

**Corporate Social Responsibility**  
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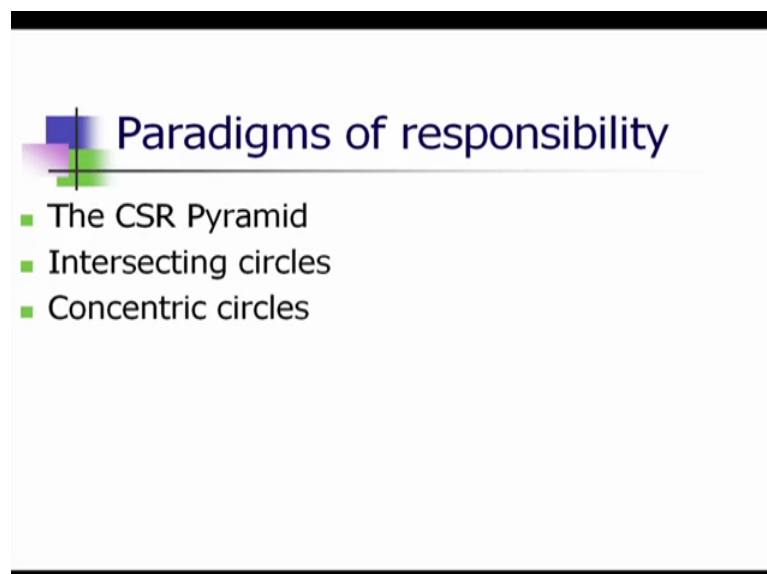
**Lecture - 23**  
**Planning of CSR Activities: Responsibility Paradigms**

Welcome back to the MOOC course on corporate social responsibility, my name is Aradhna Malik and I am helping you with this course and we have started the discussing on how we do CSR. So, in the previous class we discussed stake holder dialog and we talked about how you can initiate stake holder dialog and what are the different aspects of it and the different ways in which you can have stake holder dialog.

Now today we will talk about how you can actually start planning for CSR activities and this class we will talk about how you can start planning for CSR activities, but before we do the see the world corporate social responsibility the term corporate social responsibility has a very important element of responsibility. So, it warrants some discussion on what this responsibility is and to whom we responsible and in this particular lecture we will talk about the different paradigms of CSR with the special focus on how responsibility is viewed and where you should be focusing your attention.

So, let see what we have view today planning of CSR activities responsibility paradigms. So, these are the paradigms of CSR with the special focus exclusively on responsibility.

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Now, various paradigms of responsibility have been suggested some people say that the responsibility is in the shape of a pyramid some people say it is in the shape of concentric circle you know one circle in a middle of another some researchers say that this responsibility is in the form of intersecting circles. But everybody agree is that there are 3 or 4 different kinds of responsibility economic legal ethical and some researchers add the philanthropic responsibility to it.

So, we will start with these different ways of looking at it and like I told you in the beginning of the class you know I will not give you formulae I will not give you tens step to effective planning of CSR program and 20 steps to effective implementation. I will not do that that is for you to decide it is my job as a facilitator I am not a teacher you know I will not give you the text book approach which is why I am drawing the material from various sources.

So, I will show you how CSR has been viewed how different people in the world have talk about it how different communities have adopted the CSR worked at they do what they are doing and it is for you to design the CSR programs that are specific to your need knowing fully well how much there is to learn from that is my job as a facilitator I am not your teacher I am only a facilitator. So, please keep that in mind.

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So, different paradigms of responsibility we talked about the CSR pyramid in the earlier classes. So, very briefly I will touch upon this; this pyramid talks about you know the

economic needs or economic aspect of CSR being at the very core. So, at the very base we start with the fulfilling the economic needs of any corporate organization once that is satisfied then we move on to the legal needs then we move on to ethical needs . So, economic we start with the economic needs which means being profitable is required for the organization it is a mandatory condition for any profit making organization to be profitable for any corporation to be profitable then once you are profitable then you need to obey the law and that is also required.

