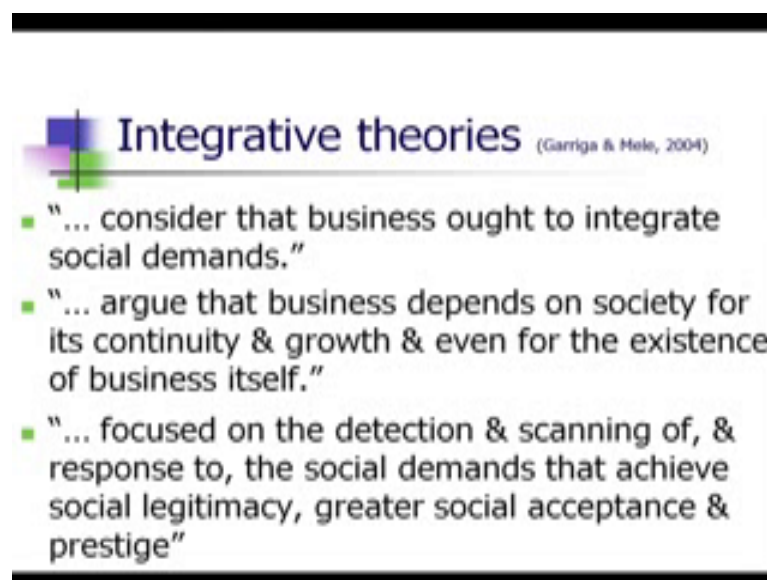


Corporate Social Responsibility
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Lecture – 06
Theories of CSR (Contd)

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 were discussing the categorization of the theories on corporate social responsibilities as proposed by garriga and mele. And we discussed the first 2 categories, now we will move on to the next 2 categories.

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Integrative theories (Garriga & Mele, 2004)

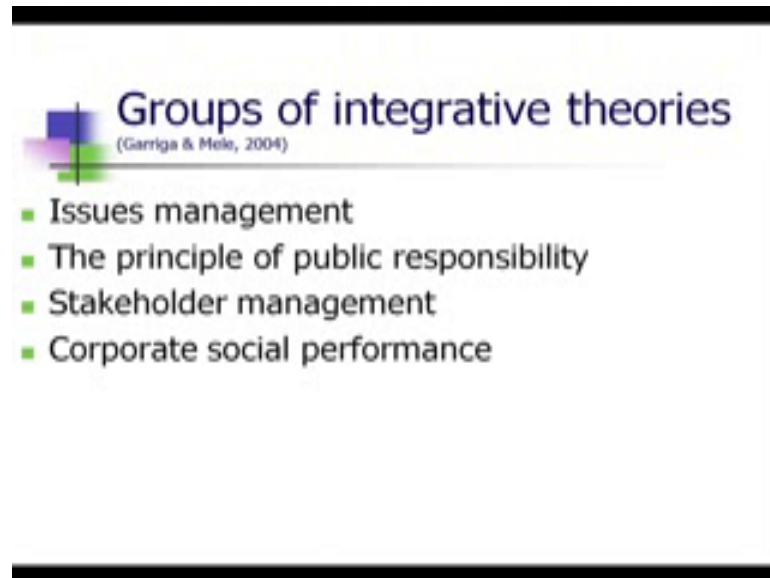
- "... consider that business ought to integrate social demands."
- "... argue that business depends on society for its continuity & growth & even for the existence of business itself."
- "... focused on the detection & scanning of, & response to, the social demands that achieve social legitimacy, greater social acceptance & prestige"

So, the last category that we discussed were the political theories. Now we will talk about the integrate the third category as proposed by garriga and mele is the integrative theories. The integrative theories considered that businesses ought to integrate social demands, and this particular category argues that business depends on society for it is continuity and growth and even for the existence of business itself.

