

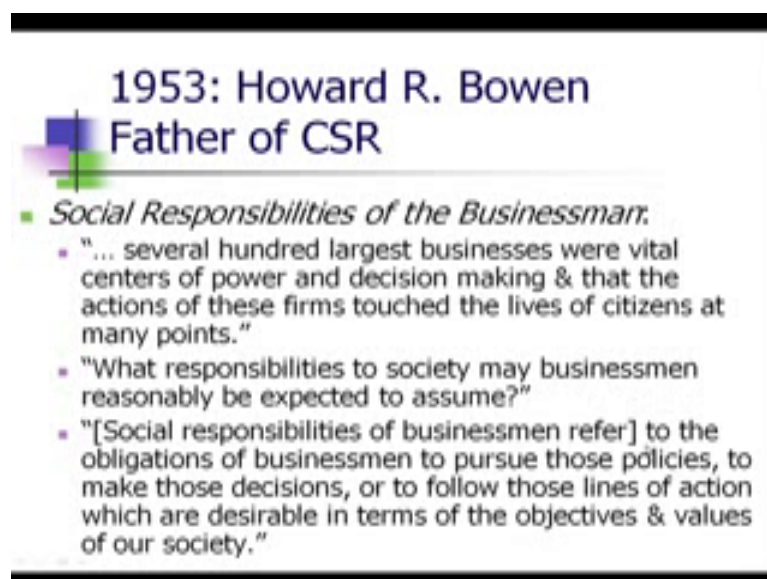
Corporate Social Responsibility
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Lecture - 07
Evolution of CSR

Welcome back to the MOOC course titled corporate social responsibility my name is Aradhna Malik and I am helping you with this course and we have just started with a discussion on what corporate social responsibility is and how it is been defined and we discussed a few theories of corporate social responsibility. Now, I will take you through a brief history of corporate social responsibility how the concept evolved to be what it is today from a purely western purely American perspective because the maximum amount of literature or the maximum amount of documentation has come from there. And I will elaborate more on this as we go along and we will discuss more about how CSR has evolved in the Indian context and then the context of other countries.

But it is been documented the most in the united states of America and that is where this literature is coming from and today's discussion deals with a paper that was written by Professor R C B Carol and you know he has described how this whole concept of CSR has evolved. So, I am taking all the material that I am using for these slides in this in the lecture on evolution of CSR from professor carols paper now let us see what it is here.

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1953: Howard R. Bowen
Father of CSR

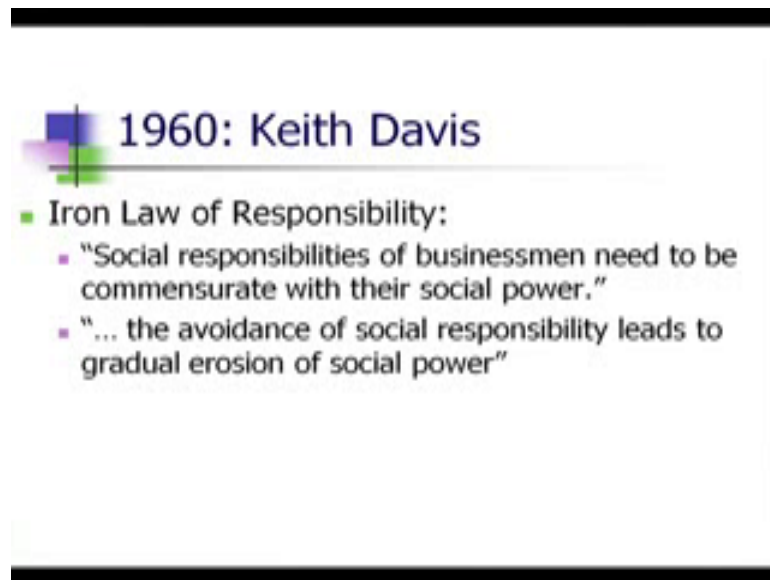
- *Social Responsibilities of the Businessman:*
 - "... several hundred largest businesses were vital centers of power and decision making & that the actions of these firms touched the lives of citizens at many points."
 - "What responsibilities to society may businessmen reasonably be expected to assume?"
 - "[Social responsibilities of businessmen refer] to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives & values of our society."

in nineteen fifteen three Howard R Bowen who is now considered the father of CSR or who Professor Carol likes to call the father of CSR came up with the book called social responsibilities of the businessman and in this book he described or he proposed that several hundred largest businesses were vital centers of power and decision making and the actions of these firms touched the lives of citizens at many points.