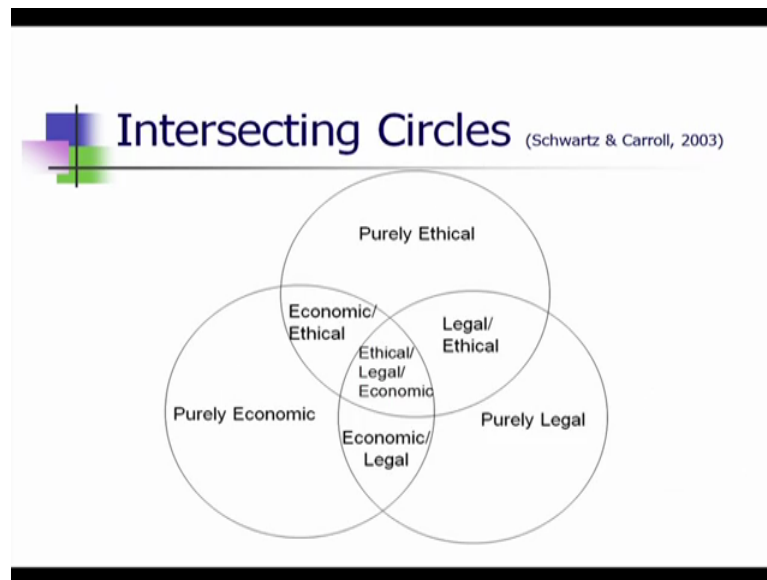
So, economic and legal aspects of your corporate responsibility we have still not moved in to the social domain you need to obey the law and in doing. So, you need to be profitable and in doing. So, in obeying the law and being profitable you will be helping the society that you are connected to. So, that is why we are add the social aspect to it, but these 2 are required then we move on to the ethical part once you have fulfilled the legal requirements you can move on to the ethical parts.

So, this is the linear relationship it is conjunctive these are connected, but you go from step one to step 2 to step 3 and so on, then ethics ethical be ethical be good do what is right. So, be ethical this is expected I mean this is required this is expected if you do not if you would not ethical nobody will say anything to you, but you will not be viewed in a very good light.

So, being ethical is expected by the community that you are a part of then philanthropic actively being a good citizen going out of your way to do something nice for the community around you is desired if you do this if you are philanthropic as a corporation the world will really like you this is something that will put you in their best books.

So, putting in very very simply; this is what the CSR pyramid is like when we talk about responsibilities these are the four responsibilities that any corporation has economic it is your responsibility as a corporation to be profitable it is your responsibility as a corporation as a profit making organization to obey the law it is your responsibility as a profit making organization to be ethical. It is also your responsibility to be a good corporate citizen to be a good unit of the society that you are in to contribute positively to it. So, this is the pyramid that we are discussed in the earlier classes.

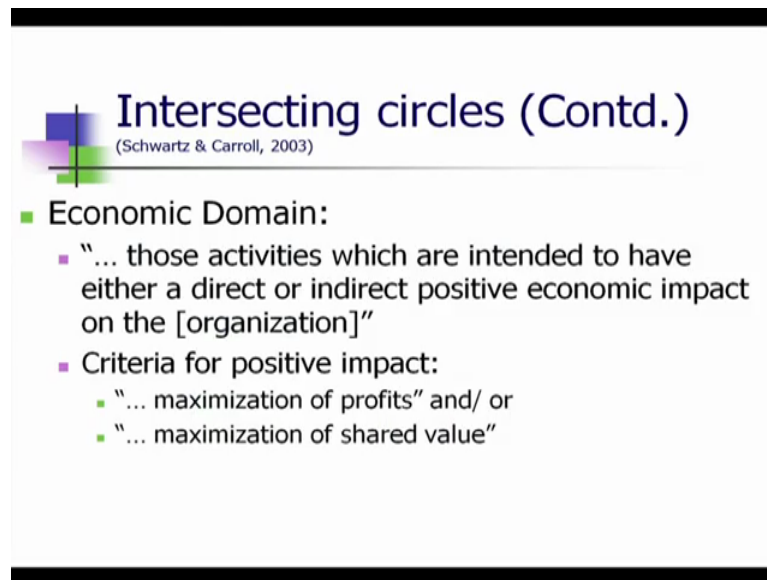
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Now, the next a Schwartz and Carrol the same paper from if we do this pyramid or this was actually Carrol 1991 Schwartz and Carrol, but the same paper intersecting circles. So, these intersecting circles talk about the independence there is some slight dependence of the ethical economic and legal responsibilities of corporations on each other. But they are not you know they are not totally depended in the previous one unless even being your making profits you cannot be expected to obey the law unless you are a obeying the law you cannot be expected to be ethical. Now these 2 can be interchangeable to they can be some debate on this, but unless you following the law how can people expected to be ethical and unless you are ethical and following the law and making profits you cannot makes expected to be philanthropic.

