

**AN UNDERSTANDING OF CORPORATE SOCIAL RESPONSIBILITY:
WITHIN THE NEXUS OF THE STATE, SOCIETY AND CORPORATE
ENTERPRISE.**

*Dissertation submitted to Jawaharlal Nehru University
in partial fulfillment of the requirements
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MASTER OF PHILOSOPHY

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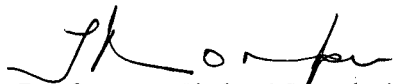


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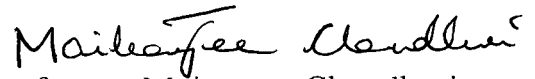
CERTIFICATE

This is to certify that the dissertation entitled “An Understanding of Corporate Social Responsibility: Within the nexus of the State, Society And Corporate Enterprise”, submitted by Debabrata Baral in partial fulfillment for the award of the degree of **MASTER OF PHILOSOPHY** is his original work and has not been previously submitted for the award of any other degree of this University or any other University.

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CHAPTER - 1

INTRODUCTION

1.1 Introduction:

The last decade has witnessed an increasing buzz in the public discourse about Corporate Social Responsibility (CSR), either through newspapers or by advertisement on products or through awards like Rolex Awards¹, etc. Although the concept of CSR originated in the 1950s, but it was during the 1960s to 1970s that it became prominent in public debates. However it was during the last decade or from 1990 onwards that the corporation generally realized that they have a responsibility towards the society, which posed against the principle of being highly competitive in the rapidly changing global economy (Murthy 1980:364). A lay perspective exists that it is something to do with corporate ethics and it is some kind of responsibility that the corporations have towards the people. The broad trend in public discourse has been to represent CSR in the manner that corporate themselves realize and represent it. This is evident by analysing some definitions of CSR as propagated by the business world. Some of these are outlined below:

The Business for Social Responsibility, a global nonprofit organization which is funded by corporations defines CSR as a way of “achieving commercial success that honour ethical values and respect people, communities, and the natural environment”.

For Confederation of British Industry², a business association CSR is “the acknowledgement by companies that they should be accountable not for their financial performance, but for the impact of their activities on society and /or the environment.”

¹ Rollex is a watch manufacturing company. It has some philanthropic activities like awarding those people who are trying to make a world a better place, it even supports the projects which is very innovative and aims for the welfare of the society.

² The Confederation of British industries is one of the united Kingdom (UK) top business lobby organization. Its primary aim is to create and sustain the conditions in which business in Uk can compete and prosper for benefit of all.

Even Corporations like Gap Inc³ states that “being socially responsible means striving to incorporate our values and ethics into everything we do – from how we run our business, to how we impact upon the communities where we live and work.”

The broad theme that emerges after analysing these three definitions is that; CSR is a kind of responsibility that the corporation should have towards the society. It is a kind of ‘ethical practice’. This notion about CSR has percolated deeply not only in the public sphere but also in many academic discourses. So it becomes really important to understand whether CSR is really an ethical or a socially responsible activity or there is something more to it?

Thus a quick literature review of CSR will help us to outline the various perspective of looking at CSR. And moreover it might help us in breaking the hegemonic definition of CSR, as given by the business world. CSR is not only defined by the business world but also in different academic literature like economics, management studies, political science, law, sociology etc. But the literature regarding CSR in sociology is few. This is in sharp contrast as the classical sociological theorist like Karl Marx, Emile Durkheim and Max Weber had spent a large amount of time understanding capitalism and the industrial society. Indeed their central concern was to understand the relationship between economy and society in capitalism. But the succeeding trends in sociology have tended to focus on kinship, family, marriage, social change, social structure, culture, traditions, norms, belief, practices and problem of order in general.

In the above context, it becomes imperative for sociology to address CSR. However before one takes that up, it is in order that one seeks first to review available literature on CSR whatever its disciplinary boundaries are. So the next section deals in reviewing the literature drawn from; Managerial Perspectives, Economics, Management Studies, Political Science, Sociology, and Law. Since Law is very important in understanding not only the nature and characteristic of the corporate enterprise but also in determining the validity or legality of CSR in a corporate enterprise, so it needs proper analysis. So an analysis of corporate enterprise

³ Gap Inc is an American clothing and accessories retailer. Today gap is the world largest speciality retailers with more than 3100 stores.

and CSR from a law perspective is done in Second chapter. But in the next part I have tried to analyse CSR from different academic perspectives. Which are outlined below.

1.2 Review of literature:

The buzz around CSR is evident not only in the public discourse but also in the academic discourse. And the enormous literatures written regarding CSR in various disciplines substantiate it. The concept of CSR has been differently defined in different academic discourses like Economics, Management Studies, Political Science, Sociology and Law. These are some of the leading disciplines who have tried to conceptualize CSR. So this section attempts to present it, which is outlined below.

1.2.1 CSR as outlined in the Managerial perspective:

This perspective basically deals with the opinion of the managers of different corporate enterprises regarding CSR. Different managers look at CSR differently. Broadly there are two camps within this perspective. The first is the classical camp. In this camp, the managers have little tolerance for any kind of social role for business enterprise to undertake. They perceive social roles as an additional cost that reduces competitiveness. For them social roles of firm's should be exclusively related to supply of goods and services (Quazi & O'Brien 2000; Clemet & Jones 2005; Murray 2005). They believe that a corporation is a legal enterprise and it has to fulfil two responsibilities one is to make money for the owners and the other is to abide by the rules as prescribed by the law (Greenfield 2004).

The exponents of the second camp are more progressive. Here they consider business to be embedded within a larger society and having a concomitant responsibility to a wider spectrum of issues in general and stake holders in particular (Steiner & Steiner 1997). In this perspective the responsibility of the corporate enterprise extends beyond making profits and includes society's welfare like protecting and improving the welfare of specific constituent groups within the society, (Jackson & Nelson 2004; Rudolph 2005). Moreover in this perspective business is treated like ordinary persons or citizens, and they are expected to take responsibility and conform to the principles of morality, accountability and integrity. Here the managers realize that the state often fails in dealing with social issues, social conflicts and multiple needs of the society. So they revisited the classic division of labour

between the state and corporations, which is the state looks after the welfare needs and the corporation's looks at fulfilling its economic end i.e. profit. Thus according to this perspective, we can see that an altruistic or ethical motive guides the behaviour of the corporations, so they have a hard task of doing well in business, even though they have to undertake certain cost in form of CSR.

Managers like J.R.D.Tata have said that Tata⁴ industrial ethos was inherited from the great Jamsetji Tata. Which is combining high standards and quality production with sincere concern for ethical values such as fair and honest management, quality of product, human relationship in industry and industrial philanthropy. To Quote J R D Tata, "there is a little doubt that the technical resources and managerial talents of organised industry have a function in society and obligation to the community, much wider than the mere discharge of their primary business function."