So, this theory is focused on the detection and scanning of and response to the social demands that achieve social legitimacy, greater social acceptance and prestige. And this theory says that we must find out what the society needs, we must integrate whatever the society needs into the strategy of the organization. And you will say stakeholder theories,

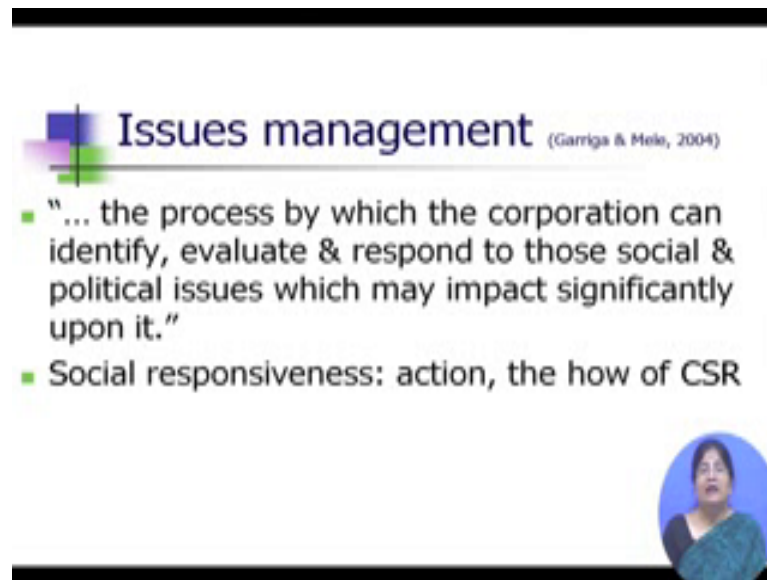
stakeholder theory is related to the integrative theories we also. So, we move on you know from here, but this really says that we must take everything together and this group says that, the social needs need to be integrated with the or, the expectations of the society need to be integrated with the strategy of the organization with the way and organization functions.

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Now, this particular group is further categorized into 4 different groups. And these are the first group is issues management then the principal of public responsibility, stakeholder management and corporate social performance.

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Issues management (Garriga & Melé, 2004)

- "... the process by which the corporation can identify, evaluate & respond to those social & political issues which may impact significantly upon it."
- Social responsiveness: action, the how of CSR

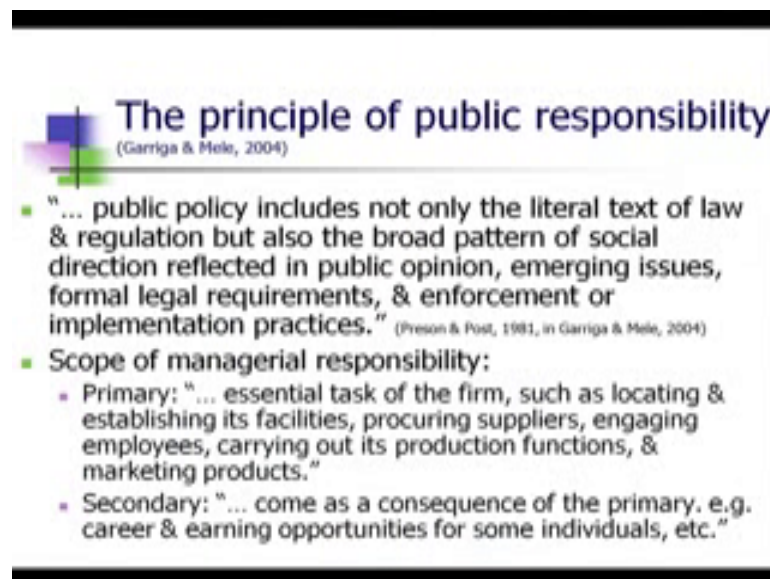
Let us see what each of these are. Issues management is the process by which the corporation can identify, evaluate and respond to those social and political issues which may impact significantly upon, it is anything that is affecting the organization can be dealt with. And social responsiveness is an element of issues management, and social responsiveness the use with the action the, how of CSR? We are talking about the importance of CSR, we are talking about why CSR is important we are talking, but why you know we need to be responsible, but how do we do it? Where do we start? So, these this particular set of theories talks about specific things and it is says we identify the issues that are affecting these organization, that the organization is affected by, and they then we deal with these issues.