Now the next one here we say yes you can be purely economic you can be only profitable and still do something you can be purely ethical you can be purely legal you can also be legal and ethical you can also be economic and ethical you can also be economic and legal you can fulfill these responsibilities also or you can fulfill all 3 responsibilities from the way you run your organization. So, you know these different aspects are or different responsibilities can intersect they can also be independent of each other and that is what these intersecting circles are all about that is for Schwartz and Carrol talk about in there people.

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**Intersecting circles (Contd.)**  
(Schwartz & Carroll, 2003)

- **Economic Domain:**
  - "... those activities which are intended to have either a direct or indirect positive economic impact on the [organization]"
  - **Criteria for positive impact:**
    - "... maximization of profits" and/ or
    - "... maximization of shared value"

Now, let us see what these are the economic domain includes those activities which are intended to have either a direct or indirect positive economic impact on the organization. So, they are having an these are for the economic purely economic activities they have a direct or indirect impact on the economic impact on the positive economic impact on the organization the criteria for positive impact are one is maximization of profits and or maximization of shared value if it is not actual profits then it is maximization of shared value that the corporation the organization and the society have.

So, that is what the economic domain talks about and that is your purely economic responsibility to have a any activity that you engage in that in that is intended to have a direct or indirect positive economic impact on the organization outside of a regular profit making activities. So, we are talking about specifically CSR activities. So, you could have some activities not bring in more profits for the organization either directly or indirectly.

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### Intersecting circles (Contd.)

(Schwartz & Carroll, 2003)

- Legal Domain:
  - "Compliance:
    - Passive
    - Restrictive
    - Opportunistic"
  - Avoidance of civil litigation
  - Anticipation of the law"

The legal the purely legal domain includes compliance avoidance of civil litigation and anticipation of the law and compliance can be of 3 types passive restrictive and opportunistic.

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### Legal Domain (Contd.)

(Schwartz & Carroll, 2003)

Type of legal motive	Typical corporate/ managerial response
Passive compliance (Outside legal domain)	"Well, looking back on it, we did happen to comply with the law"
Restrictive compliance	"We wanted to do something else but the law prevented us." "We did it in order to comply with the law"
Opportunistic compliance	"Well, the law allows us to do it" "We operate in that jurisdiction because of the less stringent legal standards"
Avoidance of civil litigation	"We did it because we might get sued otherwise" "Lawsuits will be dropped"
"Anticipation of the law	"The law is going to be changed soon" "We wanted to pre-empt the need for legislation"

Let see what all of these different terms mean the type of legal motive now different a ways in which these legal motives have been defined if you are indulging in an activity that the objective of which the motive of which is passive compliance which is outside of legal domain your response as a manager would be well looking back on it we

did happen to comply with the law we did what we thought was necessary. But we did happen to comply with the law restrictive compliance would be when we wanted to do something else, but the law prevented us we did it in order to comply with the law.

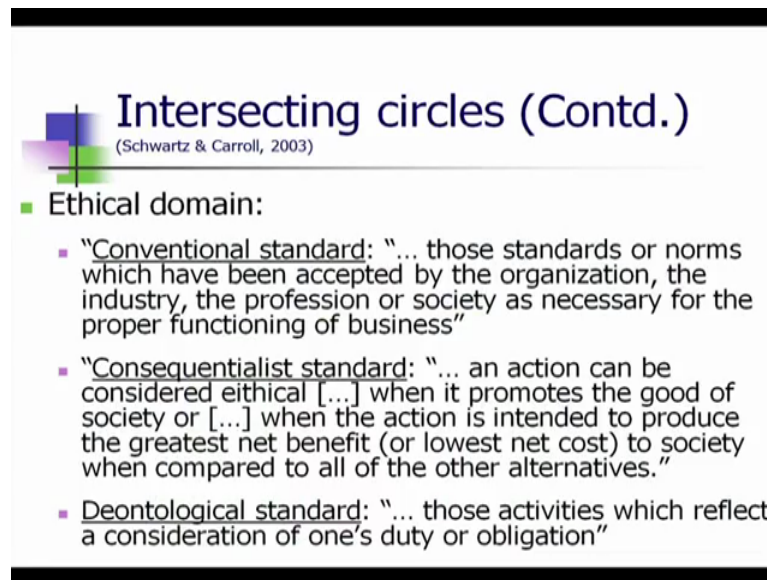
So, where the first one passive compliance is in Hine site we did it and we later found out that it was in line with the law then restricted compliances that we wanted to do something else for the benefit of the organization, but we were obligated to comply with the law we were required to comply with the law. So, we did something different that is a restrictive compliance that the law is restricting us from doing what we thought could be beneficial froze for the organization again opportunistic compliances well the law allows us to do it.

