal that attention could be paid and investment could be made on educational programs, as part of CSR activities. Nilesh R. Berad (2011) has found that Education is the most preferred area of CSR, followed by health care facilities and rural development and livelihood. | | |

Many valuable researches have been done to gain insight into the social issues that require corporate attention. As per Alexender Dahlsrud (2006) CSR has five dimensions: Environmental dimension, Social dimension, Economic dimension, Stakeholders dimension and Voluntariness dimension (Dahlsrud, 2006). Indian Corporate Sector is actively performing well in all the above mentioned areas. Concentration of corporate action is determined by the intensity of the social issue, capability of the organization, social expectation and the extant of corporate impact. Social tensions create the problem of selection of the CSR projects for the companies. These social problems also determine the scope of CSR, for example, high rate of illiteracy provide corporations an opportunity to increase the literacy rate by facilitating education across the country. It is a signal that attention could be paid and investment could be made on educational programs, as part of CSR activities. Nilesh R. Berad (2011) has found that Education is the most preferred area of CSR, followed by health care facilities and rural development and livelihood.
Whereas, employee satisfaction and benefits has been considered most important social responsibility of the organization by Bahar Ali Kazmi, Bernard Leca and Philippe Naccache (2012). Before selecting CSR dimension or project for investment, one important element that needs to be considered is corporate impact. Business must assume responsibility for its impacts. This is the reason why coal and steel companies have sensitized themselves towards natural environment. Exhibit 2.2 shows the areas where initiatives are currently being taken by corporate sector.
Exhibit 2.2 Present CSR Initiatives

<table>
<thead>
<tr>
<th>Focus</th>
<th>Authors</th>
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</tr>
</thead>
<tbody>
<tr>
<td>CSR dimensions</td>
<td>Alexender Dahlsrud(2006)</td>
<td>CSR has five dimensions:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Environmental dimension</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Social dimension</td>
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<tr>
<td></td>
<td></td>
<td>✓ Economic dimension</td>
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<tr>
<td></td>
<td></td>
<td>✓ Stakeholders dimension</td>
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<tr>
<td></td>
<td></td>
<td>✓ Voluntariness dimension</td>
</tr>
<tr>
<td>Nilesh R. Berad(2011)</td>
<td>Education is the most preferred area of CSR, followed by health care facilities and rural development and livelihood</td>
<td></td>
</tr>
<tr>
<td>Bahar Ali Kazmi, Bernard Leca and Philippe</td>
<td>Employees benefit</td>
<td></td>
</tr>
</tbody>
</table>

Besides, researches have also been done on CSR strategies, CSR reporting, impact of CSR, industry specific CSR performances, CSR investments and so on. As the field of CSR has evolved, scholars have written literature reviews addressing important yet specific research questions. For example, Peloza (2011) focused on how to measure the impact of CSR on financial performance. Carrol (1999) and Waddock (2004) explored the operationalization of CSR as well as differences and sometimes confusing overlaps between CSR and similar constructs. Wood (2010) reviewed the literature on how to measure CSR (Cited by Quader, 2011) In addition other works on CSR have focused on
specific disciplines such as Organizational behavior, Human Resource Management and business ethics

Corporate Impact and Societal Expectations

Since beginning, corporate impact and societal expectations have been key considerable points for the researchers, academicians and corporate houses. Corporate impact and societal expectations still plays a crucial role in determining CSR strategy. It is not the discretionary power of the company to choose the social initiatives. What constitutes a social responsibility of business is a decision made by society (Jaun L. Martinez and Ana Aguero, 2005). Degree of sensitivity of social problem decides social action by the organizations (Crowther, 2010)\textsuperscript{16}.

Scholars have focused on impact assessment by the companies. Impact assessment is a process for ensuring that the possible future effects of a particular intervention (e.g. a project, plan, programme or policy) on the environment, society or the economy are understood and taken into account in decisions concerning the progression and implementation of that intervention (e.g. a project consent decision).(Bruce Davidson, 2010).

The social impact of corporate governance contributes to the ethical climate of society. If businesses offer bribes to secure work or other benefits, engage in accounting fraud, or break regulatory and legal constraints on their operations, the ethics of society suffers. (Markgraf, 2015)\textsuperscript{17}

CSR is such a broad concept, it goes beyond anything. Ethically strong companies can understand the true meaning of CSR. The idea of CSR however, requires more than just ethical conduct of business. It refers to the concept of responsibility for the impact of corporate activity on the wider body of stakeholder (Gray et al.1995)\textsuperscript{18}

Social expectations could be very vast and unattainable, but responsibility of the business cannot be so vast and unattainable. Business is responsible only to the extent of its impact. European commission is also agree with the statement that all businesses have a direct responsibility for all their impacts. Corporate houses intervene in so many areas of
social life, so they must be responsible towards society and environment (John Morrison, 2012). Thus, CSR refers to companies taking responsibilities for their impact on society.

**Behavioral Aspect of CSR**

Recently, one more revolution has been noticed in the CSR literature. It is being linked with behavioral aspect of the society. Society expects business to be conducted responsibly and not to do serious damage. (Markgraf, 2015). CSR calls for the ethically right behavior from the business while pursuing its economic goals. The ethical behavior calls for business moral responsibility for improvement in workers life quality and well beings of their family and social groups (Lord Holme and Richard Watts, 2007). With the growing level of technology, communication and competition, the impact of business has spread much beyond anything. It has far reaching impact not only upon stakeholders and environment but it also has psychological impact, biological impact and ethical impact.