So, for example, discrimination that is again you know that is say or lesser say, child labor is something that can be affecting the organization. And the organization needs to deal with it. So, these kinds of things these issues are important for the organization, and the organization just goes out and then starts dealing with thee specific issues. One such one such issue is of rug mark, I do not know if we know of the story of rug mark. So, very I will I cannot take names of organizations here, but again very well known supplier of home furnishings, was accused of employing child labor without even having realized it. They would, they would get vendors and your vendors, would have sub vendors and. So, they would source their goods from specific areas. And what happened was, at some

point a journalist found out that the primary source or the place where these people were sourcing carpets from was employing children as labor.

Now, this particular organization had nothing to do with children, had nothing to do with child labor, but this was one issue that was specifically affecting this organization. So, they decided to investigate, they found out then they decided to launch special activities they would, they would go all the way and find out who was making these carpets, and then they came up with the rug mark initiative. And the seal of rug mark meant that their no children had been involved in the manufacture of these carpets. If you want to know what this is about you can always go on line and find out the more about the rug mark initiative. So, you know. So, that is one specific issue that this organization was dealing with and they went out and dealt with it through their socially responsible activities. So, that is one very nice example of issues management. So, they actually did not just talk about, helping people they went out and did something about it because this particular issue had affected them.

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The principle of public responsibility
(Garriga & Melé, 2004)

- "... public policy includes not only the literal text of law & regulation but also the broad pattern of social direction reflected in public opinion, emerging issues, formal legal requirements, & enforcement or implementation practices." (Preson & Post, 1981, in Garriga & Melé, 2004)
- **Scope of managerial responsibility:**
 - Primary: "... essential task of the firm, such as locating & establishing its facilities, procuring suppliers, engaging employees, carrying out its production functions, & marketing products."
 - Secondary: "... come as a consequence of the primary. e.g. career & earning opportunities for some individuals, etc."

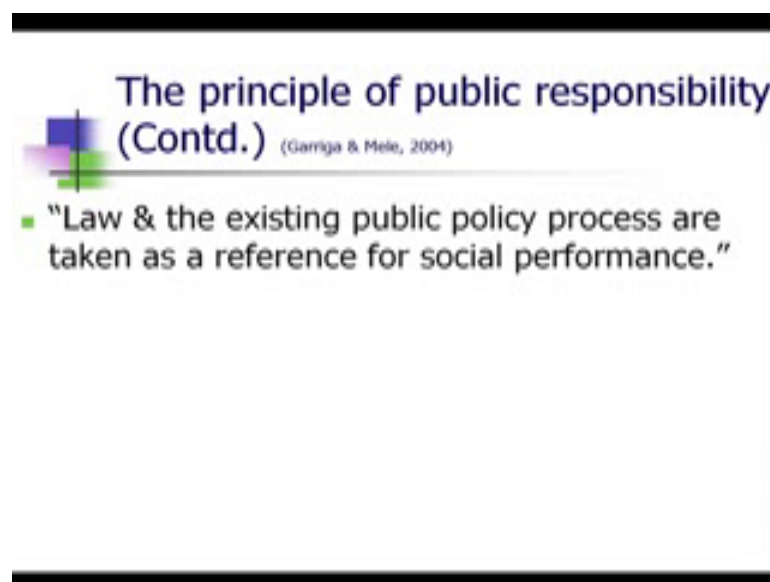
Then, the principal of public responsibility. The second category here is the principle of public responsibility public policy includes not only the literal text of law and regulation, but also the broad pattern of social direction reflected in public opinion emerging issues formal legal requirements, excuse me, and enforcement or implementation practices. Public responsibility is something that you know, (Refer Time: 06:12) post said we will

not talk about social; we have already discussed this earlier also. We are not going to talk about social responsibility. Our responsibility is not to the society at large; society includes a lot of things we have talking specifically about the public.

So, it is a broad pattern of social direction reflected in public opinion what do most of the people want? What are the emerging issues that are affecting the general people? And what are the implementation you know formal legal requirements and how can we implement these legal requirements or how can we enforced practices that can then synergized with these legal requirements. So, the scope of managerial responsibility in these theories pertains to the you know, the there is a primary scope and there is a secondary scope. Primary scope is the essential task of the firm such as locating and establishing it is facilities, procuring suppliers engaging employees, carrying out it is production functions and marketing products.

Now, whatever the firm does that is the primary responsibility. Second, secondary scope of managerial responsibility involves things that come along they are a consequence of the primary for example, career and earning opportunities for some individual.