We take advantage of the law we operate in that jurisdiction because of the less stringent legal standard and I will give you more concrete examples of this we will not have done it otherwise, but the law permits us to do it. So, this is an opportunistic compliance we are complying with the law because it is benefitting us.

Now avoidance of civil litigation is we did it because we might get sued otherwise lawsuits will be dropped if we do something if we comply with the law if we a want to avoid civil litigation we indulge in this activity and the law suits that are existing against are will be dropped. So, that is the managerial response these are the activities anticipation of the law the law is going to be changed soon we wanted to preempt the need for legislation. So, in anticipation of any changes coming to the law we do something different. So, these are the ways in which we try to you know structure our activities around purely legal reason when we say we assume purely legal responsibility we are taking on activities only through purely only on the basis of purely legal oh or only because we want to fulfill our purely legal responsibilities these are the types of responses that we have here.

So, passive compliance could be compliance could be avoidance of civil litigation could be anticipation of the law we do something because we are expecting the law to help us in some way.

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### Intersecting circles (Contd.)

(Schwartz & Carroll, 2003)

- Ethical domain:
  - Conventional standard: "... those standards or norms which have been accepted by the organization, the industry, the profession or society as necessary for the proper functioning of business"
  - Consequentialist standard: "... an action can be considered ethical [...] when it promotes the good of society or [...] when the action is intended to produce the greatest net benefit (or lowest net cost) to society when compared to all of the other alternatives."
  - Deontological standard: "... those activities which reflect a consideration of one's duty or obligation"

The ethical domain says that we want to be good the basis is we want to do something that is good something that is right, now 3 standards of ethical responsibility or responsibilities in the ethical domain or the conventional standard then local norm those standards or norms which have been accepted by the organization the industry profession or society as necessary for the proper functioning of the business. So, something that is the one thing; it is the one thing in the industry it is the one thing in the profession we where you know occasionally if the students are getting or if are students needs a medicinal help we will go out of are when we will just help the students.

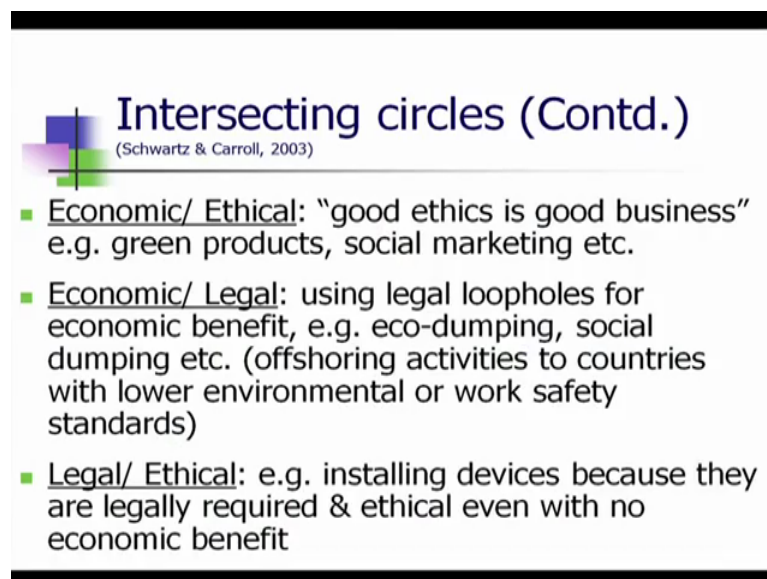
So, you know or if the organization can let can have flexible hours even though it is not written in the organizational policy we will let students who need some family time get flexi hours its it is the one thing in the industry that some categories or some or employees will have flexi hours or flexi time during say the holiday season. For example, it is the one thing you know and holiday season very strong community to community region to region in the eastern on part of India Durga Pooja time is very special very secrete. So, you know even though the offices ant officially shut down it is the one thing to be let people take time off. So, that they can go in spent time with their families even in private organizations you know you have flexi time I mean. So, that is a done thing here.



