

Corporate Social Responsibility
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Lecture – 26
CSR Activities: Corporate Social Performance

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 till the last module were discussing about stakeholder issues, we started we had some discussion on how you do CSR, and what really propels CSR and what effect CSR activities. Now, in this module, we are going to start with the actual activities that take place in CSR, but before we do that we will talk a little bit about corporate social performance.

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And with this we will actually get into how you know the physical the tangible aspects of CSR.

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How do corporations take decisions about their social behavior (Sethi, 1975)

- Behavior of corporations is adjusted to their understanding of what they need to do for the society:
 - State One: Social obligation: Proscriptive (Prohibitive)
 - State Two: Social responsibility: Prescriptive (Solutions)
 - State Three: Social responsiveness: Anticipatory & preventive

Now, to start the discussion again I will take we have taken the material from Prof. Prakash Sethi's paper on how these decisions regarding social behavior are taken. How do organizations decide what to do, you know to put it very, very simply. If you are in organization what will be or how will you decide what you want to do. So, this is an old paper Prof. Sethi had published this paper in 1975, but it still holds true in many, many ways and that is why we are using this paper for this particular lecture

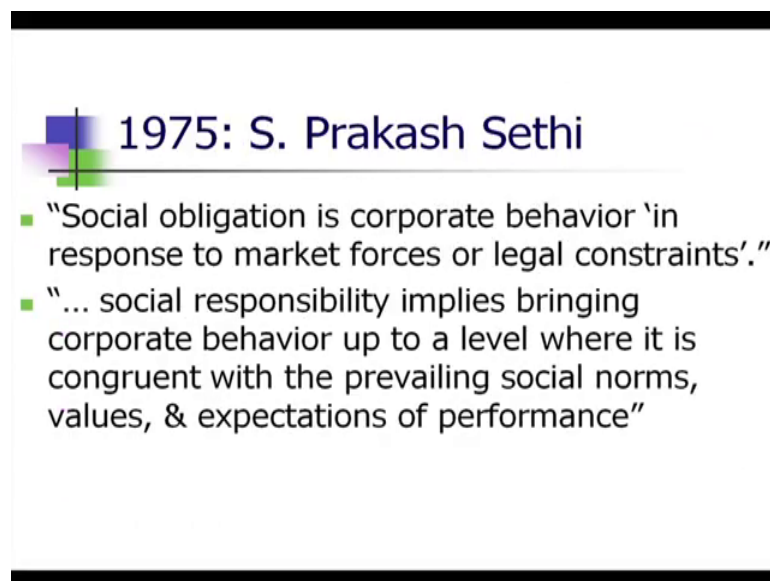
So, Prof. Sethi then you know he talks about the behavior of corporations, and how it is adjusted to their understanding of what they need to do for the society. And depending on what they feel they need to do or which state they are in they start taking certain initiatives they do certain things. The first state is social obligation where they feel that contributing to society is just an obligation and they use the proscriptive approach which is the prohibitive approach. And then in the second state, they feel that it is their responsibility it is no longer an obligation, it is no longer forced on them, but they accept it as their responsibility, it is a sense of duty, it is their sense of it is their responsibility. So, the approach is prescriptive. This is the problem we see, these are the solutions, we can suggest.

State three is responsiveness. So, they anticipate what the society can need and their approach is preventive they will take active measures to prevent problems in excuse me society. So, the first state is prohibitive which means that we do not want to get into

trouble, it is a social obligation, we will do whatever it is to stay out of trouble. State two is we will suggest solutions because it is our duty to look after the society we live in. So, we see a problem we will have a prescriptive approach we will do whatever it takes to help with solve that problem in society

And then state three which is they understand that it is their responsibility to look after the environment. So, they become responsive which means they anticipate the needs of the community, they start anticipating the needs of the environment of the society. And they start taking preventive measures they start taking active steps to prevent the problems that can occur in the society in the physical environment around them. And that is when they are really trying to or they start to integrate their socially responsible or their behavior or the social responsibility that they assume for the society that they live in. So let us see what these are.

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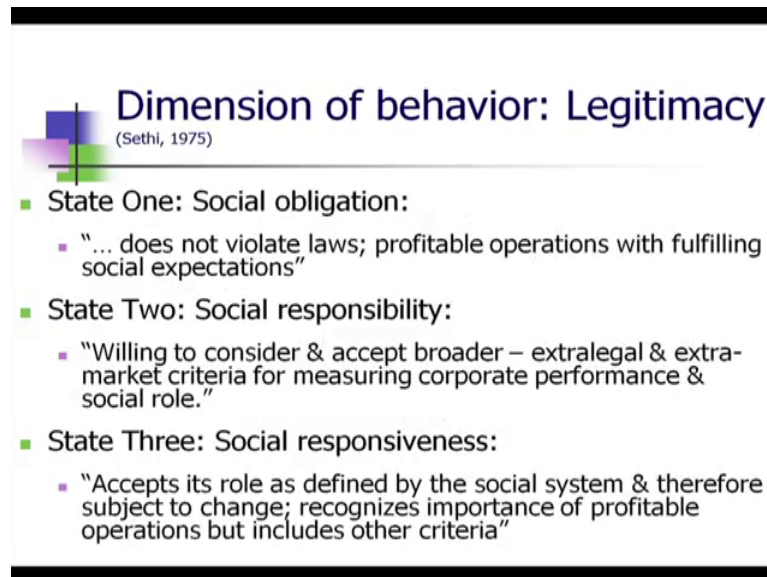
1975: S. Prakash Sethi

