Chapter 3

Conceptual Framework

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Conceptual Framework

Introduction

A conceptual framework tells about a theoretical structure of assumptions, principles and rules that holds together the ideas comprising a broad concept.

Conceptual Framework is the blueprint of the entire research. It simplifies and explains the steps followed or to be followed in the research.

This chapter aims at conceptualizing the entire idea and defines important terms in the context in which they have been used in this thesis.

As discussed in the previous chapters corporate social responsibility is a very broad concept. In academics it has become a full-fledged area, where frequent and continuous researches are being carried on. Every researcher looks at CSR from different perspective. Many comparative studies, sector specific studies, stakeholder related studies, CSR management related studies have been done in this area. It is observed that researchers tend to follow traditional concept of CSR throughout the study. When it comes to business and society, CSR serves as a connecting device. CSR literature revealed that social responsibility of business itself is a very wide concept; just it has not been yet properly explored. This thesis is based on following three fundamental characteristics of corporate social responsibility

- CSR is an ethical concept that seeks to improve the quality of life of the workforce and their families as well as of the local community and society. (defined by World business council for sustainable development) (Watt, 2000)\(^1\)
- Business is responsible for its every impact. (Chamberlain,1973)\(^2\)
- Social initiatives should be based on societal expectation. (Gupta, 2005)\(^3\)

CSR is an ethical concept that seeks to improve the quality of life. Quality of life cannot be improved when the focus is one sided. Until now the academicians and corporates
have not focused on behavioral aspect of CSR. Behavioral issues occupy an important place when we talk about quality of life. Thus the study focuses on behavioral issues of society and its relation with corporate sector.

Research gap have been identified after review of literature and pilot survey. Pilot survey was conducted to test the practicality and feasibility of the research. It was important to know whether business practices have any impact on social and individual behavior or not. It was found that corporate impact has become more severe and consequently societal expectations have also changed. Many corporate practices have been identified that are affecting social and individual behavior.

**Research gap**

After review of literature and conducting a pilot survey, it was observed that societal expectations and corporate impact have reached much beyond literary work. Though, many scholars and thinkers have shown their concern for the changed social environment. But there is a lack of full-fledged and conceptualized work on the invisible and intrinsic impacts that business have on social ethics, individual behavior and physical and mental health of the employees and their families.

Previous works that support the objectives of this study are not available at one place. Journals of different disciplines have been consulted to know the intrinsic impact of the business. Lack of conceptualized work has motivated the researcher to go for pilot survey to justify the practicability and usefulness of the research.

It was found in the pilot survey that impact of the business has reached to the level where social behavior, individual behavior and personal lives are suffering. Literatures have also showed that CSR has been considered as philanthropy, ethical concept and strategic tool. But now it is high time to redefine the role of business and explore the behavioral aspect of CSR.
On the basis of above discussion, following research objectives have been framed.

**Research Objectives**

1. **To identify corporate practices having intrinsic impact on society**
2. **To gain insight into changed societal expectations**
3. **To study corporate feedback on societal expectation and corporate impact**

**Development of conceptual framework**

In this research the focus has been given to behavioral aspect of CSR that consist invisible impact of business on individual and social behavior. The idea has been conceived by observation, experience and discussion with supervisor. Prosperity rate is now higher in our country but number of single families has increased, employment is there but it carries unbearable mental pressure, colleagues are there but friends are not, communication has become better but there is no trust, authority is there but responsibility lacks. Despite numerous social initiatives we see this situation everywhere. It makes us to rethink about corporate social responsibility. Indian business community has shown their deep interest in solving social issues; still they have become a reason for ethical downfall in the society (Bert, 2015). Society is not happy with business community in spite of receiving numerous benefits. The situation is trilling and motivates to work in the area of CSR. One of the reasons behind prevailing dissatisfaction in the society is behavioral changes due to intrinsic impact of corporate practices. Thus these behavioral issues have been selected as a focus area of the study.