And then he raised a question and the question was what responsibilities to society may, businessman reasonably be expected to assume. So, since they are connected in such a significant manner with the society what can be reasonably expect them to give back to society then he said that the social responsibilities of business man refer to the obligations of businessman to pursue those policies to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society. So, he said that these businessmen are connected to the society in such a large way in such a significant manner.

So, they are there they have a responsibility to the society and their responsibilities refer to the to there obligation to their obligation to follow those to make those decisions to pursue those policies to follow those lines of action which are desirable in terms of the objectives and values of our society which are in line with the objectives and values of our society which are connected to the objectives and values of the society that they function in and we have been talking about the legitimacy theory legitimacy theory comes from these principles.

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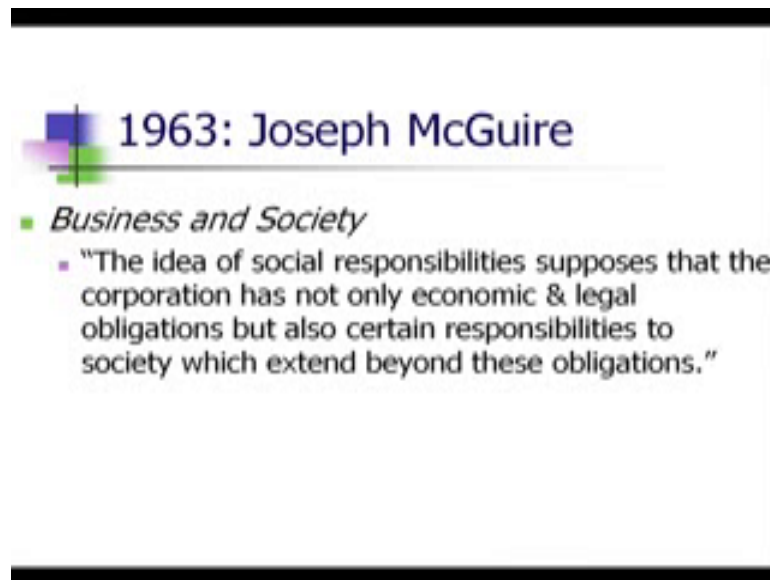
1960: Keith Davis

- **Iron Law of Responsibility:**
 - "Social responsibilities of businessmen need to be commensurate with their social power."
 - "... the avoidance of social responsibility leads to gradual erosion of social power"

In 1960 Keith Davis proposed the iron law of responsibility which is something that we have dealt with earlier also and he said that social responsibilities of business man need to be commensurate with their social power.

So, the more power businessman have over the society the more responsible they are to the society through their actions and as a result of this responsibility the avoidance of social responsibility leads to the gradual erosion of social power. So, if they have the power, but they are not responsible for their actions for the decisions they make to the society that they function in the society we will gradually reduce the power or the systems in the society we will gradually reduced the dependence they have on these businesses and slowly the power will erode away if these business man do not look after the society that they function in.