- "Social obligation is corporate behavior 'in response to market forces or legal constraints'."
- "... social responsibility implies bringing corporate behavior up to a level where it is congruent with the prevailing social norms, values, & expectations of performance"

Now, in while discussing the history of CSR, we had talked about Prof. Prakash Sethi's contribution to CSR and we had talked about social obligation being corporate behavior in response to market forces or legal constraints. So, social obligation is there is pressure if we do not do this we will get into trouble. With the market or profits will suffer we could be penalized by the law; we are doing something anti law. Social responsibility on the other hand implies bringing corporate behavior up to a level where it is congruent with the prevailing social norms values and expectations of performance. Everybody is

doing it, every good organization is doing it, it is our responsibility, we must do whatever we can to look after the environment that we live in. So if we see a problem we will solve it we will help with it the way the rest of the people in our industry in our community are looking after it.

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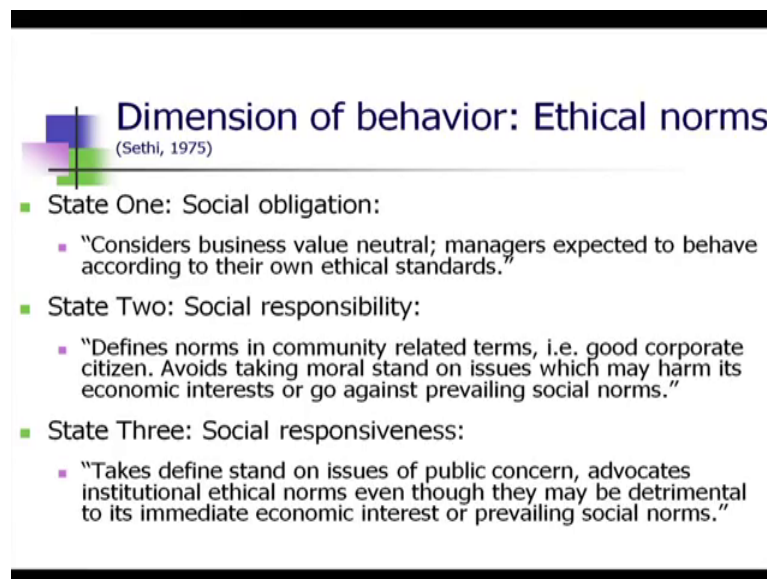
Dimension of behavior: Legitimacy
(Sethi, 1975)

- **State One: Social obligation:**
 - "... does not violate laws; profitable operations with fulfilling social expectations"
- **State Two: Social responsibility:**
 - "Willing to consider & accept broader – extralegal & extra-market criteria for measuring corporate performance & social role."
- **State Three: Social responsiveness:**
 - "Accepts its role as defined by the social system & therefore subject to change; recognizes importance of profitable operations but includes other criteria"

So, let us see what we have here. Now, we will discuss various dimensions of behavior and we will see what happens along these dimensions at different states of understanding. With legitimacy state one, so social obligation we assume the organization does not violate laws; it engages in profitable operations with fulfilling social expectations. So, we will do whatever it is to avoid getting into trouble with the law and we will still run a profitable organization. When it moves from there to the state to the second state which is social responsibility, the same organization becomes willing to consider and accept broader extra legal which means outside the purview of the law and extra market criteria which means that criteria that may or may not necessarily be along the lines of what the rest of the market is doing for measuring corporate performance and the social role. We do not measure our performance in the same way that the other organizations measure which means we are not talking only about the monetary output of the organization, we are talking about what we are doing for the society.

State three is you know now it has become our responsibility we want to really actively go out into the society and become socially responsive. So, when we talking about legitimacy then we accept our role as defined by the social system, and therefore subject to change we also recognize the importance of profitable operations, but include other criteria. So, we go out of our way to be socially responsible. Then the next dimension of behavior is ethical norms what do we do.

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Dimension of behavior: Ethical norms

(Sethi, 1975)

- State One: Social obligation:
 - "Considers business value neutral; managers expected to behave according to their own ethical standards."
- State Two: Social responsibility:
 - "Defines norms in community related terms, i.e. good corporate citizen. Avoids taking moral stand on issues which may harm its economic interests or go against prevailing social norms."
- State Three: Social responsiveness:
 - "Takes define stand on issues of public concern, advocates institutional ethical norms even though they may be detrimental to its immediate economic interest or prevailing social norms."

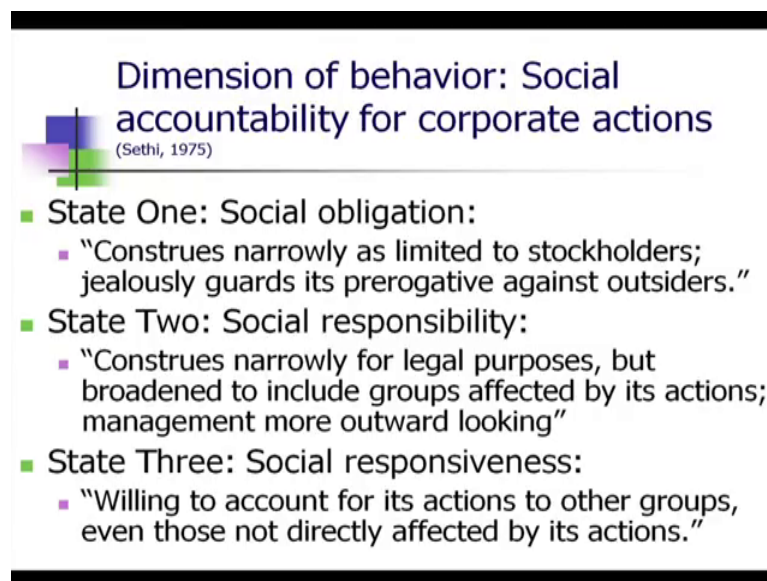
When we try to follow ethical norms, the first state is social obligation when we are trying to be an organization as far as ethical norms are concerned, we consider our business value neutral which means we do not have ethical norms within the business it is the responsibility of each manager to be ethical according to their own standards. So, we do not have an ethical code of conduct you do whatever is right and we will support you and that is a social obligation we will not prevent you from being doing whatever you think is ethical and right.