. So, that is the conventional standard consequentialist standard is an action can be considered ethical I am sorry, but the spelling mistake here an action can be considered ethical when it promotes the good of the society or when the action is intended to produce the greatest net benefit or lowest net cost to society when compared to all of the other alternatives. So, the end result is what justifies the process. So, if all is well that ends well. So, if the end result is good it is benefitting the community then it is the deontological standard is those activities which reflect a consideration of ones duty or obligation. So, it is my duty to do something whether its good or bad or right or wrong it is my duty to your even if it hurts somebody it is my duty to take this type of action.

So, that is the ethical domain now these are purely ethical activities what happens when these circles of ethical responsibilities legal responsibilities and economic responsibilities intersect.

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**Intersecting circles (Contd.)**  
(Schwartz & Carroll, 2003)

- Economic/ Ethical: "good ethics is good business" e.g. green products, social marketing etc.
- Economic/ Legal: using legal loopholes for economic benefit, e.g. eco-dumping, social dumping etc. (offshoring activities to countries with lower environmental or work safety standards)
- Legal/ Ethical: e.g. installing devices because they are legally required & ethical even with no economic benefit

The economic and ethical intersection is good ethics is good business for example, producing green products producing bio degradable material social marketing etcetera its economic its ethical also we have addable cutlery.

So, maybe I will put the link in a or maybe I will give you some examples in another class we have addable cutlery that is made out of the addable food grains. So, you know it is green it is bio degradable and it is also economical even if its priced higher than the normal disposable cutlery people will buy it will bring and prospects for the organization

it will also be green it will be ethical its good for the environment social marketing etcetera.

So, good ethics is good business you give free food to people you do not need the extra food that you are restaurant makes or you do not need to left over's at night to homeless people and people will start coming in or avoid. There is one restaurant where they do not you know they do not ask you they do not tell you how much the food is you just pay for the food of the next customer or you leave it donation where are restaurant like that where you just leave a donation you go in you eat and you pay as much as you want and in doing that many people end up paying much more than they would have paid if the restaurant have put a price tag on it.

So, this is social marketing or maybe one day a week you have one day in your or maybe once in a month you have one day in your restaurant where you say anybody who comes in can eat and leave whatever they want to leave and we will take the proceeds and we will donate we will take all that money and we will give that money to the vulnerable groups of society something like that. So, that will bring in a lot of business impact you will end up having a lot more people eat on that free day and leaving a larger donation than you would probably make on a regular day in your restaurant just because of the social aspect of it.

Now to that is the economic or ethical economic legal intersection is using legal loopholes for economic benefit for example, ecological dumping social dumping etcetera off shoring activities to countries with lower environmental or work safety standards. This is would I was talking about this is the purely legal you know avoidance opportunistic compliance this is an example of opportunistic compliance legal dumping sorry ecological dumping social dumping etcetera is an example of opportunistic compliance we are out sourcing our activities in a country where the laws are not.


So, stringent about the number of higher peoples work or the amount of money that is paid to them or these expiration dates of medicines or the quality is chemicals used. So, that is called ecological or eco dumping social dumping is we are out sourcing are activities to countries to regions where the law is not. So, strict about how we treat are work force what did you should be there in their officers what kind of facilities should

exists etcetera legal and ethic the legal and ethical intersection is installing devices because they are legally required and ethical even with no economic benefit.

So, you have a an elevator that is there it is there it does not work I know once such place where in elevator was installed because a legal requirement whose there I have seen this place in and out for probably the past 7 or 8 years I go to this place very often huge shopping mall the elevator does not work it is there for legal compliance. So, it I mean it is not ethical again that is bad example, but it may operate on some days. So, you have or maybe you have a device an antipollution device where it is not really required there are food you keep the place very clean. But you still have a machine that catches flies and kills them even though your places absolutely clean and there is no need for that machine to be there you keep it because it is ethical to have that machine and because it is a legal requirement there.