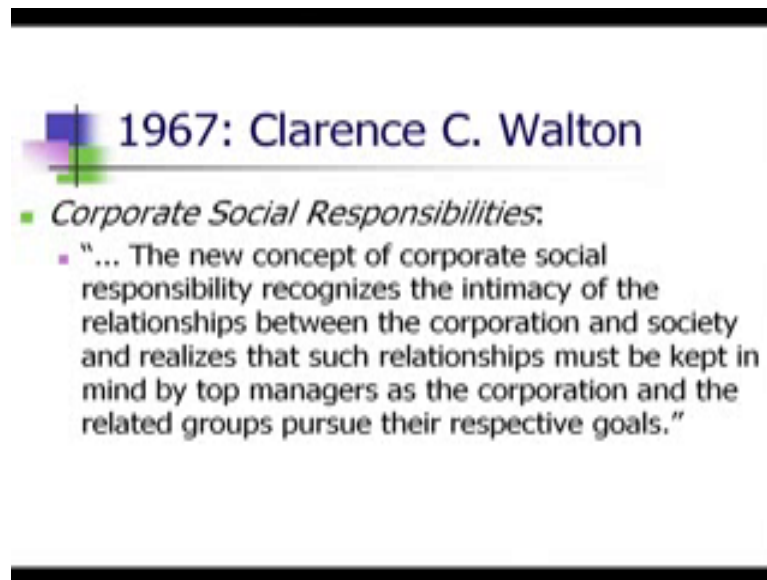
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In 1963 Joseph McGuire wrote a book called business and society in which he proposed that the idea of social responsibilities supposes that the corporation has not only economic and legal obligations.

But also certain responsibilities to society which extend beyond these obligations, so it is not only important to generate profits and follow the law it is also important to go above and beyond these; these responsibilities that we have in terms of profits in terms of following the law in terms of following the regulations of the society of the country of the state that we function in and do something more. So, slowly as you can see the awareness was coming in regarding the responsibility of businesses to the society the function them.

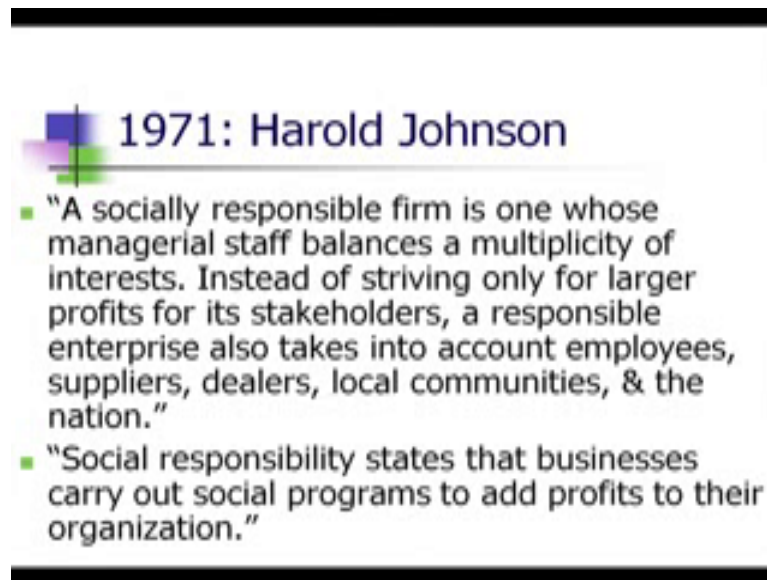
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In 1967 Clarence C Walton wrote a book called corporate social responsibilities in which he proposed that the new concept of corporate social responsibility recognizes the intimacy of the relationships between corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and related groups pursue their respective goals.

So, we are a unit we are a part of the society that we are in and then at that time it was new you know this new concept of corporate social responsibility people I had just started talking about it people had become aware of the fact that they were responsible to society now one must also realize that this had come after two world wars. So, after two world wars the world was stabilizing people had profits people were coming back they were coming back on their feet and they had money to spare we discussed why people give back to society only when they have a little bit of surplus and plus these words left and aftermath of economic problems of physical devastation in the society. So, people realize that we have something to spare maybe time maybe money maybe resources let us bought the society that has made all this possible all this profit possible for us.