State two is social responsibility now behavior is following and expressing your ethic following ethical norms. Social when we reach the second state which means we become socially responsible we define norms in community related terms as an organization when I say we I am talking about the organization which means good corporate citizens do this our organization is a good corporate citizen. So, we are going to do this as an organization avoid taking moral stand on issues which may harm its economic interests

or go against prevailing social norms. So, we do not take a moral stand on issues, but we go ahead and project ourselves as a good as a right as a nice organization.

State three is social responsiveness, we want to be seen as an ethically as an ethical organization, as an organization that follows ethical norms. So, what do we do we take sorry it should be defined takes definite stand on issues of public concern, advocates institutional ethical norms even though they may be detrimental to its immediate economic interest or prevailing social norms. So, you start advocating, you start talking about ethical norms even though they may not serve your immediate economic interest or the prevailing social norms even though they may not be accepted in society, but you can see that in the future they will have very positive consequences for the society that you live in. So, you become responsive and you say we are a good organization, we will not let this bad thing happen to the society around us.

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Dimension of behavior: Social accountability for corporate actions
(Sethi, 1975)

- **State One: Social obligation:**
 - "Construes narrowly as limited to stockholders; jealously guards its prerogative against outsiders."
- **State Two: Social responsibility:**
 - "Construes narrowly for legal purposes, but broadened to include groups affected by its actions; management more outward looking"
- **State Three: Social responsiveness:**
 - "Willing to account for its actions to other groups, even those not directly affected by its actions."

The next dimension of behavior is social accountability for corporate actions. When you are in state one your social obligation is you construes narrowly as limited to stockholders. So, we are talking about social accountability, we are talking about the accountability of our actions to the people around us. So, we the say that our stakeholders are the stockholders here people who have a financial interest in the organization it is a social obligation; jealously guards its prerogative against outsiders we will not share this information with the outsiders, but we will be accountable to our

stockholders. We will be accountable to the people who have invested in our organization.

When we reach state two we say construes narrowly for legal purposes, but broadened to include groups affected by its actions; management more outward looking. So, we say we have to be socially responsible we have to be accountable for our actions. We will do what the law wants us to do, but we will also include people who we know for sure are going to be affected by our actions and we start opening our doors. We do not only limit our accountability to our stockholders to people who invested in us, but to other people who are connected with the organization and we start following the law.

State three social responsiveness as an organization; we are willing to account for our actions to other groups even those not directly affected by our actions. So, these are people who could be remotely interested, but still they feel they are affected and we say we will still serve your interests, we will leave our doors open we are a transparent organization we are accountable for our actions. If anything that we are doing harms you in any way, we will take corrective action against it or we will take corrective action sorry to fix it so that is what happens.

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**Dimension of behavior:
Operating strategy** (Sethi, 1975)

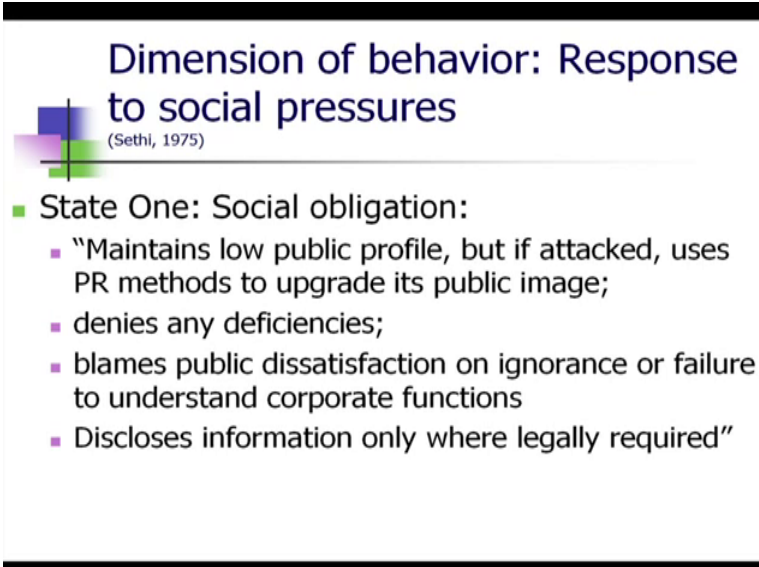
- **State One: Social obligation**
 - "Exploitative & defensive adaptation. Maximum externalization of costs."
- **State Two: Social responsibility**
 - "Reactive adaptation. Where identifiable internalize previously external costs. Maintain current standards of physical & social environment. Compensate victims of pollution & other corporate related activities even in the absence of clearly established legal grounds. Develop industry-wide standards."
- **State Three: Social responsiveness**
 - "Proactive adaptation: Takes lead in developing & adapting new technology for environmental protectors. Evaluates side effects of corporate actions & eliminates them prior to the actions being taken. Anticipates future social changes & develops internal structures to cope with them."