For example during the Gujarat earthquake a free phone was set up by Care India⁵, Bharti- BT⁶ and CISCO⁷ which provided the most immediate emotional relief for people as they were anxious to get the news of their families as well as access to medical assistance and advice. Some managers also look at CSR as an ethical practice. Although Ethics is derived from the Greek word "ethikos" meaning custom or character, business ethics essentially deal with understanding what is right and morally good in business. Business can act ethically in order to protect their own interest and the interest of the business community, by keeping their commitment to society to act in an ethical way, in meeting the stakeholders expectations, or by preventing any kind of harm to the general public through their action, in building trust with key stakeholder groups, even in protecting itself by getting abused from unethical employees and competitors, and in protect their own reputations, their own employees and in creating an environment in which workers can act in ways consistent with their values.

⁴ Tata Group is the largest private corporate group in India, deals with manufacturing of steel, automobiles, information technology, communication, power, tea and hospitality. The group takes the name of its founder, Jamsetji Tata.

⁵ Care India is a NGO. It aims in transforming the lives of women and girls that they can lead, innovate, persuade and influence to find sustainable solutions to end poverty.

⁶ Bharati- Bt is a leading India internet brand with a joint venture with British telecommunication in a ratio of 51:49. Bharati-Bt was the first Private Internet service provider to set up its own international internet gateway in the country in July 2000 at New Delhi.

⁷ Headquartered in San Jose, California, it designs and sells networking and communications technology and services.

1.2.2 CSR as defined in Economic literature:

There are generally two perspectives evident within the discipline of economics. The first viewpoint is advocated by a sector within the capitalist class. Proponents of this view suggest that the primary objective or goal of corporations is to achieve profit and economic aggrandizement. In this context CSR is seen as a burden on the competitiveness of the company (Friedman 1970). Their argument would be that a business can be socially responsible simply if it performs its economic function effectively i.e. by providing goods and services to the society. They also argue that social functions which CSR seeks to do should be undertaken by some other agency of society like the government. They contrast the nebulous concepts of sustainable development, fair trade and environmentalism with the science of economics in which the invisible hand of the market ensures that what is good for business is good for society. In this light one may refer to some economic thinkers who continue to influence contemporary debates. Like Adam Smith who argues that although it is the market system that drives the corporations to social welfare measures or initiatives, but achievement of private gains or profit remains the ultimate end. Likewise Milton Friedman does not give much credit to the concept of CSR. He argues that the social responsibility doctrine is fundamentally a subversive doctrine, in a free society. According to him business has one and only one social responsibility i.e. to use its resource and engage in profit oriented activities through open and fair competition without deception or fraud. In a corporate enterprise the managers are the agents of the corporate owners, so they are primary responsible to them. So Friedman argue that the stock holder is an economic man interested in maximum short run profit with minimum deference to legal and ethical reasons. A recent report by David Henderson also supports the preceding view when he argued that companies will best discharge the responsibility as a guide, subject always to acting within the law and that they should not go out of their way to define and promote wider self chosen objectives.

However some other economist criticized this highly instrumental view. According to them government cannot and need not be the only agency to promote welfare of the masses or public at large. The corporate sector can play an important role. Some advocates of this perspective like Prof Paul Samuelson for instance views that the spirit of social responsibility is an inherent feature of modern

business. Since the business organizations or corporations are part of society so serving the interest of the society should be of primary importance rather than working for narrow economic gains such as making profit. Moreover the corporations also depends on society for a large number of facilities like developed infrastructures, peace and tranquillity in the work place and a trained workforce. They also depend on society for maintenance of law and order without which they cannot carry out their productive or distributive activities. Further they also want the mass media for reaching out to their customers. So if a business draws so much from society, it has also to make its own contribution to the welfare of the society. So it is like a debt which it can repay by payment of taxes in full and on time, observing the laws of land, in ensuring a clean and healthy environment, and increasing standards of product safety and also help in energy and resource conservation.

1.2.3 CSR as detailed in Management Studies:

Enormous Literature regarding CSR is written in the management discipline. Some perspectives around which CSR is discussed are out lined below.

Perspective 1: CSR is not the primary objective or goal of a corporate enterprise.

A group of academicians like Frank Tuzzolino and Barry R. Armandi view CSR as neither a primary objective nor the goal of a corporate Enterprise. Borrowing the idea of need Hierarchy from Maslow, they made an analogy between the needs of a individual and the needs of a corporate enterprise. They classified five kinds of needs like Physiological, Safety, Affiliation, Status or Esteem and Self. These needs are discussed according to their hierarchical importance the most important being the first, little less important the second and so on. The most important need is the Physiological one. For humans this need is achieved by fulfilling the fundamental criteria of surviving like hunger and thirst. While a corporate enterprise fulfils this need by achieving profit which is primary for its survival. The second is the Safety needs. For individuals it means having concern and caring for their physical survival. But for the corporate this need is fulfilled by diversifying into conglomerate or going for vertical and horizontal integration of suppliers of its raw materials. The third is the Affiliation needs. An individual can achieve this need by getting itself accepted by members of its family or group. While

for a corporate sector this need is fulfilled by establishing a positive relationship with other groups which may be suppliers, workers, customers etc, either through bargaining, coalition etc. The fourth need is Status and Esteem. For individuals it means trying to achieve a high standing relative to others. While for the market it is share, patent position, price leadership, corporate image which are required by the corporate enterprise for status and esteem need fulfilment. The fifth need is Self-Actualization. For humans it is desire to know understand, systematize, organize and construct a system of values. While for a corporate enterprise it means a need to serve some higher cause, a desire to see ones work related to all encompassing goals. Thus CSR comes in the fifth need fulfilment. It lies at the bottom of the need hierarchy.

In the same line Carroll describes CSR as a voluntary managerial duty. CSR is neither prohibited nor demanded from the companies because they are primarily oriented towards other responsibilities primarily economic i.e. production of goods and services, legal which means working according to the guidelines of law and ethical responsibilities. So CSR is ranked at the bottom of their importance, while economic, legal and ethical responsibilities are of high importance for the corporate enterprise.

Perspective 2: CSR as not a voluntary service incorporated in the corporate enterprise.

Another group of academicians like Gordon Fitch states that CSR is not a voluntary mechanism adopted by the corporate enterprise. Although they acknowledge that corporations are perhaps the most efficient problem solving organizations in a capitalist society. And corporations can achieve social responsibility if they identify and solve those social problems in which they are involved. Moreover if corporations are permitted by the society to survive then it is more likely that they will take the additional burden of applying their problem solving capacities to the broader social problems of society in which they exists. And if they do accept it voluntarily than it may be forced upon them by government regulation. Although the organization principles within the corporations view that they are only responsible in solving the problems created directly or indirectly by them. This principle focuses on the economic limitation of the corporation and since many times

CSR is enforced and defined through public policy, so an emphasis of social control over the corporate enterprise is visible.