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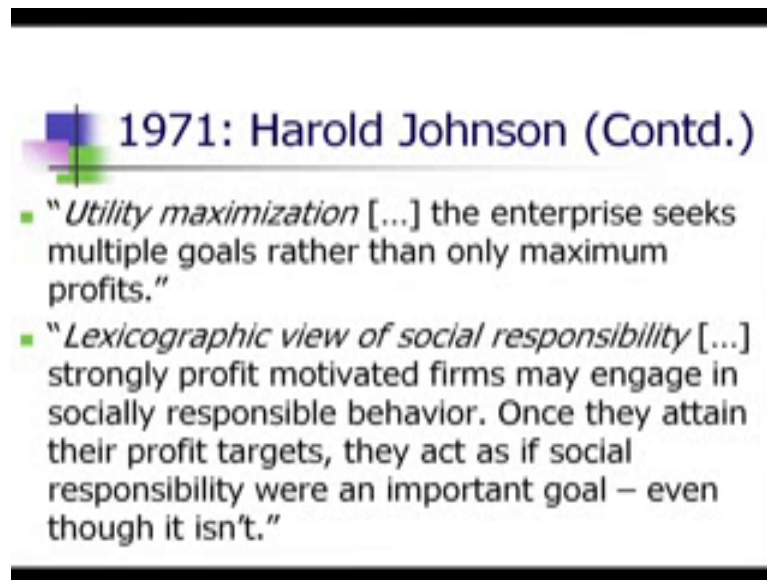
1971: Harold Johnson

- "A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stakeholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, & the nation."
- "Social responsibility states that businesses carry out social programs to add profits to their organization."

1971; socially responsible form is one whose managerial staff balances a multiplicity of interests.

Instead of striving only for larger profits for its stakeholders irresponsible enterprise also takes into account employees, suppliers, dealers, local communities and the nation. So, Harold Johnson must trying to get more and more specific. Now instead of saying society at large the elements in society the beneficiaries of these efforts in the society were slowly been identified and he said that social responsibility states that businesses carry out social programs to add profits to their organization. So, he said that we must identify who is helping us and then benefit them in terms. So, that our profits can also be increased and after that does a lot of literature that proves that not only proves that demonstrates that higher profits and higher corporate social responsibility efforts and activities are very closely linked.

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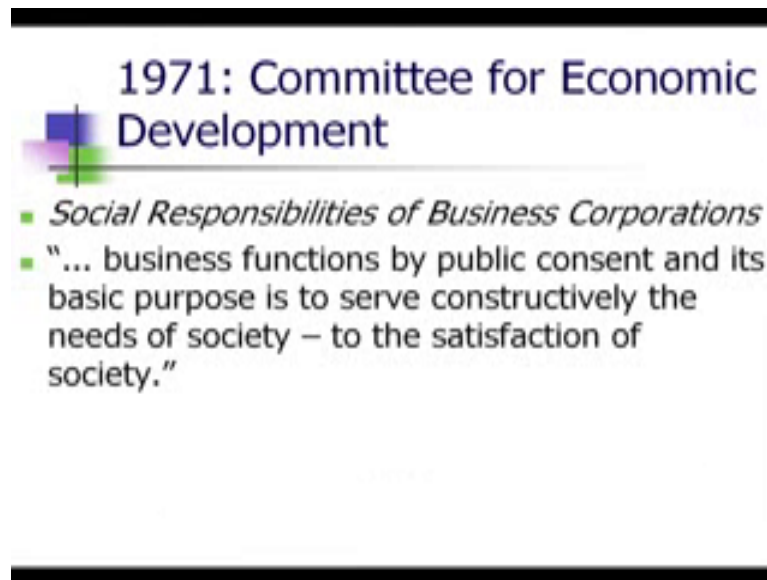
1971: Harold Johnson (Contd.)

- "*Utility maximization* [...] the enterprise seeks multiple goals rather than only maximum profits."
- "*Lexicographic view of social responsibility* [...] strongly profit motivated firms may engage in socially responsible behavior. Once they attain their profit targets, they act as if social responsibility were an important goal – even though it isn't."

This continued Harold Johnson's propositions continued and he talked about two things one was utility maximization.