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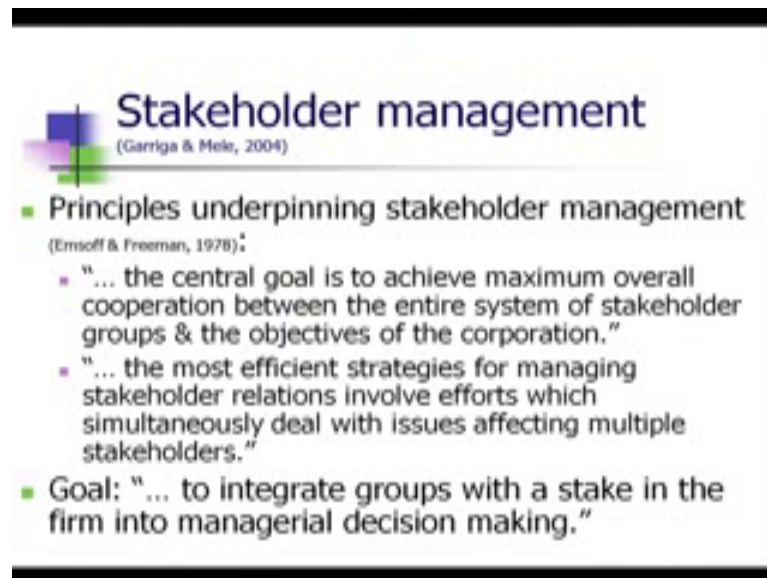


So, things that are not directly related to the firm and such, but come as a consequence of what the firm is doing. The principle of public responsibility says that law and the existing public policy processes are taken as a reference for social performance and this group of theories deal with, with you know these are the theories that that state this state

that the law and existing public policy, should be kept in mind while designing social activities, while going out into the society and doing something for the society.

So, we must be in accordance with the law we must fulfill legal requirements, we must follow the general opinion, we must know what the public wants this is related to stakeholder theory, but not really. So, this is one group of theories that specifically deals with compliance, regulations, legal requirements etcetera ok.

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Stakeholder management
(Garriga & Melé, 2004)

- Principles underpinning stakeholder management
(Emsoff & Freeman, 1978):
 - "... the central goal is to achieve maximum overall cooperation between the entire system of stakeholder groups & the objectives of the corporation."
 - "... the most efficient strategies for managing stakeholder relations involve efforts which simultaneously deal with issues affecting multiple stakeholders."
- Goal: "... to integrate groups with a stake in the firm into managerial decision making."

Then stakeholder management is the third group. Now we have talked about stakeholders as I will not go too much into detail on this, but there are 2 principals. The goal of these theories is to integrate groups with a stake in the firm into managerial decision making. Now the principles underpinning stakeholder management are these are proposed by, these are proposed by emsoff and freeman in 1978 and these principles are the first principle says that the central goal is to achieve maximum overall cooperation between the entire system of stakeholder groups and the objectives of the corporation.

The second one is, the most efficient strategies for managing stakeholder's relations involve efforts with simultaneously deal with issues affecting multiple stakeholders. So, these are the 2 principles. And the goal is to get the stakeholders here the first goal is to get the entire system working together. When we talk about principles the first, first principle is that all the stakeholders should be part of a system that function smoothly. The second principal is that the efforts that we put into the system should simultaneously

deal with issues affecting multiple stakeholders. How do we get these people to work together? We must to what they need from the organization, we must help them function smoothly. So, this is what these 2 principles are all about, and the goal is that we get people with some decision making authority to work together into the managerial decision making. And this group of theories talks about this the theory say that yes the society we are an important part b profit making organization is an important part of the society and is supported by the society.