This research seeks to identify the corporate causes of behavioral changes and analyze social and corporate feedback on these behavioral changes.

It was decided to divide the study into two segments;

Social and corporate.

In social segment attempts were made to study the impact of business on social and individual behavior and consequent expectation of the society. In the second segment, social responses were used as input for corporate feedback.
Thus, broadly the study is divided into three parts.

- Corporate Impact
- Societal Expectations
- Corporate Feedback

First part finds out the impact of corporate practices on society. Second part deals with getting idea about expectations of the society. These two factors i.e. expectation and impact are society driven. It is society that indirectly directs the corporations towards their social obligation. Companies are the real implementing body. Thus it is important to know what they think about these impacts and expectations. It is also important to know whether companies are ready to accept the wider concept of CSR. Corporate feedback on these two elements was taken in the third part of the study. On the basis of such feedback discrimination has been made between responsible and differently responsible companies.

The study progresses in the same sequence. It starts with finding corporate impact and ends with a classification. In the first part of the study attempt has been made to collect, analyze and interpret the impact of corporate practices on society. For this, responses were gathered on various variables. These variables were partially derived from review of literature and partially from pilot survey. After data collection at this level it was observed that too many similar variables were there with different names. High correlation among variables made it difficult to carry them to the next questionnaire, which meant to collect corporate feedback on these variables. Thus, Factor Analysis Technique was applied to reduce the data to a manageable size and to avoid duplication.

Second part of the study deals with societal expectations. Social pressure is one of the driving forces for taking social initiatives. As the research is concerned with behavioral aspect of CSR, a questionnaire was framed consisting variables derived from pilot survey. A combined questionnaire was formed for impact and expectation analysis. Percentages were used at this level for data analysis.

In the third part, a questionnaire was framed for corporate feedback. The items of the questionnaire were derived from the results of previous analysis. On collected data
Discriminant analysis was run. Based on the results companies were classified as ‘Responsible’ and ‘Differently responsible’.

**Corporate impact**

Corporate impact implies the overall impact that business has on different social aspects. It is easy to identify but difficult to measure. Traditional CSR practices are mainly concerned with their extrinsic impact on society, for example; damage to natural environment, working conditions of employees. But it is high time to consider intrinsic or indirect impact of corporate practices at the time of formulating CSR strategy (Ingram, 2014). These intrinsic impacts range from psychological to biological aspect of human life. for example; dissatisfaction and loss of faith caused by poor quality of products or corporate frauds, increasing cases of male and female infertility, depression and suicides because of hectic corporate life, social cut off due to heavy work pressure, negative psychological impact of poor corporate advertisements, damage to personal moral standards due to adoption of implied corporate culture.

First research objective is to find out intrinsic impact of corporate sector on contemporary society. Both, primary and secondary data have been used at this stage to determine the items of questionnaire.

Meaningful insight was gained about impact of business at the time of pilot survey. On the basis of the responses of pilot survey and thorough review of literature a questionnaire was framed and it was found that business has both positive as well as negative impact on the society. Data obtained through primary source have been analyzed using Factor analysis. Factor analysis is highly useful technique when it comes to measure human behavior. It groups many similar variables into one factor. Than each factors represent the properties of many similar variable. It can be termed as a data reduction technique as it reduces the large number of variables into few representative factors.

After interpretation of the outcome of factor analysis, the result was used as an input for the third objective. Corporate feedbacks were taken on the processed data.
Societal expectations

Societal expectations keep on changing with the change in social conditions. With the introduction of modern corporate life social conditions have also changed and so the expectations of the society. Business is now interfering in the personal lives of the people; consequently people are imposing certain expectations on business. For example fair financial reporting system and true advertisement.

Second objective constitutes the second part of the thesis. This involves primary data through questionnaire, interviews of field experts, secondary data and application of percentages.