Corporate leaders influence the behavior of the society. In many aspects, business leaders are more influential than their political counterparts (Keller, 2011). Corporate leaders have become the role model for the society, their every action or word is followed and copied by large number of people. It’s not only about corporate leaders; corporate employee’s behavior at work can also affect people who have nothing to do with a company. Imagine a direct sales team in the habit of littering on sidewalks as they walk door to door, for example, and the impact that could have on local community. Aggressive and dangerous company driver are another example of employees displaying behavior that can harm other and impact the community. Corporate employees should know how to represent the company with integrity by considering the impact of their behavior on more than just themselves and their customers (Ingram, 2014).

Employees’ experiences of their working life play a vital role in personal and psychological health, in particular in the creation of self-esteem.

Corporate sector can boost or discourage the ethical standard of the society. Corporate frauds, crimes their policies and strategies can give or divert the ethical direction of the nation. Practices like bribery, deceptive advertising, withholding of information leads to ethical downfall of the society (Chakaraborty, 2004).
Literatures show that corporate life also leading to biological challenges. For example, corporate stress causing male infertility (Couzza, 2007)\textsuperscript{24}

In a recent survey by ASSOCHAM it has been found that corporate life creating health issues for their employees. The survey revealed that 42.5% employees are suffering from depression, which is mainly due to unattainable goals, excessive work load and faulty performance appraisal technique. Psychological problems have increased from 45 % to 50 % since last eight years. Other health related problems have also been caused by corporate life for example, high blood pressure, spondylitis, asthma, cervical, slipped disc and arthritis (ASSOCHAM Report, 2015).

Exhibit 2.3 shows the invisible and intrinsic impacts of the business.

**Exhibit 2.3 invisible and intrinsic impacts of business**

<table>
<thead>
<tr>
<th>Focus</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Intrinsic and invisible</td>
<td>R. Natraj (2005)\textsuperscript{25}</td>
<td>CSR has a significantly strong and positive association with attitudinal loyalty.</td>
</tr>
<tr>
<td>impacts of business</td>
<td>Lord Holme (2007)</td>
<td>Corporate scandals have moral spillover effect</td>
</tr>
<tr>
<td></td>
<td>Marcello Couzza, Suresh C. Skka, Kelly S. Athayde and Ashok Agrawal (2007)</td>
<td>Stress causes male infertility</td>
</tr>
<tr>
<td></td>
<td>Collen Puttee, Connie Vitale and Gregory Laing (2011)\textsuperscript{26}</td>
<td>Corrupt practices can become embedded in corporation through process of normalization whereby otherwise ethical people engage in unethical practices and rationalized</td>
</tr>
<tr>
<td>Focus</td>
<td>Authors</td>
<td>Key Points</td>
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<tr>
<td></td>
<td>John Morrison (2012)</td>
<td>Preventing human rights harm is the responsibility of business. There is a need to go beyond traditional CSR practices.</td>
</tr>
<tr>
<td></td>
<td>David Ingram (2014)</td>
<td>Business is the source of satisfaction. Corporations aim at giving individuals a long lasting result.</td>
</tr>
<tr>
<td></td>
<td>Jie Shen and John Benson (2014) (^{27})</td>
<td>Socially responsible human resource management affects employees’ work behavior.</td>
</tr>
</tbody>
</table>

The facts given above are thrilling and demands for a thorough and systematic work. But the problem lies with the unquantifiable and non-measurable nature of the problem. It is difficult to measure and quantify the impact that business has on the social behavior, personal behavior and physical and mental health of the people. Another challenge is the little and scattered work on the issue. Physical impacts could be observed after referring the journals of medical sciences whereas; impact on personal behavior and life was studied in the journals of psychology. Being a subject of social science, so many journals have been referred to know about the impact of business on ethical standard of the society.
As discussed in this chapter, corporate impact and social expectation determines whether any particular issue should come under the scope of social responsibility of business or not. So after completing the review of literature and finding the research gap in the area of invisible impacts of business, it was decided by the researcher to go for a pilot survey to find out the societal expectation and corporate impact. Researcher was intending to continue with the same research problem only if pilot survey gives any visible idea about the invisible and intrinsic impact of the business and social expectation thereof.

Details of pilot survey are given in annexure 1.
Review of Literature for research methodology

For the fulfillment of first research objective Factor analysis is found to be appropriate. Factor analysis is a useful technique to study socio-psychological element. It has been used at many places to analyze the impact of practices, programs policies and products.

Vijay Sethi had used this technique in his paper ‘Developing measures for assessing organizational impact of informational technology’ (Sethi, 1993). Same technique has also been used in analyzing and identifying various behavioral issues. Use of Factor Analysis in studying psychological behavior has been explained by Leandre R. Fabigar et al during 1999 in a research paper titled evaluating the use of exploratory Factor Analysis in Psychological Research. Factor analysis is an important technique for identifying core factors out of many variables (Cees, 2009).

Second research objective deals with societal expectations, it was important to find out the techniques to measure expectations. In a research paper corporate social responsibility and society’s expectations of business (2006) Dwight W. Justice had applied the percentages on the responses obtained by him via questionnaire (Dwight, 2006). Femake De Man had also used this simple method to analyze the societal expectations in his research paper ‘Tracking the gap between societal expectations of companies and perceived CSR performance’ (Femake, 2007). Same technique has been used in this thesis for studying societal expectation. In 2010 Thomas R. Knapp explained the importance of percentages in his work titled ‘Percentages: The Most Useful Statistics Ever Invented’. His work guided the researcher in choosing this technique at appropriate place.

In the third research objective corporate feedback was analyzed using discriminant analysis. Discriminant analysis was used to identify the important variables that predict ethical and unethical behavior by Roger J. Volkema in 2004 (Volkmen, 2004). The study discriminates between ethical and unethical firms. Here in this research also researcher intends to identify the companies that belong to any particular group, thus discriminant analysis has been found appropriate.
References