A third group of academicians like Woods are very sceptical of CSR. As it is optional for a corporate enterprise to solve some social problems which lay beyond its boundaries. Secondly by linking corporate conduct with public policy it emphasized social control thus the notion of responsibility, ethics and voluntarism as advocated by the corporate enterprise could not hold its ground. Thirdly there is no road map or a documented outline about how a corporate enterprise duty towards society can be incorporated in the managerial decision making. So a concrete mechanism to solve the social problem is not present.

Perspective 3: CSR is a necessary but not a sufficient step to mobilize employees and shareholders.

Scholars like Simon Webley and Andrea Werrerr appreciate the corporate enterprise that have a code of conduct for employees. They view this code as a necessary but not a sufficient condition to affect the behaviour and attitudes of the employees. After examining certain corporate enterprise they viewed that there exists a certain difference between its business principles and actual practice, e.g. Enron⁸ had a specific code of ethics but many times Enron deviated from this code which was detrimental towards employees and shareholders. Another corporate enterprise Shell⁹ had also a general business principles but was omitted by its Nigeria subsidiaries. So there exists a lapse between CSR principles and its actual practice. They suggested that the failure to incorporate core ethical values in the corporate enterprise affects decision making at all levels throughout the organization. So in order to have high standards of corporate behaviour the organization should develop and implement formal ethical program and also need to nurture an ethical culture in continuing basis.

⁸ Enron is an American based energy company. It is famous because in 2001 it created fraud in showing that its financial condition was sustainable by institutionalised, systematic and creating planned accounting fraud.

⁹ Shell is a global group of energy and petrochemicals companies.

Perspective 4: CSR as a profit motivated behavior

This perspective was propagated by Louis Fry, Gerald Keim and Reger Meinens. They questioned the corporate giving or the CSR model of the company. They viewed that till the 1950's corporate giving was limited to donation that could be justified on the account that they were closely related with the stockholders interests. But in 1954 New Jersey Supreme Court enabled the corporate enterprise to make charitable contribution if it may or may not have any strict relation to the shareholders interests. Thus according to them the corporate giving can be seen in two lights, first as a profit motivated behaviour and secondly as a social responsibility ideology. The social responsibility ideology was propagated by Berle and Means. They stressed the importance of the structural change in the corporate enterprise from being a single owner, to the separation of power between owner and managers. Thus, this power helped the managers to serve broad public interests. Their view was that making decision in business was a mixture of altruism, self interests and good citizenship. They believed managers take action in favour of social interests even though the profit for long run is remote. But Fry, Keim and Meinens suggested that indeed there were some amount of corporate giving but it was profit motivated behaviour they analysed the advertisements of the socially responsible behaviour in the mass media to get more into the public eye, in order to gain some esteem or leverage than their competitors.

1.2.4 The analysis of CSR from a Political Science Perspective:

In political science there are generally two major theories of looking at CSR one is Corporate Constitutionalism and the other is Corporate Citizenship.

Theory 1: Corporate constitutionalism theory of CSR:

Davis had introduced the role of business power in the debates of CSR. According to him since business is a social institution, so it should use its power responsibly. More over Davis had formulated two principles to express how social power has to be managed. These are the Social Power Equation and the Iron Law of Responsibility. These two are briefly defined in the next page:

- The Social Power Equation principle states that business should be social responsible because it has a lot of social power.

- The iron law of responsibility refers to the negative consequences for not using the power. According to him those who do not use his social power in a manner which society consider as responsible will lose it in the long run, as groups will eventually step in to assume those responsibilities.

Therefore Davis views that the limit of this functional power comes from the pressures of different constituency groups. These groups restrict the organizational power in the same way as the constitution restricts the government. These constituency groups do not destroy the power but rather they define the conditions for its responsible use. They help in channelling the organizational power to be supportive and to protect others interest against unreasonable organizational power (Davis, 1960).

Theory 2: Corporate Citizenship Theory of CSR.

Although conceptualising the corporate enterprise as a citizen is nothing new, but this idea got more attention during the crisis of welfare state and the globalization phenomenon. Slowly the corporate enterprises were deregulation and it was also realised that the costs of production will decrease with the improvements of technological level. This made some large multinational companies to be more powerful economically and socially than some governments.

D. Matten and A. Crane have differentiated between three views regarding corporate citizenship. The first one is a limited view, the second view is equivalent to CSR and the third is an extended view of corporate citizenship. These are briefly described below.

- In a limited view CSR is used in a sense similar to Corporate philanthropy, social investment or certain responsibility it have assumed towards the local community.

- The equivalent view of CSR deals with the role and responsibility the business enterprise has in a society.

- The extended view of CSR suggests that corporation undertook socially responsible behaviour because the state has many times failed in performing its duties. This view suggest that the corporate enterprise is gradually replacing the most powerful institution namely the government.

1.2.5 Analysis Of CSR from the Sociological Perspective:

The literature available regarding CSR in sociological discipline is quite limited. Furthermore some of the literatures are written on the lines of the management or from the economic perspective. Thus a careful study of the dominant theoretical paradigms may help us to understand why literature available regarding CSR is quite limited. So this section is divided into two part. In the first part through the analysis of the dominant principle of the formalist school one tentatively suggests the reasons for the scarce literature available regarding CSR. In the second part I have tried to outline the perspectives of CSR from the members of the synthetic schools.

Part 1: Looking at CSR from the perspective of Formalist and Synthetic school:

The study of CSR does not make sense if one upholds the principles of the formalist school which perceived sociology to be a social science with a specifically defined field. Theorists like George Simmel suggested that sociology should confine its study to formal behaviour rather than studying actual behaviour. Small argues that the scope of sociology is to studying the genetic forms of social relations, behaviour, and activities and not to study all the activities of society. Even Vierkandt maintains that sociology can be a definite science only when it abstains from a historical study of concrete societies and it ought to be concerned with ultimate forms of mental or psychic relationship which knit the people together in a society. Ferdinand Tonnies has also divided societies into two categories Gemeinschaft (community) and Gesellschaft (association), on the basis of the degree of intimacy among the members of the society. Von Wiese also supports the scope of sociology as the study of forms of social relationships.

A careful understanding of the argument of formalist school reveals that the studies of economic organization in a sense do not fall within the purview of sociology. Logically the field of CSR also then does not fall in the sociological

disciplines. Thus they planned of creating a pure sociology by limiting its scope. For them the scope of the formal school was limited in studying the abstract forms of social life and had neglected the concrete contents of social life. But it is really difficult to study the abstract forms of individual life, if we separate the concrete relations they are embedded into. Thus in this line, Ginsberg says that a study of social relationships would remain barren if one studies the abstract forms without having the knowledge of the concrete life to which they relate. Sociology doesnot alone study the forms of social relationship. Political science, International law also studies forms of social relationship.