Intrinsic impact of business is wide and subjective term. It varies from person to person. Corporate practices may have biological or psychological impacts. Biological changes include male and female infertility, sexual issues and physical weakness. People were not ready to share the biological impact of business, so the questions related to such impacts were eliminated from the questionnaire to insure desired Cronbach alpha value. The study is limited to the psychological and social impact of business only.

Percentages were calculated to see the clear picture. These expectations were also communicated to the corporate executives to know their feedback on societal expectations.

Corporate feedback

Third part of the research is related to corporate feedback. Social responsibility of business is determined by society. But it is the business that actually frames and implements the CSR policies. Societal expectations may at times become unattainable or unrealistic. Business decides what can be economically and practically done for the society; as corporate financial responsibility is equally or even more important for the companies.

On the basis of first two analyses, the questionnaire was framed for corporate feedback. It was filled by the corporate executives of the selected companies. All the items derived at previous stages were included in the questionnaire. The corporates were informed about
the objective and procedure of the research. They considered this behavioral aspect of CSR as one step forward to what CSR is being considered presently or mostly.

After receiving the responses from the companies it was decided to run discriminant analysis on collected data to find out as to how different variables are considered by different companies. Whether all the companies have similar opinion or they deviate from each other. For this there was a need to classify the data at least into two groups. To make the classification, Forbes listing was considered.

In 2013, Forbes had issued a list of top 100 Indian Companies on the basis of their net sales and expected CSR spending in the light of compulsory investment on CSR as per new companies act\(^5\). These companies were expected to invest more on CSR as per their earnings. Out of these 100 companies, 10 companies were selected randomly, grouped and name as Responsible Companies.

Remaining ten companies (sample size was 20) of the sample were selected on the basis of personal judgment of the researcher based on their CSR initiatives. These were grouped and labeled as Differently Responsible Companies. Discriminant analysis was then applied on these two groups.

The result of discriminant analysis was also used to see how our classification (after analysis) deviates from the original classification besides revealing the variables that makes the companies different from each other.
Operational definitions

In every research, researcher uses certain terms that may have different interpretations. It is important to define each such terms in the context in which they have been used to avoid wrong interpretations. Here also some terms have been used that require proper definition. This section of the chapter deals with such operational definitions.

Corporate social responsibility

For the purpose of this research, the definition given by world business council for sustainable business has been followed. They have defined CSR as the “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.” (Watts, 2000)

Contemporary society

It refers to modern society, in existence at the time being. In context of the present work it can be characterized by powerful role of business community, increasing interaction between business and society, mechanical life of the society and increasing role of business in solving societal issues. (Transformation of Contemporary Society, 2015)

Extrinsic impact

Here extrinsic impact implies the visible impact of business on society. These impacts are easy to measure and hence remedial actions can be taken easily (Ahuja, 2012). These extrinsic impacts may be positive or negative. (Social Capital, 2015)

Intrinsic impact

Intrinsic impact implies the impact of business on social, psychological and biological aspect of human life. Such impacts are difficult to measure and can be identified only after deep observation. Business may have positive or negative impact on society. Social cut off corruption distrust faith and confidence are the examples of such impacts. Intrinsic impacts cause behavioral changes.
Psychological impact

Psychology means the study of behavior and mind. Thus, psychological impact implies the impact of business on the behavioral aspect of human life (Fernald, 2008). Such impacts may vary from person to person and may have positive as well as negative consequences.

Biological impact

Biological impact implies the change in the biological properties of human life due to change in working environment.

Traditional CSR

Traditional CSR implies the practices that are consistently followed by the companies to discharge their social obligations irrespective of change in social expectations and needs (Browne, 2013).

Non-traditional CSR

Non-traditional CSR implies the social initiatives by the company to solve the issues of contemporary society (Alpana, 2014). It needs innovative ideas and does not follow the old CSR traditions instead consider the overall social issue and make strategies accordingly.

