Review of Literature:

The concept of CSR has a long and varied history. The concept existed in remote past in varied forms but never got a formal recognition until 20th century that has seen many turbulent times since its beginning. A concern for social responsibility can be traced back to the 1930s. Chester Barnard’s 1938 publication, *The Functions of the Executive*, J. M. Clark’s Social Control of Business from 1939 and Theodore Krep’s, *Measurement of the Social Performance of Business*, published in 1940 were two early references to the social responsibilities of executives and business.

The concept of social responsibilities was formally coined in 1953 by Howard Bowen in his publication “Social Responsibilities of Businessmen” (Corporate Watch Report, 2006). Bowen also provided a preliminary definition of CSR: “it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.

During the same period, Morrell Heald’s (1957), “Management’s Responsibility to Society: The Growth of an Idea”; and Eell’s (1956), “Corporate Giving in a Free Society” were published. The literature expanded the definition during the 1960s with Keith Davis’ definition of CSR as referring to “..businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest” (David K, 1960). Davis established the so-called ‘Iron Law of Responsibility’, which held that “social responsibilities of businessmen need to be commensurate with their social power”.

The concept received academic attention in 80’s and 90’s and became an issue of debate and discussion among academic circles. The first company to implement CSR was Shell in 1998. Although, the literature on CSR has been developed in all countries, it practical application is more profuse in the developed countries, mainly the US and some European nations.
The UK has passed a legislation which makes it mandatory for all corporations to report their contribution to the on the issues included under the umbrella of CSR. The Corporate Responsibility Bill (2002) outlined this duty and also pronounced penalties for non-compliance, which range from fines to the cessation of operations and imprisonment. The UK also provides a number of incentives for implementing CSR related activities such as the Dow Jones Sustainability Index and FTSE4Good Index promote environmental reporting, and the Association of Chartered Certified Accountants (ACCA) gives awards for social and environmental reporting internationally.

The concept of social responsibility has been interpreted by different authors from different corporate perspectives. A number of concepts and issues are subsumed under the heading of CSR, including human rights, environmental perspective, diversity management, environmental sustainability and philanthropy (Amaeshi and Adi, 2006). Thus, it can be said that the concept of CSR is complex in nature.

CSR is generally agreed to be as a voluntary action on the part of the large corporations to take stock of social, economic and environmental impact of their operations. The European Commission defined CSR as – "A concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis." (European Multistakeholder Forum on CSR, 2004: 3)

The World Business Council for Sustainable Development defines Corporate Social Responsibility as, “Corporate Social Responsibility is 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.”

Assocham’s ‘Eco Pulse Study’ on CSR, released in June 2009, says some 300 corporate houses, on an aggregate, have identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops
the list, followed by education, the environment, health as well as rural development.

Edenkamp (2002) remarked that the importance of all forms of global corporate social responsibility (CSR) is evident with the increasingly widespread adoption of ISO9000 and ISO14000 management systems by global corporations. As more consumers demand that marketers follow socially responsible practices, corporations are given an opportunity to further exploit the newer, verifiable social accountability system, SA8000, to enhance their reputation, differentiate their products, and build competitive advantage. The adoption of SA8000 may be perceived as a very rational, cost effective, and strategic approach to managing the corporation's social reputation with its stakeholders.

Sengin (2003) has identified a number of variables that influence employee job satisfaction as: (1) demographic variables – education, experience, and position in the hierarchy; (2) Job characteristics – autonomy, tasks repetitiveness, and salaries; and (3) organizational environment factors – degree of professionalization and type of unit. Mrayyan (2005) says that the variables of encouragement, feedback, a widening pay scale and clear job description, career development opportunity, supportive leadership style, easy communication with colleagues and social interaction positively affect job satisfaction, whereas role stress has a negative influence on it. Similarly, the research made by Chu and his friends (2003) demonstrates that satisfaction is positively related to involvement, positive affectivity, autonomy, distributive justice, procedural justice, promotional chances, supervisor support, co-worker support, but it is negatively related to negative affectivity, role ambiguity, work-load, resource inadequacy and routinization.

Vijaya Murthy (2003-2004) undertook an analytical study of the corporate social disclosure practices of the top 16 software firms in India by analysing their annual reports using content analysis to examine the attributes
reported relating to human resource, community development activities, products and services activities and environmental activities. It was revealed that the human resources category was the most frequently reported followed by community development activities and the environmental activities was the least reported. Most of the information was qualitative. Some firms had separate sections for each category while many others disclosed their social practices in the introductory pages of the annual report.