So the conception of pure sociology is not practical as no social science can be studied in isolation from other social sciences. This idea was shaped by the synthetic school which regards Sociology as the synthesis of all social sciences. The proponents of this school argue that all the aspects of social life are interrelated and only studying one aspect of social life cannot be sufficient to understand the entire whole. Theorists like Durkheim had elaborated this view when he categorized sociology into Social Morphology, Social Physiology and General Sociology. Social morphology is concerned with geographical or territorial basis of life of people such as population, its size, density and distribution etc. Social Physiology deals with the genesis and nature of various social institutions namely religion, morals, law and economic institutions etc. In general sociology the main aim is to formulate general social laws. Attempt is made to find out if there are links among various institutions which would be treated independently in social physiology and in the course to discover general social laws. In the same line Hobhouse also perceived sociology as a science which has the whole social life of man as its sphere. Its relations with the other social sciences are considered to be one of mutual exchange and mutual stimulation.

Thus we can come to an understanding that the theorist of formalist school and those who believed in its principles generally neglected the study of the corporate enterprise in general and CSR in particular. But with the principles of the synthetic school gaining popularity, theorist academicians started studying and analyzing CSR.

Part B: Perspective within sociological disciplines to understand CSR.

Some Sociologist views the corporate enterprise as a socio-economic institution. As an economic institution it has to perform all tasks involved in the development and delivery of desirable goods and services from production to consumption. As a social institution it is responsible to deliver a standard of living and maximize life quality. Life quality does not only means quality and quantity of consumer goods and services, but also enriched quality of life in society and the environment. The quality of life has two components one is standard of life and other is standard of living. Standard of living is the material growth of the individual. It is based on the monetary income and purchasing power that an individual has in the market. It basically deals with the financial status of the individual in the world. While standard of life is the indicator of quality of life, which means the growth of mind and soul. A person having higher standard of life is wholesome, harmonious, healthy and happy individual, although he may or may not be a rich or wealthy person. Hence material happiness is not the only purpose of human life. So all product must aim in improving the quality of life. Quality of life is defined in terms of the social goals which are symbolic with freedom, people living in harmony with inner spirit, their fellowman and nature's physical environment (Sherlakar 1934). So from this perspective CSR is an instrument to improve the quality of life. This social entity vision views the corporation as a social institution and the usefulness or standard of the corporation is not indicated by the amount of wealth the individual creates but by promoting welfare of the society and honouring individual dignity.

While other sociologist like Dipankar Gupta combined sociology with the management perspective. To quote him "*The mantra to sustainable CSR quite clearly is to relate it to fundamental principles of business ethics which force one to reach out in terms of business interest within.*" Which means CSR can be achieved by achieving business interests. And this can be done by incorporating CSR into business ethics. Ethics is practiced by the Corporation because a strong ethical practice will possess a strong public image or trust among the public, suppliers, and employees. Which may become the cornerstone for the success, and also may help in building some positive image for the organization. For example in 1977 when the minister for industries in Janata government attempted to nationalize TISCO there

was huge cry against such move by employees and general public. As TISCO was having a good public image. So there were resistance from the peoples

Although CSR has been differently defined in different discourse we can overall conclude that. CSR is the notion that corporations have an obligation to constituents groups in society other than stock holders and which is not prescribed by law or contract. Two dimension of this argument is important.

- First, the obligation must be voluntarily adopted; decision taken under coercive pressure of law or union contract is not voluntary.

- Second the obligations is a broad one extending beyond share holders to other societal elements like customers, suppliers, employees, and neighbouring communities. But the crux of the conceptual aspect is the question of whether corporations have an obligation to groups other than share holders (Jones 2001).

Thus we can sum up conceptualizing corporate social responsibility into 5 broad theories. This is stated below.

1.2.6 Theories of corporate social responsibility:

1. The classical theory of corporate social responsibility:

The classical view is represented by Milton Friedman. He argued that the social responsibility of business is to make profit. For him corporate managers are the agents of not the business organization itself. The corporation responsibility to society might be understood from this perspective as a duty to obey laws, but upon closer examination it really does not have any responsibility, as in this perspective corporation are not seen as actors. Only the individuals are. In fact in the classical view the corporations are seen as instruments or as property of the owners so they could not themselves have responsibility since corporations as entities do not really exist. At the societal level, the classical theory sees individual managers responsive to market condition and responsible for obeying lay and social norms.

2. The stake holder view of corporate social responsibility:

This model was primarily articulated by R. Edward Freeman. This model suggests that the Corporate Enterprise is not an autonomous unit, as its performance is influenced by other societal elements. Since some societal elements affect the performance of the corporate enterprise so they are perceived to be its stake holders. The stake holders of a corporate enterprise comprises of groups like owners, management, local community, customers, employees, suppliers etc. And all these groups are very important for the existence of the corporate enterprise. All parts in other words are necessary for the whole.

3. The corporate agent theory of corporate responsibility:

Corporation in order to qualify as agent need to meet three condition: (a) the capacity to make decision (b) the presence of real option or choices and (c) the ability to give reason for their choices. Corporations are designed to make decisions in the sense that they provide structures for persons to decide together what the corporation should do. Corporation also has options as it can choose from among its suppliers etc with whom it want to do business. Finally they also have business reasons expressed in their mission statements and other documents that can justify their decision. So corporation do make decision and they can be held responsible for them. The corporate agent view highlights that corporation are also agents. So the responsibility of corporate is to make decisions that fulfill corporate function in social system.

4. The corporate citizen theory of corporate responsibility:

It builds on the stakeholder and agent theories and adds to them an awareness of the civic context in which corporations exist. This view imagines corporations as belonging to civil society with similar rights and duties as others. Since the citizenship theory of corporation sees corporate responsibility emerging from their location in civil society, this theory provides a strong platform for the development of a civic perspective of corporate integrity.

5. The contractual theory of corporate responsibility:

The contractual theory sees a business organization as comprised of various contracts among individual and groups, arranged for the purpose of satisfying their interests. Even though all of these contracts would appear to have equal value, this theory gives priority to the contract with shareholders and their interest in profit maximization. Shareholders have the first place because of the assumption that an emphasis on profit will increase wealth for all. Instead of limiting corporate responsibility to increasing the owners profit however this view sees the responsibility of corporation as one of increasing prosperity for the whole society. Social responsibility is about honoring the contracts it had made. Thomas Donaldson and Thomas Dunfee developed a contractual approach which states that – *at the heart of the social contract effort is a simple assumption, namely, that we can understand better the obligations of key social institutions, such as business and government, by attempting to understand what is entailed in a fair agreement or contract between those institutions and society and also in the implicit contract that exist among the different communities and institution within society* (Donaldson and Dunfee 1999: 16-17)

1.3 Relevance of study:

At the academic level CSR is primarily studied within the management disciplines. CSR is not even adequately discussed in the economic discipline. Although a great deal of sociological literature deals with the impact of globalization, but many times the focus of these studies aims at analysing the change in the culture and some institution like media. However some important areas like, how globalization both in economic and political dimensions hare redefined institution is not properly analysed. There is of course a body of insight that can be drawn through the analysis of the corporate enterprise. Since the modern business is large and complex and it also caters to the needs of the national and even global markets, so we can say that it exercises a definite and extensive influence on our economic and social life styles. So a sociological understanding of corporations and CSR is very important.