So, even though there are no flies you do not need to clean the machine, but it still switched on because it is required to be there. So, something like that. So, you install the devices because they are required to be there.

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**Intersecting circles (Contd.)**  
(Schwartz & Carroll, 2003)

- **Economic/ Legal/ Ethical:** All three domains. e.g. withdrawing defective/ potentially harmful products from the market. Maggi Noodles case – mono sodium glutamate & lead found in Maggi noodles.  
<https://www.youtube.com/watch?v=ko8pIdcr5xk>

Then what happens when the economic legal and ethical come together all 3 domains come together for example, withdrawing of defective or potentially harmful products from the market. I am sure those of few in India have heard about the Maggi noodles case Maggi noodles was found to be having blugre or unhealthy quantities of mono

sodium glutamate and lead and when this was discovered Maggi noodles had to be pulled off from the shelves. And they are to be withdrawn as they were potentially harmful and they had to be pulled off from the shelves and I have a very nice video that sums up this entire case that I would like to show you.

Nestle launched Maggi noodles in 1983, it was a completely novel product at the time Indians did not really have noodles in their cuisine and there were not instant food products away there are now in the way that we have in the US. The Maggi noodle crisis began back in March 2014 when a food inspector in Barabanki in India and the state of Uttar Pradesh went out and he sees Maggi and he decides you know this is this really popular snack, but it says no added MSG on the package he thinks that is interesting I want to test to see if it says MSG. So, he sends it to the lab a couple weeks later gets results back Maggi noodles has MSG, they tell Nestle what they found and this would normally be a fine.

Nestle says we do not add MSG in our product we would like you to test it again I get sent through another lab for some reason it takes many months to get there and nearly a year later they learn that the second lab not only found MSG, but now they have found lead as well and not just a little bit too much lead they found 7 times the safe amount of lead. At that point the story gets leaked to the local media in Uttar Pradesh, Nestle sees these stories and starts to get a little worried; they decide to handle things through official channels rather than to fight the story in the media.

The controversy over Maggi noodles going off the shelves in Uttar Pradesh.

However, no decision in fact, has been taken whether Maggi package should actually be banned.

Following the Uttar Pradesh's example other states like Maharashtra and Gujarat too have sent in samples.

The crisis keeps building and at some point they decided the thing that is most valuable to us is the trust we have from consumers, the way that we need to protect that trust is to take this product off the market despite Maggi noodles being safe were taking this product back because of all the confusion.

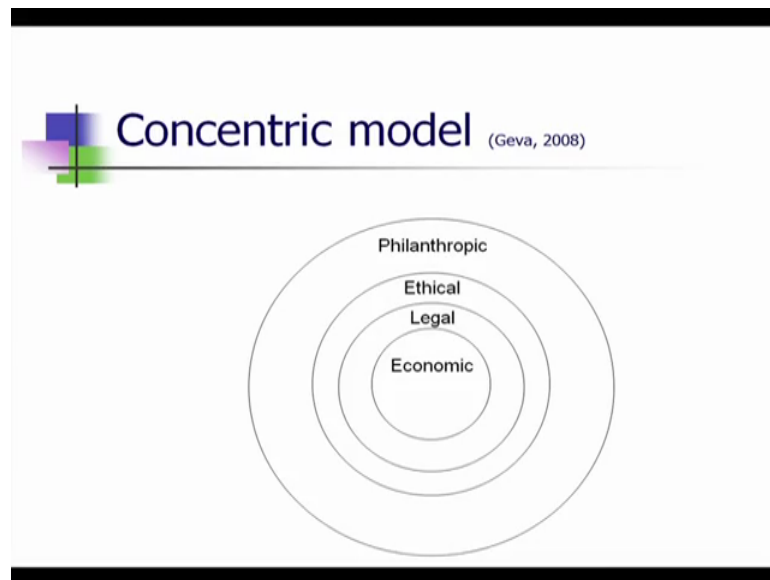
Maggi noodles in Nestle India are safe for consumption.