Social behavior

It is a sub set of human behavior. Social behavior is a term used to describe the general conduct exhibited by individuals within a society (What is Social Behavior?, 2016). It is a direction of behavior exhibited by individuals or groups within a society. Social behavior is often influenced by peer group, political power or any prevailing factors in a society.

Individual behavior

Individual behavior means some concrete action by person. The behavior of an individual is influenced by various factors. Some of the factors lie within himself like his instincts,
personality traits, internal feelings etc. While some lie outside him comprising his organization, work group and job. (Kashyap, 2015)

Unethical advertisements

When company ignores the basic principles of advertising, it becomes unethical advertisement. (Ullah, 2015) Following are the basic principles of advertising-

- Decency
- Honesty
- Social Responsibility
- Truthful presentation
- Comparisons
- Imitation
- Safety and health
- Avoidance of harm

False advertisement

False advertisement actually is a sub set of unethical advertisement. When companies try to create a positive image of their product by expressing fake qualities of the products it become false advertisement. (Ullah, 2015). For example an advertisement of Nestle India Limited claims that happy heart healthy soup. The claim created an impression that consumption of Maggie soup leads to better heart and health, while on testing by independent agency, it has been found that it contains high level of salt which releases sodium into body which in turn causes hypertension and high blood pressure instead of good heart and health.

Corporate Scams

Corporate scams consist of activities undertaken by an individual or company that are done in a dishonest or illegal manner, and are designed to give an advantage to the perpetrating individual or company. Corporate scandals erode public trust and affect all the company’s employee in significant way. Corporate leaders are the main source of
these scandals. Corporate scandals have long term and invisible impact on society including Customer dissatisfaction, Employees morale and loyalty investor confidence. In this thesis corporate scam basically indicates corporate financial frauds.

Deceptive Practices

Deceptive practices involve concealment of facts. It may be related to the product/service or operational activities. Such practices may hurt customers or employees. Deceptions by companies not only tarnish the reputation of other companies of the same industry but also undermine the public’s trust in the business, and heighten consumers’ cynicism about business. Indian society has witnessed numerous deceptive practices by the companies for example Ranbaxy Laboratories fraudulent production practices. (Consequence of Unethical Behavior, 2016)\textsuperscript{15} Many times companies make their employees to perform the task without disclosing the consequences and intentions behind them.

Product quality

Quality of a product may be defined as its ability to fulfill the customer’s need and expectations. When a product does not fulfill the expectations of the customers it creates dissatisfaction. Such dissatisfaction and distrust affects the entire society in a negative way.

Product safety

Safety of products is one of the product qualities. In this thesis both the terms have been used separately because general public consider quality and safety as separate concept. Products are assumed to be safe if they don’t create any physical harm.

Ethical Breakdown/Ethical Degradation

Ethical breakdown or ethical degradation is a phenomena in which a major degradation or complete loss of moral values takes place within a society. (Zheng, 2014)\textsuperscript{16}

Internal Rivalry
Internal rivalry here implies the rivalry created by management among their own employees. (Carmen, 2012)\textsuperscript{17} Some organizations have subscribed to visibly fostering internal competition; they do it in the belief that it strengthens the organization. Evidences suggest that internal competition generates more morale issues than any productivity gains for the organization. The cost in both human capital and monetary capital is high.

Job insecurity

Job insecurity is a condition wherein employees lack the assurance that their jobs will remain stable from day to day, week to week, or, year to year. Job insecurity is as detrimental as losing the job itself. It creates psychological stress and adversely affects the physical health of the employees. (Sweet, 2006)\textsuperscript{18}

Greed creation

People feel that business offer unethical benefits to their employees and make them work more. Though such offers are not essentially unethical but the cost associated to that extra work is unethical. Business organizations generally offer monetary or other benefits to their employees. Employees accept such offers and become pure employees. The time that they supposed to spend with their families are allotted to their work. Such practices create greed among employees and also spoil their personal lives.
References