Secondly one also needs to know, why should the corporations whose major objective has been to maximize its profits for its shareholders, will venture out to serve the interest of society at large? (Friedman 1970). Managers of a corporation are the employees of the stockholders and so they have a fiduciary responsibility to maximize their profits. Giving money to charity or other social cause and getting involved in community projects is like stealing from the stockholders. As according to company law a company cannot divert its funds to other social activities and it should centre around shareholders interest i.e. profit maximization. So a clear understanding of CSR is highly necessary to understand the motive of the corporate enterprise for venturing out to solve some society's problem.

1.4 Objectives of the study:

As literature suggests that a corporate enterprise is immersed in scandals and malpractices. The scams of corporations like Enron and World Com clearly justifies that the corporate enterprise is devoid of ethics. But on the other hand the corporate enterprises are propagating the social welfare model known as CSR alongside with state and other philanthropic organizations. So it becomes relevant to know whether behaving in a socially responsible manner was in the organizational principle and goal of the corporate enterprise from its very origin, or the CSR model evolved out in the later phase of its growth. This is important as it will give us a rationale to for the emergence of CSR. Hence the first objective will be to analyse the characteristic, goals, principles and beneficiaries of the corporate enterprise at various time frames.

Second, the term corporate social responsibility has a both an economic and a social connotation. And social responsibility itself formulates a relationship of the corporate enterprise with the society. So the analysis of CSR should not be done from a management or an economic perspective only. Therefore an integrated approach is necessary to understand CSR because it will fairly analyse the social face of the corporation. So the second objective is to theoretically reconceptualise CSR through the perspective of economic sociology, by analysing the relationship between the corporate, state and society. As this theoretical framework will help us to understand the logic behind the emergence of CSR.

Third, after analysing theoretically the rationale for the emergence of CSR, it becomes important to substantiate the argument. So the third objective deals with tracing out the historic specific juncture of CSR. This will help us in understanding the factors which influences the performance of the corporate enterprise.

Fourth, since we have already acknowledged the role of other societal elements in influencing the performance of the corporate enterprise. So the fourth objective will be to analyse how civil society influences the performance of the corporate enterprise. So here in this part the importance of society or to be more specific the public come to forefront. And it clearly states the importance of the public opinion.

1.5 Scope of the study:

The dissertation begins by analysing the definition of CSR as given by various business enterprises. One can notice that CSR is defined in a particular way by different corporate associations and organizations. They articulated CSR as an ethical, philanthropy or a social activity. And this conceptualization of CSR has percolated as a dominant perspective not only into the lay perspective but also into the academic literature. So this dissertation tries to understand whether CSR is truly an ethical, social action of the corporate enterprise or there is something more to it. So this dissertation tries to understand the rationale for the emergence of CSR within the broader matrix and dynamics of the relationship between state, civil society and the corporate enterprise. This dissertation also aims at unveiling the characteristic of the corporate enterprises by outlining its organizational goals, principles and the beneficiaries of the corporate enterprise at different phases of its growth. As this will facilitate in identifying the influence of the non-economic elements like state, civil society etc on the performance of the corporate enterprises.

Therefore CSR is analysed by taking into account the economic-sociological perspective. This perspective is important as it extends the study to include new variables like social actor, social economy, social rationality etc. It even goes beyond the action that is the focus of analysis, and helps in looking at the interrelationship between the state, society and economic institution (corporate

enterprise) in the context of CSR. Thus an analysis of the historical specific context for the emergence of corporate social responsibility is done to trace the dominant context that facilitated the emergence of CSR. Basing on the reviews of literature two dominant contexts that forced the corporate enterprise to behave in a socially responsible manner were outlined. The first one was the post cold war period and the challenge the soviet communism gave to the capitalist values or ethos, roughly during 1960 to 1976. The second period was from 1998 onwards when anti-globalization movements and corporate scandals dominated the social sphere. These two accounts gave a clear description of the corporate crisis that the corporate faced and the growing public discontent towards them. So in this context CSR cannot be simply called as a social, ethical or responsible face of the corporate enterprise. As CSR was used as a Strategic Issue Management (SIM) mechanism in order to come out of the corporate crisis. In this context it became clear to understand the basic logic for the emergence of CSR i.e. it is a strategy evolved to manipulate the public opinion.

Since the importance of public opinion is stated so this dissertation also tries to understand the importance of public opinion for the corporate enterprise. And in this context the relationship between the public opinion and the civil society organizations is also analysed. Thus by taking into account public opinion and civil society influence on the corporate enterprise, it can be argued that these civil society is having a stake in the performance of the corporate enterprise. Thus I have tried to show how a tactical change occurred in the approach of the corporate enterprise. As they shed their sole responsibility towards the share holders and stated fulfilling their responsibility to the other stake holders like, local community, governments, supplier, environmentalist, employees, media, competitors, customers, consumer advocate, and owners. This point again reiterates the importance of civil society or public opinion for the corporate enterprise.

Thus this dissertation aims to reconceptualise CSR as a strategy. Because CSR helped corporation to overcome its crisis phase. And in present time in this competitive market structure CSR activities gives an added value to the corporate enterprise. So we can clearly argue that CSR is a very important business strategy to enhance the sustainability and growth of the corporate enterprises.

1.6 Scheme of Chapterization:

Apart from the introduction and the conclusion this dissertation has three other chapters. The theme of each chapter is précised below.

Chapter-1 (Introduction)

This chapter tries to explain what is CSR. This is done by two ways first by analysing certain quotes borrowed from different corporate enterprise and associations. The analysis of their perspective is important because one can see stereotypes of their perspective in different academic disciplines. Thus in order to break the hegemonic concept of CSR as articulated by the business, a quick review of literature analysing CSR becomes relevant. Thus it also helps the reader to know different perspectives of looking at CSR. The main importance of this chapter lies in the fact that it introduces the dissertation's scope and objectives. This chapter also provides the outline for other chapters. In this way this chapter serves as a guide to the reader in knowing what lies ahead.