Right before the press conference, Nestle gets an email from the central food regulator saying that the product is going to be banned and not only is it banned, but the regulator is called the product unsafe and hazardous for human health. It turned out there were 37000 tons of Maggi on the market. So, besides they will like incredible operation that was involved in retrieving all this Maggi from the market, they needed to figure out what to do with it what they ended up doing was destroying 37000 tons of Maggi at 16 cement factories across the country; Maggi returned to shelves in November, Nestle says the product is exactly the same one Nestle executive has said it will take 3 years to return to the level of sales that they were at before.

So, was there latter or were there problems with the noodles, it is difficult to sort out unfortunately Nestle and the Indian government came away with very different sets of test results. Now Nestle says that is because the government was doing their tests and labs that were not properly accredited; the government argues that Nestle is not trustworthy when its talking about its own product, there was a lot of suspicion around Nestle throughout this entire crisis and one of the places that this comes in as many people thought they were destroying Maggi because there was something wrong with it they were not forced to destroy all the Maggi, but it was an enormous quantity and at that point they were taking it off the market. So, they decided that was the thing to do many at Nestle were really accept by this, this is a country where you know many people do not have enough to eat and here they are burning this perfectly safe food.

So, this video shows you how you know something that the company was suppose to do legally required to do legally there was an economic benefit later of course, they pulled it off and it resulted in major losses, but ultimately it ended up given them good publicity and I do not know if it is been able to recover those looses. But it gave once they changed the product and they sent it back in to the market and it was tested and found to be free of MSG and lead at that time I think the profits came in a much faster because everybody is found a Maggi and so, that is one way of these circles intersecting.

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Now, so, this is these very intersecting circles model now the concentric model concentric model is where economic is encased in the legal and that is encased in the ethical and the ethical is encased in the philanthropic.

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The slide is titled 'Concentric model (Contd.)' with '(Geva, 2008)' below it. It features a list of four bullet points, each describing one of the concentric circles. The decorative graphic from the previous slide is also present on the left side.

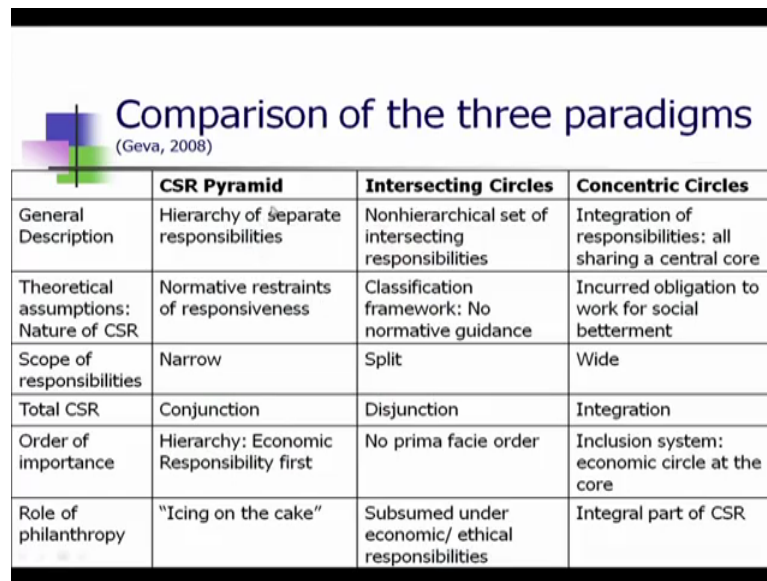
- Interdependence of various circles
- Economic circle: Generation of wealth towards improving overall standard of living, fair price selling, provision of jobs etc.
- Legal circle: Following the law: Obey the law & justify your reasons for not being able to follow the law when you are not able to follow the law
- Ethical circle: Doing good rests on good economics & legal compliance
- Philanthropic circle: "... contributions of business firms to humanitarian & social causes, which are usually considered outside the firms' natural line of business"

There is an interdependence of various circles economic circle includes the generation of wealth towards in improving in over all standard living fair price selling provisional jobs etcetera legal circle indicates following the law you obey the law and justify your reasons for not being able to follow the law when you are not able to follow the law.

So, there is a legal element the ethical circle is doing good and it rests on good economics and legal compliance and the philanthropic circle talks about contributions of business firms to humanitarian and social causes which are usually considered outside the firms natural line of business. So, you go above and beyond the call of duty and you still look after the; whatever is in required to be done for the community.