According to which the enterprise seeks multiple goals rather than only maximum profits and these multiple goals could include relation better relationship with the society you know better product development a lot of things I mean not only maximum profits, but also additional goals that could be pursued with the same resources and that is the principle of utility maximization. The second thing that he proposed was the lexicographic view of social responsibility which according to which strongly profit motivated firms may engage in socially responsible behavior once they attain their profit targets they act as if social responsibility were an important goal even though it is not even though it was not to start with we were talking about decoupling in the previous lecture. So, even though it is not they will act as if socially responsible behavior is important why because they have achieved the targets they had set for themselves of course, there is no death to how much profit one can make how much profit one wants to make.

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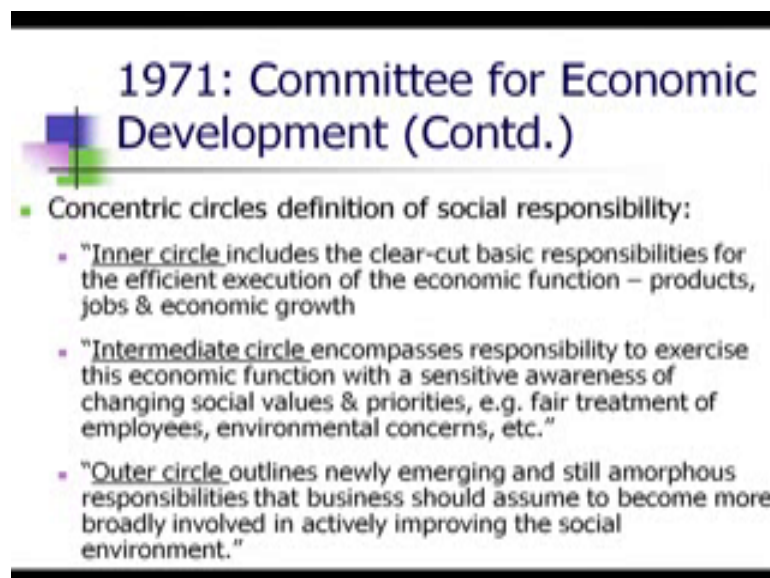
But after a point they feel satisfied with their progress they are happy they are not, so, worried about the money the additional profits that are coming in. So, they say we would like to give back to society and they the project as if it is an important goal even if even though it may not be in 1971 again the based on all of this discussion the committee for economic development then came up with the report called social responsibilities of business corporations. And in this they proposed that business functions by public consent and its basic purpose is to serve constructively the needs of society to the satisfaction of the society. So, they said what we have been talking about till now the legitimacy function business is there business is stable in society because the public has allowed it to be there business is function in society because the public has permitted them to be there because the public the general public is supporting them to be there.

So, its basic purpose is to serve constructively the needs of society to the satisfaction of society not only to identify the needs, but also to satisfy those needs. So, that the society whose needs they are is also happy with the way with the efforts that are being put in and I keep harping on this and I will continue to repeat this we have money we want to give back to society we have must find out what they need we must find out what they can use. We must find out how they can utilize our additional resources we must not go out and do things on our only must find out what is going to be useful for them with the resources or how our resources are going to be of most benefit to them and only then should we go ahead with that and you know with investing that money only then we will

it be considered a proper or an appropriate way of helping the society and that is exactly what this report by the committee of for economic development said they said that business corporations have a responsibility to society they are in society because the public has permitted them to be there.

So, what they do must be of use to the community that they function in it must be accepted by the community that they function in you have and had given you the example of giving computers to a village that does not even have electricity were people are illiterate that will not help. So, that is one of the examples.

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1971: Committee for Economic Development (Contd.)

- **Concentric circles definition of social responsibility:**
 - **"Inner circle** includes the clear-cut basic responsibilities for the efficient execution of the economic function – products, jobs & economic growth
 - **"Intermediate circle** encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values & priorities, e.g. fair treatment of employees, environmental concerns, etc."
 - **"Outer circle** outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment."