Jackson, I. A. and Nelson, J. (2004) in their books provide a comprehensive description of the global trends, competitive pressures, and changing expectations of society that are reshaping the rules for running a profitable and principled business. It also offers companies a framework for mastering the new rules of the game by realigning their business practices in ways that restore trust. Information is presented on the crisis of trust, the crisis of inequality, and the crisis of sustainability. The book presents the following seven principles that serve as a framework:

1. Harness innovation for public good.
2. Put people at the center.
3. Spread economic opportunity.
4. Engage in new alliances.
5. Be performance driven in everything.
6. Practice superior governance.
7. Pursue purpose beyond profit.

The seven principles can be used as a compass to help executives and managers navigate new terrain and apply the strategies and terminology most appropriate for each company. The book focuses on companies and business people who are delivering both private profits and public benefits. It profiles real companies delivering measurable performance and concrete solutions for stakeholders.

A relevant point raised in some literature has to do with the
effectiveness of strategies undertaken by communities to demand corporate accountability (Garvy & Newell, 2005). This literature argues that the success of community-based strategies for corporate accountability is conditional upon the right combination of state, civil, societal, and corporate factors.

McGaw (2005) considers the biggest challenge in the field of CSR implementation to be the development of leaders for a sustainable global society, asking what kind of leader is needed for building a sustainable global society and how we can best develop individuals with these leadership capabilities. According to this author, the task and challenge will be to develop leaders for a sustainable global society by encouraging imagination and the accomplishment of a positive change.

Berkhout, T. (2005) critically examines corporate gains as the strategic engine for long-term corporate profits and responsible social development. He highlights corporate green-washing, the voluntary adoption of a token social or environmental initiative intended to enhance a company’s corporate image. He points out that CSR provides the starting point that businesses need to begin moving toward sustainability. For CSR to achieve its potential, companies must push to seek something other than the lowest short-term cost for the highest short-term gain. The author identifies the following challenges facing a company that wants to operate under the principles of CSR:

- How to balance its social and environmental responsibilities with its clearly defined economic responsibility to earn a profit?
- How evolving norms and rules determine what constitutes acceptable corporate behaviour?
- How CSR’s glass ceiling is merely a reflection of society’s expectations?
- How corporations are beginning to see a strategic value in CSR beyond improved public relations or the short-term bottom line?

Graafland (2006) has used a sample of 111 Dutch companies to test the
hypothesis that a positive strategic and moral view of CSR stimulates small and medium enterprises to undertake CSR efforts. For the purpose of the study, managers’ strategic views of CSR (the extrinsic motive), as well as their moral views (the intrinsic motive), have been measured through a single-item approach and with reference to five stakeholder groups: employees, customers, competitors, suppliers, and society at large. The extrinsic motive is constructed as a company’s moral duty, while the intrinsic motive sees CSR for its contribution to the long-term financial success of the company. Results show that a vast majority of respondents had a positive view of CSR in both dimensions. Nevertheless, there is a weak correlation between strategic CSR and actual CSR efforts.

Malini M. (2006) in her article emphasises on the adoption of CSR in emerging economies and on some milestones that have been already placed. The first argument raised is that a smart approach, considering universal norms and values, is needed to lead the transformative potential of CSR as a movement. This approach would also control and avoid the environmental and social consequences of rapid growth. Furthermore, it is necessary to have energetic national corporate leadership along with solid home grown constituencies demanding higher corporate standards. Social and political contests are then the fundamental part of the journey of negotiating the balance between society, state, and market. Thoughts for companies who embrace CSR:

- Stay critical.
- Do not believe the hype.
- Recognize the success but retain perspective and a critical mind.
- Demand accountability from the top.
- Seek consistency: design mechanisms to ensure consistency between different departmental aims and objectives.
- Own and share CSR as a living practice and culture.
- Focus on the local: find practical local expression to stand a chance of implementing global norms and standards.
Venu Srinivasan (2007) highlighted that Corporate Social Responsibility is more than philanthropy and must not mean ‘giving and receiving’. An effective CSR initiative must engage the less privileged on a partnership basis. “CSR means sustainable development of the community by being partners in their progress. The government has been evolving a large number of welfare schemes for the people but experience shows that in most cases the benefits do not reach the most deserving. Industries have expertise in man management, financial management and business planning. They can easily provide the missing ingredients of leadership and organization and establish the ‘last mile connectivity’ to reach the benefits to the deserving people. Therefore the focus of CSR could be ‘unlocking’ the last mile connectivity. Industry must be a catalyst for social development. They must provide the leadership, know-how, training, etc.