Then dimension of behavior operating strategy how do you take care of this state one social obligation exploitative and defensive adaptation maximum externalization of costs. So, we are very, very careful about how we spend you know operating strategy.

Then social responsibility when we reach the second stage, reactive adaptation where identifiable internalize previously external costs, so anything that we have incurred from outside is internalized. Maintain current standards of physical and social environment compensate victims of pollution and other corporate related activities even in the absence of clearly established legal grounds. Develop industry wide standards.

So, we become reactive we say we will do everything in our capacity to avoid getting into trouble with the law. So, if the law if we feel that any law can you know or we can be booked under any law for the way we operate our organization for the way we do the work in our organization, we will cut down the chances of those activities also. When we reach stage three we become socially responsible where we are adapting in a proactive manner. You take lead in developing and adapting new technology for environmental protectors you find out what you can do to save the environment. Evaluates side effects of corporate actions and eliminates them prior to the actions being taken. Anticipate future social changes and develop internal structures to cope with them. So, you find out what you need to do and to ensure that you do not harm the environment in any way you do not harm the stakeholders in any way you are proactively adapting to the problems to any harm that your operations can cause to people connected with the organization.

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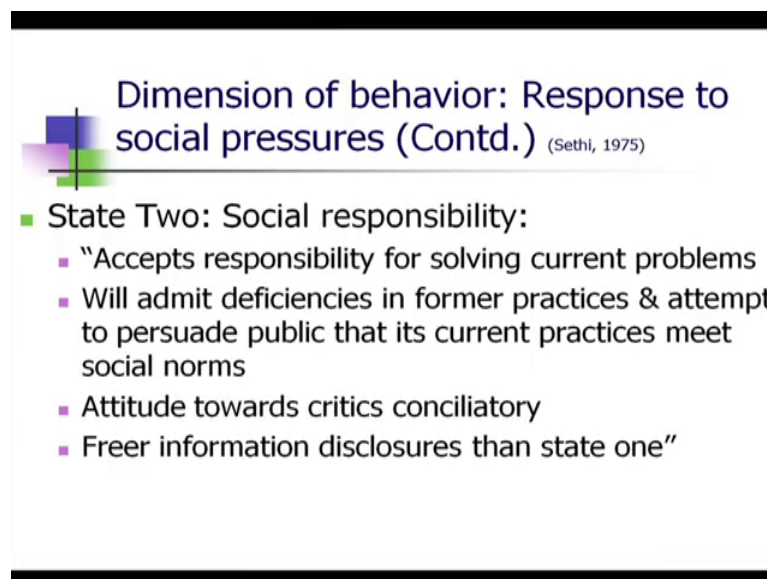
Dimension of behavior: Response to social pressures
(Sethi, 1975)

- **State One: Social obligation:**
 - "Maintains low public profile, but if attacked, uses PR methods to upgrade its public image;
 - denies any deficiencies;
 - blames public dissatisfaction on ignorance or failure to understand corporate functions
 - Discloses information only where legally required"

Dimension of behavior, social response to social pressures. How do you respond to social pressures? When you are in state one you have a social obligation to respond to

social pressures. So, as and when the pressures come you start responding to them what you do you maintain a low public profile, you become invisible, but if attacked, uses PR methods to upgrade its public image. So, some social pressure comes and you say no, no, no we are not doing anything, but there is no proactive work here. Denies any deficiencies you do not acknowledge that you may have gone wrong in some place. Blames public dissatisfaction on ignorance or failure to understand corporate functions somebody points a finger at you and you say you do not understand our work we do things differently. Discloses information only where legally required so that is state one of social obligation again this whole information is presented in the form of a very nice table in the paper, but I have broken it up to help you understand where we are headed with this. So, discloses information only where legally required, so that is the response to social pressures where you feel only socially obligated.

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Dimension of behavior: Response to social pressures (Contd.) (Sethi, 1975)

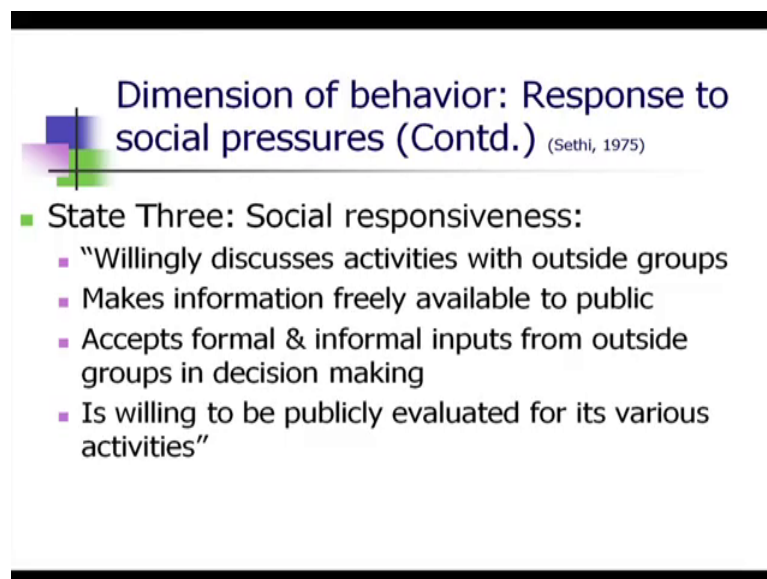
- **State Two: Social responsibility:**
 - "Accepts responsibility for solving current problems
 - Will admit deficiencies in former practices & attempt to persuade public that its current practices meet social norms
 - Attitude towards critics conciliatory
 - Freer information disclosures than state one"