Now very quickly I will show you how these 3 paradigms relate to each other.

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	<b>CSR Pyramid</b>	<b>Intersecting Circles</b>	<b>Concentric Circles</b>
General Description	Hierarchy of separate responsibilities	Nonhierarchical set of intersecting responsibilities	Integration of responsibilities: all sharing a central core
Theoretical assumptions: Nature of CSR	Normative restraints of responsiveness	Classification framework: No normative guidance	Incurred obligation to work for social betterment
Scope of responsibilities	Narrow	Split	Wide
Total CSR	Conjunction	Disjunction	Integration
Order of importance	Hierarchy: Economic Responsibility first	No prima facie order	Inclusion system: economic circle at the core
Role of philanthropy	"Icing on the cake"	Subsumed under economic/ ethical responsibilities	Integral part of CSR

On the general description the CSR pyramid talks about the hierarchy of separate responsibilities intersecting circles talk about nonhierarchical set of intersecting responsibilities concentric circles, talk about integration responsibilities all are sharing a central core which is profit making theoretical assumptions. The nature of CSR is that there are normative restraints of responsiveness which means you do whatever the society permits you to do as far as the CSR pyramid or you go according to the needs and expectations of the society in the CSR according to the CSR pyramid intersecting circles no normative guidance is there, there is a classification framework there is a way in which we decide where we want to go concentric circles there is in incurred obligation to work for social betterment.

So, that is the way that is the nature of CSR then scope of responsibilities in the c CSR pyramid is narrow intersecting circles is split between legal economic and ethical in concentric circles it is wide you can do you can really really expand; how you do CSR

the total CSR here in the CSR pyramid is rest on conjunction intersecting circles it is disjoint it is or a it rests on disjunction you could go in to the ethical stream you could go in to the legal stream you could go in to the economic stream you could be more tension to one and less tension to another etcetera.

Concentric circles it is all integrated the order of importance again CSR pyramid rest on hierarchy economic responsibility comes first intersecting circles there is no particular order in which you look after these responsibilities concentric circles the economic circle is at the core and it is an inclusion system. So, economic legal ethical and then philanthropic the role of philanthropy here in the CSR pyramid is the icing on the cake in the intersecting circles it is subsumed under the economic or ethical responsibilities.

Now, one set of authors makes it of forth circle, but it is still accepted there in the concentric circles it is an integral part of CSR the research implications the operationalization of CSR according to the CSR pyramid type of paradigm of responsibilities is the constant some method.

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**Comparison of the three paradigms  
(Contd.)** (Geva, 2008)

	<b>CSR Pyramid</b>	<b>Intersecting Circles</b>	<b>Concentric Circles</b>
Research implications: Operationalization	Constant-sum method	CSR portraits	Representative range of measures
CSR-CFP relationship	Positive	Positive, negative or neutral	Non-linear
Justification for ethics	Ethics pays	Strategic considerations	Normative obligation

So, you do when in then you move on to the next and the next and the next intersecting circle it is CSR portraits.

So, you have representatives from different domains concentric circles it is the representative range of measures that you take in order to fulfill your responsibilities in



those concentric circles CSR CFP. CFP stands for corporate financial performance relationship CSR pyramid it is positive because it rests on the economic core or the pays intersecting circles because they are independent it could be positive negative or neutral you do CSR you may or may not make profits while doing CSR concentric circles it is non-linear. But still the economics is at the core justification for ethics CSR pyramid says ethics pays intersecting circles you have to take these strategy of the organization in to consideration in to account while designing your CSR programs depending on the need of the organization you could choose to be either in the purely legal ethical economic domain or in the intersections of these 2 or 3 depending on what is required in the concentric circles you have a normative obligation to look after the organization and the society that it rests in.

So, this is the way and now knowing that these are the ways in which you can approach the responsibility element of CSR I will let you my viewers my students think about this and decide on your own where and how you want to focus your work you know in. So, what which type of responsibility do you want to focus on more and that will in turn have an impact of how the society views you and the other different aspects or different related paradigms of responsibilities. So, that is all we have time for in this lecture I hope you liked it I hope I will given you food for thought we will continue with some more discussion on this in the next class.

Thank you very much for listening.