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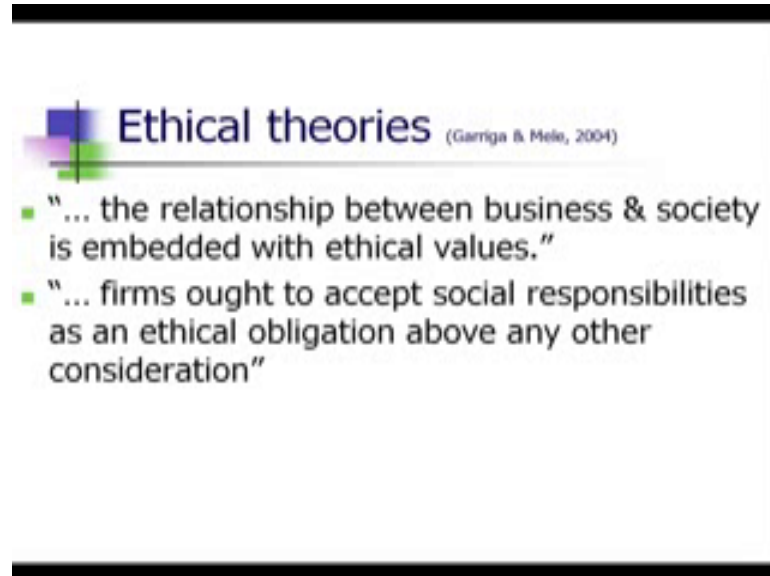
Corporate social performance
(Garriga & Melé, 2004)

- Operationalization of CSR through:
 - "principles of CSR, expressed on institutional, organizational, & individual levels,
 - processes of corporate social responsiveness, such as environmental assessment, stakeholder management, & issues management
 - outcomes of corporate behavior including social impacts, social programs, & social policies"

So, the society itself is stakeholder and we must get the voice of all that are involved. Now corporate social performance is another group, and this particular group talks about the operationalization of CSR. Through principles of CSR expressed on institutional organizational and individual levels. So, we are talking about performance, we were talking about action, we have talking about integrative theories, and this is another group of integrative theories which talks about real action nuts and bolts of what happens in CSR. So, the operationalization according to these theories should take place through the, by through the knowledge of principles of CSR that are expressed on institutional, organizational and individual levels. The processes of corporate social responsiveness action, action what is the output? Such as environmental assessment stakeholder management and issues management, outcomes of corporate behavior including social impact social programs and social policies. We need to see something tangible, it is not

only talk it is something tangible, something solid on the ground that people can see and feel and evaluate and experience ok.

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The last group of theories that Garriga and Mele talk about are the ethical theories. And they say that these are the theories that talk about the public good. These are the theories that talk about doing something because it is the right thing to do. These are the theories that say that the relationship between business and society is embedded with ethical values. We are we need to be good citizens, we need to be good people we need to be good corporations, we need to follow ethical patterns of behavior. So, there is an element of morality here. They also say that firms ought to accept social responsibility as an ethical obligation above any other consideration. Money is important, but not as important as doing something right for the welfare of the community that you live in, but you know money is not it, ethical considerations achieve a higher priority or they say they assume a higher priority than everything else.

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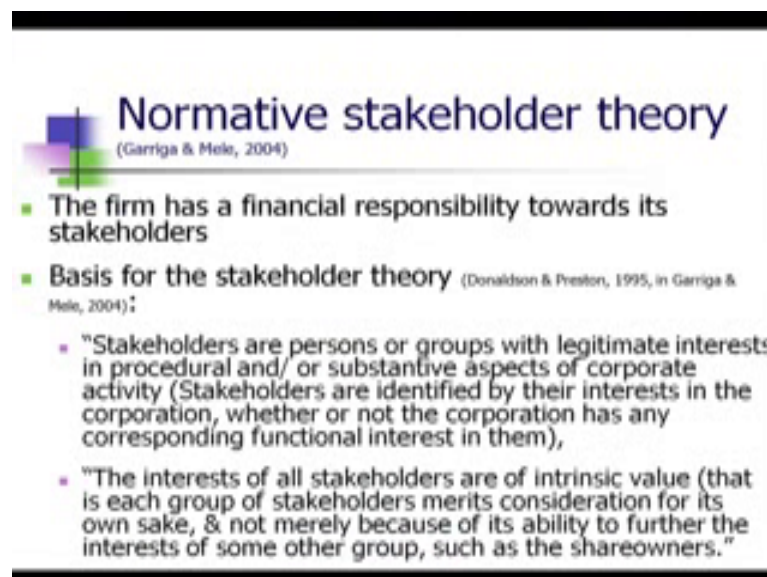
Approaches of ethical theories

(Garriga & Melé, 2004)

- Normative stakeholder theory
- Universal rights
- Sustainable development
- The common good

So, we must do what is right now. In this group of theories also there are 4 different approaches. The first is normative stakeholder theory, then we have universal rights, we have sustainable development and we have the common good.