Then you move on to the next state. If you feel socially responsible, then you accept responsibility for solving current problems you admit deficiency. So, you say yes, I have there is a problem and yes if it is my fault I will do everything in my capacity to fix it. Will admit deficiencies in former practices and attempt to persuade public that its current practices meet social norms, there is a social pressure people from outside are asking you how you are doing things what is your company about. So, you say I am sorry or we are sorry as an organization, we admit that there were gaps in the way were doing things, we thank you for your suggestions. You incorporate these suggestions or you attempt to

convince the people who are asking you these questions that there were deficiencies, but based on the feedback that you have received from various stakeholders, you have improve and you continue to improve and you are trying to meet the current standards of social norms. So, whatever you are doing is going to be acceptable to the community because of the way you are doing it.

Attitude towards critics is conciliatory you make peace with your critics, you do not fight with your critics, you do not defend yourself. You say thank you very much for your suggestions, yes, we will improve based on your feedback and. So, when you act in a socially responsible manner you do not say you are wrong you do not know anything no thank you very much and we will take your advice. Freer information disclosures then state one you disclose the information in a much more free manner people ask you make it readily available you do not people do not have to hunt for it.

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Dimension of behavior: Response to social pressures (Contd.) (Sethi, 1975)

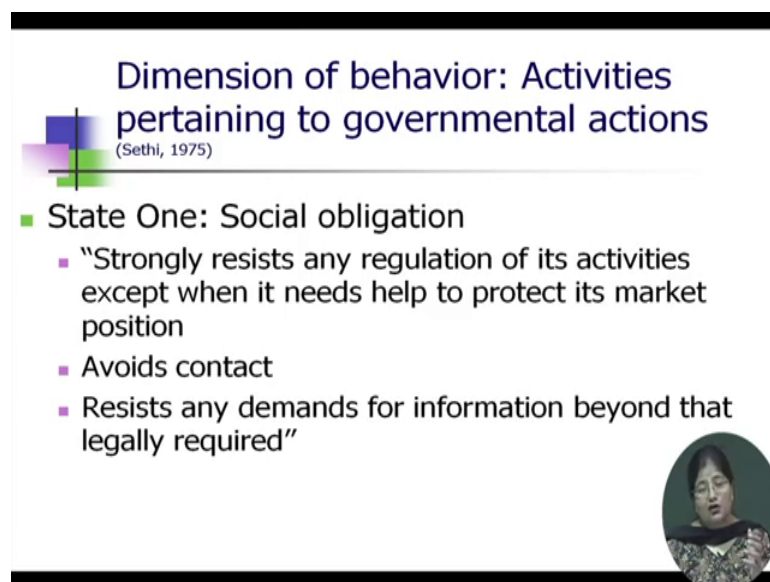
- **State Three: Social responsiveness:**
 - "Willingly discusses activities with outside groups
 - Makes information freely available to public
 - Accepts formal & informal inputs from outside groups in decision making
 - Is willing to be publicly evaluated for its various activities"

State three, social responsiveness you willingly discuss activities with the with the outside groups. Social pressures you discuss whatever is happening in your organization with the people who may or may not be connected with the organization. Outside groups come and ask you say yes we are a transparent organization, this is the way we do things. Make information freely available to public except formal and informal inputs from outside groups in decision making. Why, because you are trying to be socially responsible you are trying to be accountable, you at this stage you feel you do not feel

the pressure from outside, you are ready you brace yourself to deal with it. And you say thank you very much this is the way we are doing things it is out in the open for everybody to see.


It is willing to be publicly evaluated for its various activity. So, you lay your work out in the public. And you say yes we feel we have done everything in our capacity to be a socially responsible organization, we have met the current standards, we have matched sorry the current standards. We are trying to live up to the current standards and this is what we are doing. Anyone can ask us questions about it that is when you are responding to the outside pressures.

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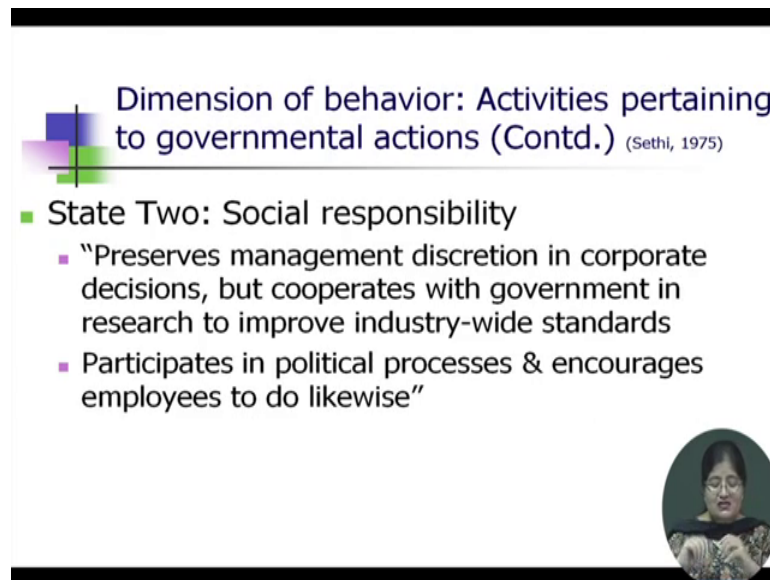
Dimension of behavior: Activities pertaining to governmental actions
(Sethi, 1975)