Chapter-2 (CSR in the context of the corporate enterprise: A synoptic view)

This chapter primarily deals with conceptualizing what a corporate enterprise is by defining and outlining its nature. And since the CSR is a hyped model of the corporate enterprise so this chapter analyses it from the Company Law perspective. A quick analysis of early Company law highlights that the corporation did not have any social responsibility and the sole responsibility was to earn profit for their shareholders. Even the examination of the organizational principles, goals and prime beneficiaries of the corporate enterprise at different time period reiterates the point. The analysis of the corporate enterprise principle, goals etc is helpfull in figuring out whether corporation were ethical from the very beginning or they adopted this social responsible face in the later phase. This point is very important because If CSR evolved in the later phase, than it becomes very important to figure out the circumstances and the forces that compelled the corporate enterprise to adopt and practice CSR. Thus this chapter gives a justification to look at CSR from a Socio-Economic position. Moreover it also stresses the importance of looking at CSR within the nexus of State, Society and corporate enterprise.

Chapter-3 (Conceptualizing the relationship between the State, Corporate Enterprise And Society)

The objective of this chapter is to trace the rationale for the emergence of CSR. As the preceding chapter gives a bird eye view that it was the social milieu that forced the corporations to go into welfare activities. So this chapter looks at CSR from the broader matrix of society, society and corporate enterprise. This chapter is also divided into three parts, the first part tries to analyse the relationship between the corporate enterprise and the state. The second part tries to explore the relationship between the corporate enterprise and society. And the last part outlines the role of civil society in the context of state and society at large. Thus by analysing these relationship the conclusions that came out were; First, the state acted as an apparatus to facilitate the corporate enterprise interest. Secondly, since the economy is embedded in society and the social structures influence the performance of the corporate enterprise. So it would be incorrect to say that the corporate enterprise or the economy is an independent enterprise. Thirdly, it is concluded that society have an influence on the performance of the corporate enterprise and civil society has the power of mobilising the society. And so the performance of the corporate enterprise performances is linked with the role of civil society.

Chapter-4 (The emergence of corporate social responsibility: the historical context).

This chapter outlines that welfare or social responsibility emerged during the crisis phases of the corporate enterprise. The first crisis phase was during the Post cold war period, roughly in between 1960-1976 and the second was the period after 1998 when mass anti-globalization movement and corporate scandals enter into the public sphere. As it is outlined earlier that the civil society can play a major role in mobilising the public, so we can look at these welfare activities as a strategy to manipulate the public and subsequently the civil society. Thus in this chapter, I have shown how corporate enterprise used the strategy of being welfare, ethical and socially responsible to come out from the crisis phase. Hence this chapter conceptualises CSR as Strategic Issue Management (SIM) mechanism. This is done by drawing a parallel between the steps taken to acknowledge the strategic issue and



develop a response mechanism through SIM mechanism with the actual actions taken by the corporate enterprise during the crisis phase.

Chapter-5 (Corporate Social Responsibility and Stake Holders)

As the last chapter deals in conceptualizing CSR as strategy so this chapter aims in understanding the rationale for the emergence of CSR. This chapter deals with the role and importance of civil society in pressurising the corporate enterprise. As it became evident during the crisis phase that corporations need to address and solve the issues of all its stake holders. So there was a tactical change from being solely responsible to the shareholders it started to resolve all the issues of the other stake holders. Thus this chapter also outlines the stake holder model which comprises of local community, governments, supplier, environmentalist, employees, media, competitors, customers, consumer advocate, owners are having a stake or influencing the decision of a corporate. This chapter is important because by stressing the importance of the stake holder model it became very clear that how much important the public opinion and the civil society was for the survival of the corporate enterprise. And secondly CSR was again justified as a strategy, as through CSR activities the corporations not only addressed the issues of the stake holders but also showed a ethical, socially responsible face in the public eye.

Chapter-6 (Conclusion).

Thus after examining CSR within the nexus of state, corporate enterprise and society, it can be clearly stated that the performance of business is linked with the economic, legal, political and ethical dimensions.functions. And CSR can be rightfully termed to be a strategy as it not only saved the corporate enterprise during the crisis phase, but also in the present context CSR activities gives a added value to the corporate enterprise.

CHAPTER- 2

CORPORATE SOCIAL RESPONSIBILITY IN THE CONTEXT OF THE CORPORATE ENTERPRISE: A SYNOPTIC VIEW.

2.1 Introduction:

In the last chapter, I have outlined that the business world has defined CSR in a particular way, terming it either as a philanthropic, socially responsible or even an ethical behaviour. But the review of literature shows that it is problematic to look at CSR in way the business world has defined it, because there are various perspectives of looking at CSR. So in this chapter, I have tried to examine whether behaving in an ethical, moral and socially responsible way is an inherent feature of the corporate enterprise or the emergence of socially responsible activity has a context of its own. As this will help is in clearly understand and conceptualize what CSR is.

Thus this chapter begins by conceptualising the corporate enterprise as codified in the Company Law¹⁰ book. Then I have tried to outline the organizational goals, principles and primary beneficiaries of the corporate enterprise, at different time periods, to find out whether the corporate enterprise had any societal welfare policy, from its very origin. So this chapter outlines four phases through which the corporate enterprise evolved along with its organizational goals, principles and the primary beneficiary group. Understanding the goals, principles etc is important because it will help us in finding out whether being socially responsible was an inherent feature of the corporate enterprise. If the corporate had social welfare policy from its very beginning than we can bestow the moral or ethical tag to the corporate enterprise. But if literature suggests that CSR was not an inherent feature of the corporate enterprise then we need to understanding the rationale for the emergence of CSR and the purpose it serves. So let us start by understanding what actually a corporate enterprise is. This is outlined in the next page.

¹⁰ Company is basically a set of laws concerning companies and other business organizations. It was formed as an establishment to carry on commercial activities.

2.2 A brief back ground in the evolution of the corporate enterprise:

The company or the corporate enterprise is the most dominant form of business enterprise. It first evolved in England during the commercial revolution. It was only during the seventeenth and eighteenth century that a corporate body could be formed either by a royal charter or by a special act of British parliament. Consequently with the increase of the commercial needs of the nations, large unincorporated partnership came into existences, which were trading like the corporate enterprise. Since membership of such enterprise was quite large so the management of the business was left with a few trustees. And they had the power to trade with other people money. So one can see that there was a separation between the ownership from the management. Since this model of corporate enterprise was relatively new so rules or law applicable to such enterprise was not there. This resulted in the growth of a large number of fraudulent companies whose sole purpose was to disappear with the public money. Therefore the British parliament passed the Bubbles Act of 1720¹¹ which made the business of promoting companies illegal. This act existed over a decade till it was repealed in 1825. But it was during 1844 that registration and incorporation of large partnership was made compulsory. The joint stock companies act of 1844 was the first legislative measures which facilitated registration. But the right to trade with limited liability¹² was granted in 1855 and after a year in 1856 the whole law relating to such companies were consolidated.

2.3 Defining what a corporate enterprise?

In terms of company law, a corporate enterprise or a company means a company of certain persons registered under the companies act. When two or more persons have desire to carry joint business enterprise they can either form a partnership or a company. A partnership is like a small scale business in which finance or capital is less which is shared by a small group of partners. Who not only have mutual trust and confidence between them but also take personal interest in it.