The community for economic development also proposed the concentric circles definition of social responsibility and they said that the social responsibility activities social responsibility efforts occur in three concentric circles the inner circle includes the clear cut basic responsibilities for the efficient execution of the economic function which could be products jobs and economic growth.

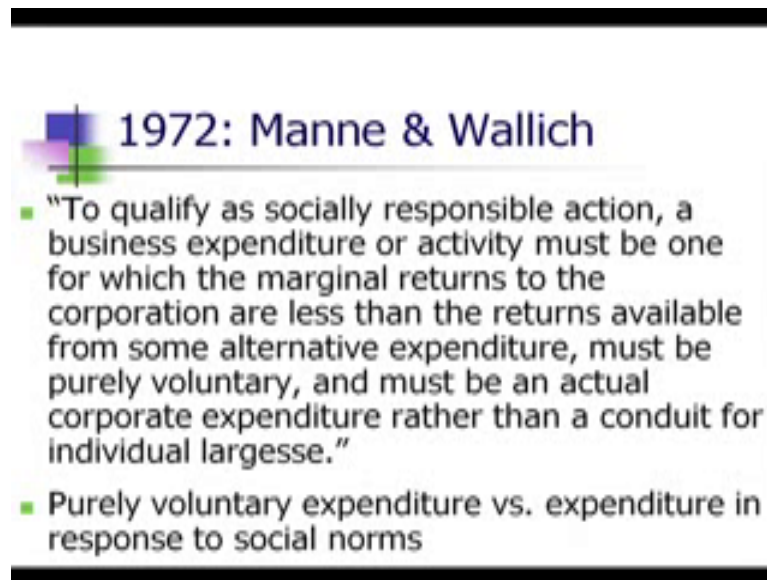
So, the first responsibility that we have is to our to sustaining ourselves if we are not stable any business functions on profits we must get out whatever we invest into the organizations. So, profit is number one priority we must make money to keep going. So, the products are top priority the jobs of the people are top priority economic growth of the organization is top priority and these are the clear cut basic responsibilities for the efficient execution of the economic function of the organization the next circle is

intermediate circle which encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities for example, fair treatment of employees environmental concerns etcetera. So, we are making profits now what next.

After we are done making our profits we want to ensure that our employees are treated fairly we want to make sure that we do not damage the physical environment that we are in. So, we are making sure that a status quo is maintained in the physical social environment at the very least we are making profits, but not at the cost of the society not at the cost of the environment that is helping us that is enabling us that is facilitating our profit making processes the third circle here is the outer circle and after we are done looking after the very basic nature or basic concerns then we move out and we say outer circle outlines newly emerging and still amorphous responsibilities that businesses should assume to become more broadly involved in actively improving the social environment.

So, this includes things that we are likely to do this includes things that we should do not what we must do we are not ideally we are expected to do. So, the outer circle includes the responsibilities that are not very clearly defined the still amorphous responsibilities that businesses assume should assume to become more broadly involved in actively improving the social environment not only have you maintaining the status; we are also looking after the environment and helping it improve.

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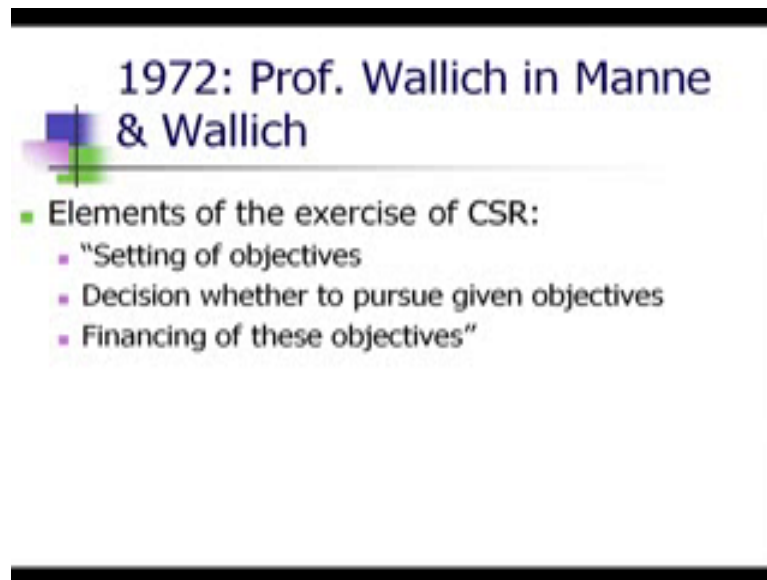
1972: Manne & Wallich