- **State One: Social obligation**
 - "Strongly resists any regulation of its activities except when it needs help to protect its market position"
 - Avoids contact
 - Resists any demands for information beyond that legally required"



Then the next behavior is next dimensional behavior is activities pertaining to governmental actions. What do you do with this social obligation you strongly resist any regulation of its activities except when it needs help to protect its market position. You say we do not want any interference, we will do whatever we need to do, we will follow the law, but we will not accept any outside or we will not let anyone tell us how to do our work. Avoids contact. Resists any demands for information beyond what is legally required. So as far as the activities that pertain to governmental actions, you do not take advice you do whatever it is whatever you need to do in order to comply with the laws, and then you do not share that information except when the law requires you to do that.

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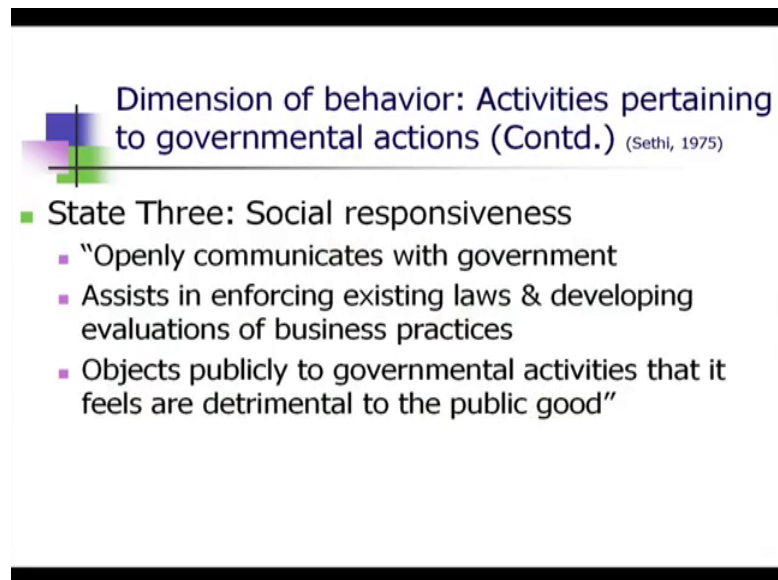
Dimension of behavior: Activities pertaining to governmental actions (Contd.) (Sethi, 1975)

- State Two: Social responsibility
 - "Preserves management discretion in corporate decisions, but cooperates with government in research to improve industry-wide standards
 - Participates in political processes & encourages employees to do likewise"

State two social responsibility, you preserve management discretion in corporate decisions, but cooperate with the government in research to improve industry wide standards. So, you let the government help you improve your work. So, you say fine we will in the previous state you say no, no, no, thank you very much we are doing things the way we are doing. In this state, when you become socially responsible, you say yes, it is no longer an obligation we are really committed to improving we are really committed to being unsuitable to our stakeholders. So, what do you do or we are committed to being responsible to the society around us. So, you say in our major decisions, our management will take the decision, but we do not have a problem with the government helping us improve upon our current practices.

Participates in political processes and encourages employees to do likewise. So, you start getting going out of here in the first state you avoid all contact and you say no, no, no, thank you very much, we are happy where we are, whatever we are doing is in a tight shell we do not want any outside interference. Here you start participating in the government because you feel that the industry can influence you and you can also influence the industry.

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Dimension of behavior: Activities pertaining to governmental actions (Contd.) (Sethi, 1975)

- State Three: Social responsiveness
 - "Openly communicates with government
 - Assists in enforcing existing laws & developing evaluations of business practices
 - Objects publicly to governmental activities that it feels are detrimental to the public good"

State three, social responsiveness openly communicate with the government. Assists in enforcing is existing laws and developing evaluations of business practices. So, you help the government you become an ally of the government and you help the government in enforcing existing laws. Objects publicly to governmental activities that it feels are detrimental to the public good. So, you become a part of the vocal public and you say we are responsible corporate citizens, India is a democracy, the country in which this paper was published is the world most powerful democracy which is the United States.

So, you know give you can and again this is the view of a professor from the United States that was published in 1975. So, if you become socially responsible you may feel free this is what the author said in 1975 and it is not my opinion you may. So, you may feel that you know you may feel empowered to object publicly to governmental activities that you feel are detrimental to the public good again this point must be exercised with caution. Please follow the laws of your country if your government does not encourage you to speak against its activities please do not do so. If your government discourages you from speaking against the activities it does please do not do so. Please follow the rules the policies and the norms of your government. Again these are not my views these are the views of an author that was published in 1975.

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Dimension of behavior: Legislative & political activities (Sethi, 1975)

- **Step One: Social obligation:**
 - "Seeks to maintain status quo
 - Actively opposes laws that would internalize any previously externalized costs
 - Seeks to keep lobbying activities secret"

Dimension of behavior, legislative and political activities. Step one, social obligation. When you are in this state, you seek to maintain status quo as far as political activities and legislative activities are concerned. You actively oppose laws that would internalize any previously externalized costs. You seek to keep lobbying activities a secret. So, you keep any association with any political party a secret it is a social obligation you support on some political party, but you do not let people come to know about it.