¹¹ Bubbles Act was an Act of the Parliament of Great Britain that forbade all joint-stock companies not authorised by Royal Charter. It was passed on 9th June 1720

¹²Limited liability is a form of doing business in an unincorporated associations and is not a corporation.

But when the enterprise requires large capital which the resource of a few people cannot provide the formation of a company is the only choice (Company Law 2005).

To quote Company Law:

In common law company is a legal person or entity separable from and capable of surviving beyond the lives of its members. Like any juristic person a company is legally an entity apart from its members, capable of rights and duties of its own and endowed with the potential of perpetual succession .but the company is not a merely a legal institution. It is rather a legal device for the attainment of any social or economic end and to a large extent publicly and socially responsible. It is therefore a combined political, social, economic and legal institution. (Company law, 2005)

Thus by banking heavily on the corporate law we can classify the nature of the corporate enterprise. Which are outlined below.

2.4 The characteristics of the corporate enterprise:

1. **Independent corporate existence:** It means the Company Law gives the corporate enterprise the attributes of a distinct legal persona terming it as a corporate personality. And the members of the corporate enterprise will be like body, capable of exercising all the functions of an incorporated company and having perpetual succession and common seal. Thus the corporate enterprise acquires its own identity and its own existence. So no one can say that s/he is the owner of the company.

2. **Limited liability:** Since the company is treated as a separate person from its own members, thus it becomes the owner of its own assets and is bound by its own liability. Members are neither the owners of the company undertakings nor liable for its debts.

3. **Perpetual succession:** An incorporated company never dies. It means suppose A,B,C are the only members of the company holding all the shares. Their shares can be transferred to or inherited by X,Y,Z who becomes the new members of the company. Thus in spite of the total change in membership the company will retain

its same identity, with the same privileges, immunities, estates and possession. Perpetual succession means membership may change from time to time but this will not affect the company's continuity.

4. Separate property: The Company as a legal person is capable of owing, enjoying, and disposing all the property in its own name. The company becomes the owner of its capital and assets. The shareholders are not the joint owners of the company's property. Thus in some case the shareholders of the company may change but the property always remains with the corporation.

5. Transferable Shares: Through this features a shareholder can sell its shares in the open market and get back his/her investment without having to withdraw his money from the company. This provides liquidity to the investor and stability to the company.

6. Capacity to sue and to be sued: As a legal person a company can sue and can be sued in its own name. Criminal complaint can be filed by the company but it must be represented by a natural person. A company has the right to protect its fair name. So it can sue for any such defamatory remarks against it as it can damage the company business or property. Like the company can be sued if its action causes harm to someone.

7. Professional Management: The corporate sector is capable of attracting the growing cadre of professional managers. In a corporate enterprise the shareholder exercises only a formal control that also for the sake of name only, there is no human employer. Thus in such an atmosphere of freedom, the managers can develop extraordinary managerial capabilities. With the financial backing that companies can provide, so they can also develop the business to a considerable extent.

8. Finances: The corporate enterprise is the only business organization which is given the privileges of raising capital by public subscriptions either by way of shares or debentures. Moreover the facility of borrowing and giving security by way of floating charge is also an exclusive privilege of companies.

Thus after understanding what a corporate enterprise is from the perspective of Company Law, it will be interesting to see whether the Law which

came around 1856, favours any welfare or social service activities other than purely the economic ones. So let us now try to examine whether Company Law gave the right or freedom to the corporate enterprise to indulge in philanthropic or socially responsible activities.

2.5 Examining corporate socially responsibility within the context of Company Law:

In the Company law book there exists a doctrine called 'ultra vires', in the section called Memorandum of Association. Ultra means beyond and Vires means power. Which means any action outside the memorandum or objectives of the corporate enterprise can be termed as Ultra Vires. As a result the corporate enterprise will only devote itself only to the objects as set out in it's the memorandum and no others. And it is the function of the courts to see that the company does not move in a direction away from its field or objectives. This is a specific feature of joint stock Company, the model which is persisting in our time, and which is our subject of study. Initially the corporate enterprise did not include any ethical, philanthropic or even socially responsible behaviour in its objectives. As a result any welfare activities or social service or donation were termed as Ultra Vires. It means that carrying out and social welfare or philanthropic activities were beyond the power of the corporate enterprise. One can find out numerous case studies from company law books which showed how the corporate enterprise were restricted from involving in social welfare or philanthropic or discharging social responsible activities. Some case studies are outlined below.

1. In India the origin of the doctrine dates back to 1866. In this case the Bombay High Court ordered that director of a joint stock company cannot purchase shares of other joint stock companies, on behalf of its company, unless expressly authorized in the memorandum. Thus the high court termed the act of the director as ultra-vires. Since then the rule has been applied and acted upon in a number of cases.

2. The doctrine of ultra vires was again reaffirmed by the Supreme Court during the Laxman Swami vs. Life Insurance Corporation of India. The directors of a company were authorised to make payments towards any charitable or any benevolent object. In accordance with a share holder's resolution the director paid two lakh

rupees to a trust formed for the purpose of promoting technical and business knowledge. The payment was held to be ultra-vires. The court said that the directors could not spend the company's money on any charitable or general object which they might choose.

From the above Supreme Court decision one can find two relevant positions:

- That a company's funds cannot be delivered to every kind of charity even if there is an unrestricted power to that effect in the company's memorandum.
- The objects must be distinguished from power. The power for example, to borrow or to make a charity, is not an object. Objects have to be stated in the memorandum, but not powers even if powers are stated, they can be used only to effectuate the objects of the company. They do not become independent object by themselves.

Thus Company Law book suggest that a company should not have any responsibility scheme and all its action should be manipulated towards an ultimate goal that is profit maximization. But in the later phase we can see that the notion of responsibility and ethics crept very strongly into the corporate sphere. Some such initiatives taken for CSR is outlined below.

2.5.1 Initiatives taken for corporate social responsibility at the individual company level:

We can see that IBM¹³ (International Business Machines), the computer manufacturing giant, has a worldwide policy of taking up social projects in countries where it conducts its business. These projects range from; renovating the biggest Buddhist temple in Indonesia, to helping save an Italian city from sea erosion. MBB the biggest German aerospace company has donated expensive equipment to a New Delhi hospital for bloodless surgery. Brown Boveri and Migros two of the largest Swiss companies have a massive involvement in consumer education. They even publish objective report on the social impact of their operations. The Midland Bank of England recently organised a Rs 3 crore 'great Japan exhibition in London to promote Anglo-Japanese relations. Dow Chemical's of the US is devoted to what is

¹³ IBM is a multinational computer technology and IT consulting corporation of Newyork

called product stewardship. According to this, they undertake full care of their products at all steps from manufacture to their use.