Heugens, P., & Dentchev, N. (2007) have identified the risks that companies are exposed to when integrating CSR by presenting two studies they conducted. One study was exploratory, and the other was corroborative. The first study employed the grounded theory method (Glaser & Strauss, 1967) to uncover various CSR risks. Seven risks associated with CSR investment were identified. They ranged from failing strategies implementation to legitimacy destruction. A set of managerial mitigation strategies that have the potential to realign companies’ CSR activities with their strategic objectives were discussed. The purpose of the second study was to investigate whether the CSR risk identified in the first study had any relevance in a business setting. An analysis of the data revealed modest to strong corroborative support for them. In conclusion, the findings suggest that CSR involvement is not an innocent activity and that experimenting with it can be dangerous for the competitiveness of business organizations.

Bendixen M. and Abratt, R. (2007) highlight in their article how multinational corporations (MNCs) have been criticized for not behaving ethically in some situations that could have a negative effect on their reputation.
The authors examine the ethics of a large MNC in its relationship with its suppliers. The views and perceptions of the buying staff and the suppliers to the large South African MNC are discussed. The results indicate that this MNC has a good corporate reputation among both suppliers and its own buying department. The existence and implementation of formal codes of ethics were found to be a necessary but not sufficient condition for good ethical practice. Elements that may lead to good relationships include speedy resolution of problems; respect for the partner; and transparency in its dealings, which include information sharing, clear communication, and fair but firm negotiations.

There are a number of factors that hinder the development of CSR in Indian corporate world. According to Indu Jain (2008), a lack of understanding, inadequately trained personnel, non-availability of authentic data and specific information on the kinds of CSR activities, coverage, policy etc. contribute to poor reach and effectiveness of CSR programmes in India. But the situation is changing – CSR is coming out of the purview of ‘doing social good’ and is fast becoming a ‘business necessity’. The ‘business case’ for CSR is gaining ground and corporate houses are realizing that ‘what is good for workers – their community, health, and environment is also good for the business’.

Debabrata Chatterjee (2010) in his research articles “Corporate Governance and Corporate Social Responsibility: The Case of Three Indian Companies” analysed the corporate governance (CG) practices of three prominent Indian firms, namely ITC Ltd., Reliance Industries Ltd, and Infosys Technologies Ltd., based on four parameters namely, ‘Approach to Corporate Governance’, ‘Governance Structure and Practices’, Board Committees’ and Corporate Social Responsibility Activities. It was concluded that all the three companies are doing well both on the CG and the CSR fronts although Infosys seems to be doing much better than the other two; that all three companies are also adding ‘long-term shareholder value’ and almost equating it with ‘long-term stakeholder value’ is an indication of the passing away of the ‘dog eats
dog’ policy of yester years.

Oana Branzei (2010) stated in his case study analysis that the Tata Group, an India-based indigenous multinational enterprise with a unique 140-year old commitment to the community, is the pioneer in India for CSR activities. Despite the 2008-2009 global recession, the Tata Group topped the economic value creation charts. In 2008-2009, the Group had grossed US$70.8 billion in revenues. 64.7 per cent of the Group’s revenues were now coming from outside India. It explores value-creation, leadership, ethics and sustainable development on the backdrop of rapid internationalizations and shifting stakeholders’ expectations for corporate social responsibility.

Jorge A. Arevalo and Deepa Aravind (2011) concluded in their article “Corporate Social Responsibility Practices in India: Approach, Drivers, and Barriers” that the CSR approach that is most favored by Indian firms is the stakeholder approach and that the caring or the moral motive, followed by the strategic or profit motive, are important drivers for Indian firms to pursue CSR. Further, the results indicate that the most significant obstacles to CSR implementation are those related to lack of resources, followed by those related to the complexity and difficulty of implementing CSR.

Milton Friedman (1970) is one of the strongest opponents of imposition of social responsibilities on business corporations. He strongly criticized CSR initiatives as – "The businessmen believe that they are defending free enterprise when they declare that business is not concerned 'merely' with profit but also with promoting desirable 'social' ends; that business has a 'social conscience' and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers...Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades" (Friedman, 1970)