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Normative stakeholder theory

(Garriga & Melé, 2004)

- The firm has a financial responsibility towards its stakeholders
- Basis for the stakeholder theory (Donaldson & Preston, 1995, in Garriga & Melé, 2004):
 - "Stakeholders are persons or groups with legitimate interests in procedural and/ or substantive aspects of corporate activity (Stakeholders are identified by their interests in the corporation, whether or not the corporation has any corresponding functional interest in them),
 - "The interests of all stakeholders are of intrinsic value (that is each group of stakeholders merits consideration for its own sake, & not merely because of its ability to further the interests of some other group, such as the shareowners."

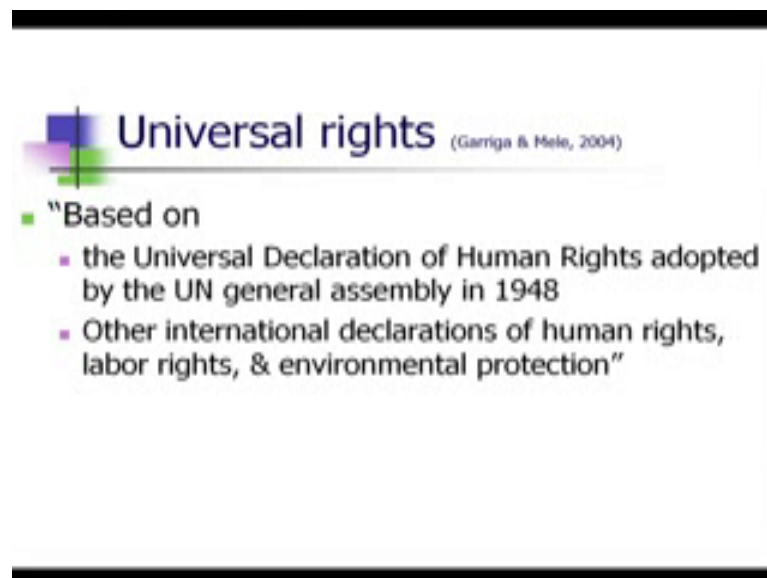
Let us see what each of these are. Normative stakeholders theories says that the firm has a financial responsibility towards it is stakeholders. The firm must make money, you must generate profit is, and you must share those profit is with the stakeholders. So, the stakeholders have a stake in the organization and they must be compensated through the

profit is that are made. The basis for the stakeholder theory is, the stakeholders are persons or groups with legitimate interests and procedural and substantive aspects of corporate activity, they are identified by their interests in the corporation, whether or not the corporation has any correspondence, corresponding functional interest in them.

The second one is the interests of all stakeholders are of intrinsic value in that is, each group of stakeholders merit consideration for its own sake. And not merely because of its ability to further the interests of some other groups such as the share owners. Every stakeholder is important this group says, that the normative stakeholder theory is that every stakeholder is equally important, they must be given equal importance, they must be you know the firm has a financial responsibility towards all equal or, or you know equitable financial responsibility towards all of its stakeholders.

And when we talk about stakeholders, stakeholders are people who are genuinely they are legitimately connected to the organization because of which they should be treated as such by the organization.

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The second group here is that of universal rights, and this particular group of theories deals with the they, the universal rights of the community. And this is based on the universal declaration of human rights adopted by the u n general assembly in 1948. And other international declarations of human rights labor rights and environmental protection. So, universal rights are you know, this group of theory says that every the

environment should not be polluted, animal should not be cared, you know all children have an equal right to education it is of course, I means all of these are very valid points. And they said that these are universal rights that all human beings have, and they must be taken into account while designing any socially responsible activity.

So, all organizations have a commit or have an obligation to protecting the universal human rights or the universal rights of the community they function in. That is what this group of theories deals with. So, these particular theories talk about these things.