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Dimension of behavior: Legislative & political activities (Contd.) (Sethi, 1975)

- **Step Two: Social responsibility:**
 - "Willing to work with outside groups for good environment laws
 - Concedes need for change in some status quo laws
 - Less secrecy in lobbying than state one"



Step two social responsibility. You willing to work with outside groups. So, you are becoming more and more responsible; you willing to work with outside groups for good environmental laws. You concede the need for change in some status quo laws, there is less secrecy in lobbying than state one. So, you are you share information about your affiliation with some political parties, supporting the activities of some political party.

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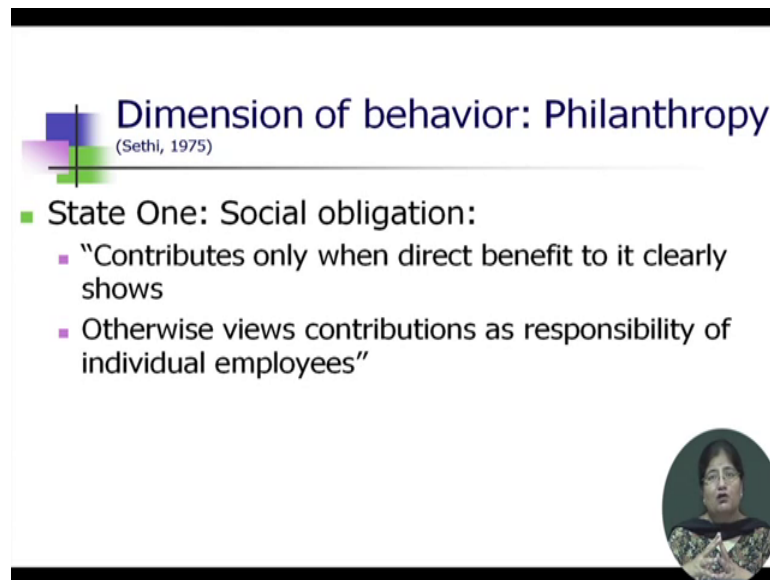
Dimension of behavior: Legislative & political activities (Contd.) (Sethi, 1975)

- **Step Three: Social responsiveness:**
 - "Avoids meddling in politics & does not pursue special-interest laws
 - Assists legislative bodies in developing better laws where relevant
 - Promotes honesty & openness in government & in its own lobbying activities"




Step three, social responsiveness. Avoid meddling in politics and does not pursue special interest laws. Assists legislative bodies in developing better laws where relevant. So, you mind your own business you do not pursue special interest laws, but you help the people who can make a difference make better laws where relevant. Promotes honesty and openness in government and in its own lobbying or political association activities.

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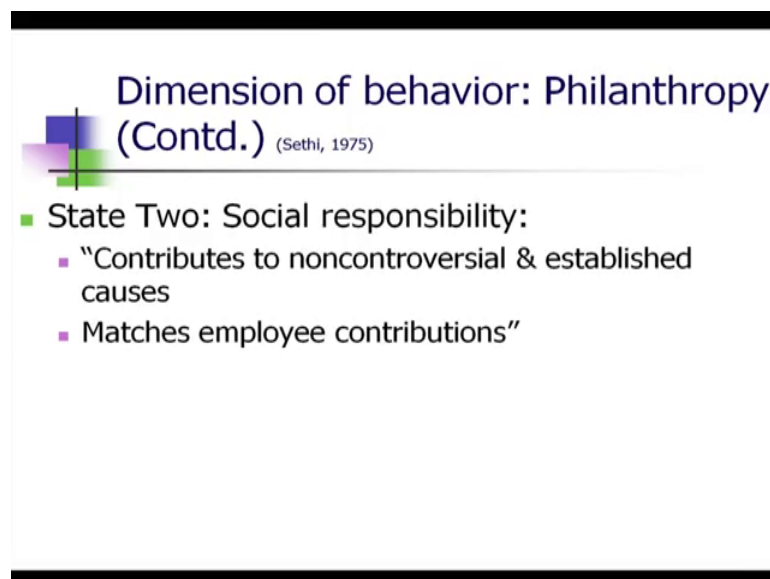
Dimension of behavior: Philanthropy
(Sethi, 1975)

- **State One: Social obligation:**
 - "Contributes only when direct benefit to it clearly shows"
 - "Otherwise views contributions as responsibility of individual employees"



The last dimension of behavior that we will talk about is philanthropy; we have discussed philanthropy in the past. So, I will not dwell too much upon it. State one, when philanthropy is a social obligation you contribute only when direct benefit to it clearly shows. So, you see a direct tangible benefit to it and that is when you start contributing; otherwise you view contributions as the responsibility of the individual employees. This is in line with the ethical norms state one social obligation. Managers are expected to behave according to their own ethical standards.