- "To qualify as socially responsible action, a business expenditure or activity must be one for which the marginal returns to the corporation are less than the returns available from some alternative expenditure, must be purely voluntary, and must be an actual corporate expenditure rather than a conduit for individual largesse."
- Purely voluntary expenditure vs. expenditure in response to social norms

So, that is what the outer circle includes in 1972, Manne and Wallich described or proposed that and I hope I am pronouncing the last name the name write they proposed that to qualify as a socially responsible action a business expenditure or activity must be one for which the marginal returns to the corporation or less than the returns available from some alternative expenditure must be purely voluntary and must be an actual corporate expenditure rather than a conduit for individual largesse.

To this must be purely voluntary expenditure without any expectation of profit as opposed to expenditure in response to social norms in response to social expectations what does the society expect us to do we need to do this, no, this is what we voluntarily do to improve the environment that we live in and that is really corporate social responsibility that is that is really you know responsible work that we are doing for the environment around us.

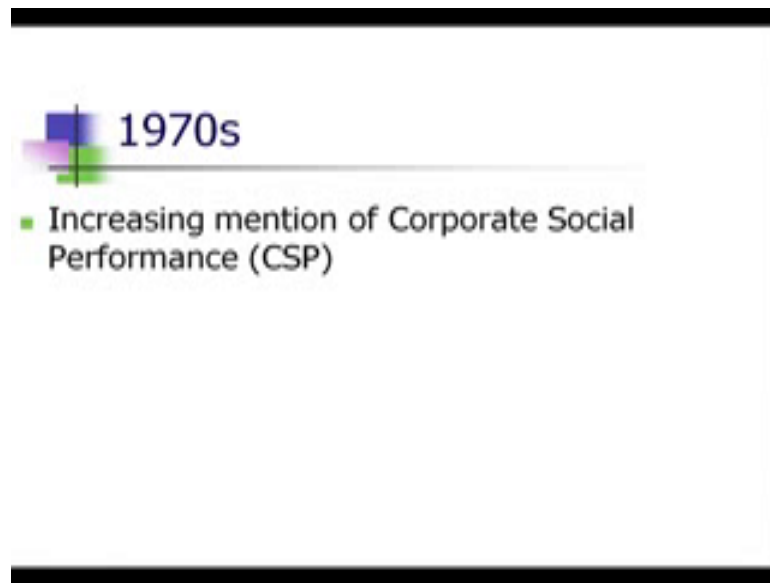
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Professor Wallich in Manne and Wallich proposed in the same paper in 1972 he said that the elements of the exercise of corporate social responsibility include setting of objectives. We need to know what we have going to do decision whether to pursue the given object is and financing of these objectives everything boils down to whether we can do it financially or not.

We must make a commitment to fulfilling certain objectives we decide what we want to do then we decide which of these objectives we want to pursue can do we have the money to pursue these objective. So, this is what the exercise of CSR activities Res on we will talk more about these when we discuss implementation of CSR activities, but this really forms the very basis also in the 1970s there was an increasing mention of a phrase called corporate social performance.

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Now, it is not only responsibility it is not only the idea when we talk about performance we are talking about outcomes. So, from being an idealistic philosophy that we have must do we are actually getting down to the nuts and bolts and trying to do something this is where we will stop in this lecture. Thank you very much for listening we will continue with more discussion on the evolution of CSR in the next class.

Thank you.