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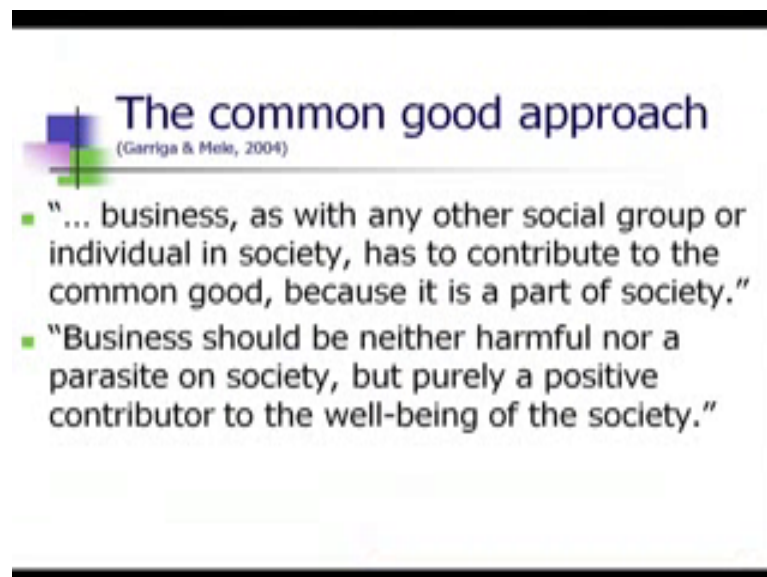


Then sustainable development is another group. So, there is one group of theories that focuses exclusively on the, the integration of social environmental and economic considerations to make balanced judgments for the long term. We are talking about sustainability we are talking about doing things that will not only maintain the status co, but keep it running what is sustainability? Sustainability is that if we have something some process operation in place, some resource in place we must not depleted. If you cannot add to it at least the status co must be maintained, we much give back as much as we take.

So, you cut down trees, going plant the equal number somewhere else. So, that the overall volume remains the same. So, we are talking about sustainable that is a very crude example of sustainable development, but we are talking about sustaining are resources. We are talking about creating a balance between our use of resources and the

replenishment of resources, that a sustainable development. And if I get into a discussion on sustainability that we will be you know, that will be totally out of this scope of this particular series of lecture. So, you can go and see view the lectures on strategic communication for sustainable development for more inputs on what sustainable development is. But we are talking about maintaining a balance between use of resources and replenishment of the resources that we use. And this is these are the kind these theories talk about sustainable development as part of the ethical theories. We have a responsibility and obligation towards replenishing the volume of resources we use so that these resources are there for others want to use them. Everybody, if everybody does this then the cycle will continue ok.

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The common good approach
(Garriga & Melé, 2004)

- "... business, as with any other social group or individual in society, has to contribute to the common good, because it is a part of society."
- "Business should be neither harmful nor a parasite on society, but purely a positive contributor to the well-being of the society."

The last approach here is the common good approach. And the common good approach says that business as with any other social group or individual in society has to contribute to the common good because it is part of the society. We must to whatever is good for the community that we are in, business should neither be harmful nor a parasite on society, but purely a positive contributor to the well being of the society. So, that is what this group of theories says that, we must keep on doing something nice for the community we must not harm it, we must add something positive to the, to the society that we function in. Now these are the 4 approaches, let me show you a summary of these 4 approaches right here, a pulled up the paper here and this is the paper that I showed you earlier.

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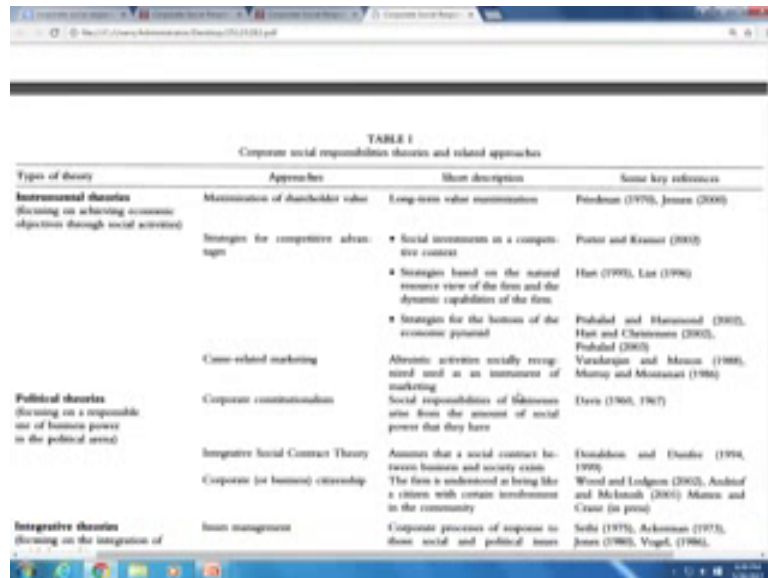