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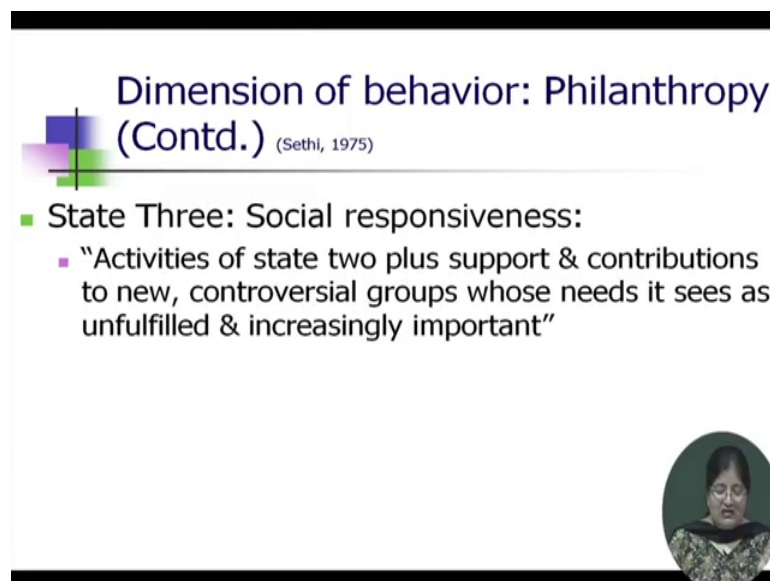


Dimension of behavior: Philanthropy
(Contd.) (Sethi, 1975)

- **State Two: Social responsibility:**
 - "Contributes to noncontroversial & established causes"
 - "Matches employee contributions"


So, in this philanthropy is individually managed you say that as managers if you want to contribute its up to you, but we do not sorry were here. So, you know it is your own individual business. When you become socially responsible you start contributing to non controversial and established causes. Everybody is looking after the welfare of abandoned animals, so we will also do it. You know different organizations are setting up homes for stray dogs for care of stray dogs, we do not want stray dogs to be killed we want them to be adopted by peoples by dog lovers, great. You also set up a little center where these dogs are taken care of dogs and cats and other pets are taken care of and you sort of you know help with the adoption of these animals this is a non-controversial topic. So, you say we will contribute to this you match employee contributions towards this, you say we do not want to be in public eye we will this stay out of trouble. We are socially responsible we are helping with non-controversial causes and established causes.

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Dimension of behavior: Philanthropy (Contd.) (Sethi, 1975)

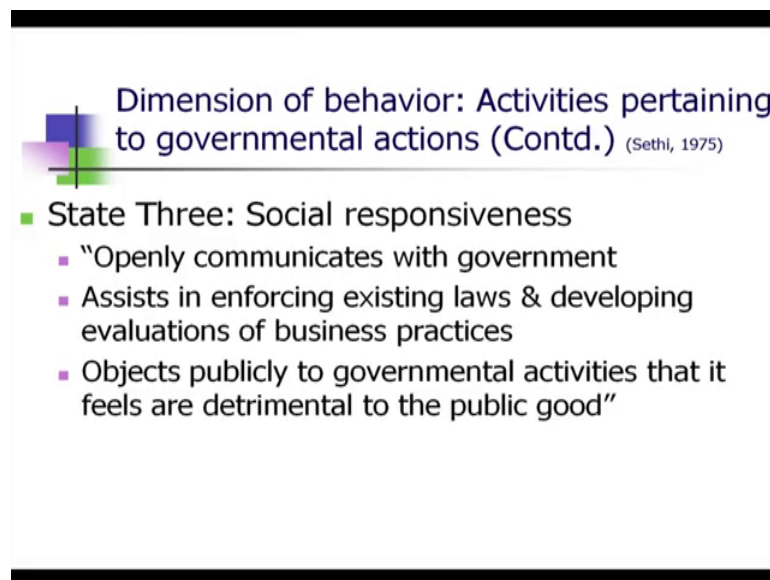
- **State Three: Social responsiveness:**
 - "Activities of state two plus support & contributions to new, controversial groups whose needs it sees as unfulfilled & increasingly important"



State three is when you become socially responsive and you say we activities of state two plus the support and contributions to new, and controversial groups whose needs it sees as unfulfilled and increasingly important. When you reach state three you say that where we are not scared anymore. We will be able to contribute to these different we would like to contribute not to these causes that we think are important we do not care whether they are controversial or not, so that is what you start doing when you reach state three. And these are the ways in which organizations typically behave. Now, this paper was written in 1975 this paper the this table that I have presented in the in paragraph form to you is

still very, very relevant to the way organizations perceive their understanding or perceive the states that they are in and the activities related to those states more or less. So, there is one more word of caution that I would like to excuse me insist upon again here before I wind up this lecture and that is this last point.

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Dimension of behavior: Activities pertaining to governmental actions (Contd.) (Sethi, 1975)

- State Three: Social responsiveness
 - "Openly communicates with government
 - Assists in enforcing existing laws & developing evaluations of business practices
 - Objects publicly to governmental activities that it feels are detrimental to the public good"

This was written by an author living in another country and it was published in 1975. Please do whatever you need to do, I am not advocating this, I am not rejecting it, I am just an academic I am informing you that this became a part of this paper. So, you object publicly. Organizations that consider themselves to be socially responsive as far as their activities pertaining to governmental actions are concerned, may feel comfortable objecting publicly to governmental activities that they feel are detrimental to the public good.

Now, whether you do it or not depends on your judgment. Please follow the laws of the land please follow whatever your government wants you to do. Now, on that note I am going to stop that is all we have time for in this lecture.

So, we will end this lecture here; and in the next lecture, we will talk about the different kinds of activities that different organizations take up for there as far as their CSR behavior, CSR as far as their socially responsible behavior is concerned. So, do think about these and we will talk more about this in the next class.

Thank you very much for listening.