TABLE I
Corporate social responsibility theories and related approaches

Types of theory	Approaches	Theory description	Some key references
Instrumental theories (focusing on achieving economic objectives through social activities)	Maximization of shareholder value	Long-term value maximization	Friedman (1970), Jones (2000)
	Strategies for competitive advantages	<ul style="list-style-type: none">• Social investments in a competitive context• Strategies based on the natural resource view of the firm and the dynamic capabilities of the firm• Strategies for the bottom of the economic pyramid	Porter and Kramer (2006), Hart (1995), Liu (1996)
	Cause-related marketing	Altruistic activities socially recognized used as an instrument of marketing	Parboteeah and Hammond (2005), Hart and Chatterjee (2005), Puhafel (2005), Varadarajan and Manrai (1988), Murray and Moutonni (1986)
Political theories (focusing on a responsible use of business power in the political arena)	Corporate constitutionalism	Altruistic activities socially recognized used as an instrument of marketing Social responsibilities of shareholders arise from the amount of social power that they have	Davis (1966, 1967)
	Integrative Social Contract Theory	Assumes that a social contract between business and society exists	Douglasson and Dunfee (1994, 1995)
	Corporate (or business) citizenship	The firm is understood as being like a citizen with certain responsibilities in the community	Wood and Lodgren (2002), Archer and McInnis (2003), Maignan and Ferrel (in press)
Integrative theories (focusing on the integration of	Issue management	Corporate processes of response to those social and political issues	Sethi (1975), Ackerman (1975), Jones (1980), Vogel, (1986)

This is the paper titled corporate social responsibility I will show you the paper here it will be easier. Can you please focus on this on the screen on the paper in my hand, thank you.

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So, this is the paper. Corporate social responsibility theories mapping the territory. Maybe I have it pulled that here also let me show it you, yeah. This is the paper, let me just increase the size. Very, very nice paper we can get a hold of it the authors are Garriga and Elisabeth, Garriga and Domènec Mele. And it has been published in the journal of

business ethics volume 53 number 1 and 2. And this is the same paper, but I have turned the table round. So, this table what this stable does is, this table summarizes what I have told you in the past 2 lectures - in the previous lecturer and this lecture here. So, the say maximization of shareholder value, instrumental theories focus on achieving economic objectives through social activities. Maximization of shareholder value, was dealt with by freedman and johnson. Strategies for competitive advantages we are dealt with by Porter and Kramer, Hart, Liza Prahalad and Hammond Hart and, and Christensen, Prahalad again cause related marketing talks about altruistic activities socially recognized as a an instrument of marketing and this is dealt with by varadarajan and menon etcetera.

So, anyway you can see this, I do not know if you are able to see all this right here. So, some references are given here. So, different theories we can we can have an extended discussion on theories, but that can that will be totally out of the scope of this course. So, I will not dealt too much into it , but I will give you these references after obtaining permission from the authors and then maybe you can go through these on your own. Various the theories proposed by all of these people have been presented here.

So, in also that is enough going on in the world about corporate social responsibility people are talking on different levels people are talking about various things, people are talking about you know approaching or giving back to the society in different ways and what all of these things are mushrooming up, and you will you will know more about this when we discuss the history or evolution of CSR in the upcoming lectures. On you see how interesting this is got and how these you know these theories have developed, and all that and how these efforts have come to be what they are today.

So various types of things are coming up as we are talking as we are presenting this lecture more and more insides mo would be coming up in the area of CSR, more and more inputs would be there, you know people would be categorizing, people would be coming up with newer ideas on how to help the society. So, this really sums of our discussion on the theories of CSR and we will be moving on 2 different topics on the upcoming lectures. Thank you very much for listening.

Thanks.