2.5.2 Initiatives taken for corporate social responsibility at the company association level:

Business associations like Confederation of Indian Industries CII¹⁴ and FCII¹⁵ during 1970s and 1980s emphasized on rural development and population issues, and decided to set up separate bodies to deal with corporate social responsibility. Thus they aimed at ensuring the corporations participation in social development. In 1995 FICCI set up the Socio Economic Development Foundation (SEDF) and CII found the Social Development Council (SDC). Both SEDF and SDC work closely and in partnership with the government, multi and bilateral agencies, and even the civil society organizations.

The SDC has been focusing on the areas of community development by working in the areas of; disaster management, education and literacy, population and health (including HIV/AIDS), vocational training and women's empowerment. To help extend the impact of national programmes for the prevention and control of HIV/AIDS, CII has set up the Indian Business Trust for HIV/AIDS. CII has been organizing the Social Summit since 1998 in different locations within India to provide opportunities and platforms for companies to discuss not only the key issues regarding CSR but also helps them to share good practices either through interaction or by identifying partners (CII 2003). CII also established the Environmental Management Department (EMD) with a team of well-trained professionals to undertake a range of

¹⁴ CII is confederation of Indian industries it was initially called Engineering and Iron Trades Association EITA established in 1895, its was made up of five engineering firms . EITA was given the aim of pressurising the colonial government on its purchasing policy, as all government orders at that time were placed with firms based in the united kingdom. CII emerged as a national industry association in 1992 and since than grown into one of most visible business association in India. CII has membership of over 4900 companies from private and public sectors, including SMEs and TNCs and has indirect membership of over 50,000 organization from 283 national and regional sectoral associations.

¹⁵ FCII was established in 1927 on the advice of mahatma Gandhi. As the India's merchant's chamber, its role was originally to garner support for India's independence. it has a membership of over 500 chambers of commerce, trade association and industry bodies and it directly and indirectly represents over 250,000 business units in India, including small, medium, nad large businesses- employing a total of around 20 million people.

Both CII and FCII work closely with the government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialized services and global linkages. this also provides a platform for sectoral consenses building and networking. Major emphasis is laid on projecting a positive image of business, and in assisting industry to identify and execute corporate citizenship programmes.

activities like: environmental research; giving policy advice; and organizing practical initiatives such as training and conducting audits for different corporate enterprises. EMD's thrust is on building in-house capabilities in Indian industry to address environmental issues effectively and proactively.

On the other hand FICCI focuses more on environmental related issues which are of significant importance for the Indian industry. It includes activities like regular interaction with the government regarding environmental policies, regional and unit-level training programmes, technology diagnostic studies, facilitating technology demonstration projects, and disseminating information regarding environmental issues. These programmes aimed at generating awareness and stimulations for new initiatives. FICCI also has an exclusive Environmental Information Centre that compiles and disseminates information on environmental regulation, success stories, best practices, energy efficiency and clean technologies that are relevant to business. FICCI has also instituted awards for corporate initiatives in environmental conservation and pollution control as well as a national award for the prevention of pollution.

Since the company law restricts philanthropic activities but on the other hand one can see the expansion of CSR related activities. So in order to understand the rationale for the change in the organizational principles of the corporate enterprise, we need to historically locate it and outline its context. As this context will help us in understanding the rationale for the emergence of CSR. So the next section outlines the four phase during which the corporate enterprise evolved with its principles, goals etc.

2.6 An analysis of the characteristics of the corporate enterprise at different time frames:

From the above analysis it becomes clear that the corporate enterprise came into existence from 1850 onwards. Thus by taking the framework as prescribed by Thomas J. Zenisek and taking into account Emiry and Tryst's view about environment types or the specific kind of market situation and combining with Blau and Scott views regarding primary beneficiaries of the corporate enterprise, Zenisek had classified four phase in the growth of the corporate enterprise from 1850 onwards.

He even differentiated these phases by taking into account the model, environmental types, social milieu, societal demands and expectation, primary beneficiary group, organizational goals and the policies of the corporate enterprise. These four phases are outlined below.

Figure 1: A Four Celled Model of Social Responsibility Continuum.

Direction of Decrease responsibility ← Continuum of Social responsibility → Direction of Increase Responsibility

Phase	1	2	3	4
Element				
Ideal type model of Corporate.	Owner/Manager	Organizational Participants	Task environmental	Societal
Historical period (approximate)	1850-1910	1900-1950	1945-1960	1960 onwards
Social demands and expectation (represented by law enacted)	1.Sherman act 1870	1.Workers compensation act 1938 2.Income tax (corporate) 1917 3.Blue eagle 1925 4.MarrisLaGuaria 1932 5.Wagner Act Wage Hour law 1936 6.Social security 1941 7.O.P.A 1940-45	1.Weeler Lea 1938 2.Wool labeling 1939 3.Tuft Hurlley 1947 4.Flour Products 1951 5.Flammable Products 1953 6.Textile Fibre 1958 7.Landrum Griffin 1959	1.Water pollution Control 1961 2. Clean air 1963 3. Civil rights 1965 4.Air quality 1967 5. O.S.H.A 1970 6. Environmental quality 1970 7. E.P.A 1970 8. Amendments to Civil Rights 1972 9. No discrimination of age and equal pay
Social Milieu	Industrial era : days of robber baron and muckrakers gospel of wealth , social Darwinism	Rise of unionism people are more than a factor of production.	Marketing concept a firm can no longer sell all its products.	Pressure to internalize economic and social externalities.
Environmental types (approximate those of Emiry and Tryst)	Placid randomized (classic Market)	Placid clustered (imperfect competition)	Disturbed reactive (e.g. oligopoly)	Turbulent field (no economic concepts as yet; however symptoms are presents e.g. stagflation)
Prime beneficiary group (Blau and Scott)	Owners / Managers	1.Owners/Managers 2.Employees	1.Owners/Managers 2.Employees 3.Task Environment (Supplier / Distributor / Creditor etc)	1.Owners/Managers 2.Employees 3.Task Environment 4.Public at large (society as a whole)
Primary organizational goals.	1.Profit	1.Profit 2.Resource Utilization	1.Profit 2.Resource Utilization 3.Sales volume	1.Profit 2.Resource Utilization 3.Sales volume 4.Welfare of society
Primary type of policies	1.Financial	1.Industrial 2.Market	1.Financial 2.Industrial 3.Market	1.Financial 2.Industrial 3.Market 4.Social

Source: Thomas J. Zenisek,(1979) 'Corporate Social Responsibility: A Conceptualization Based on Organizational Literature' in *The Academy of Management Review*, Vol. 4, No. 3, p.p.365

2.6.1 Phase 1: The period roughly from 1850 to 1910:

The specific character of this model of the corporate enterprise was the separation of power between the owners and managers. The socio-economic environment was largely peaceful which was ideal for the growth of the corporate enterprise. It was an industrial era and the people that dominated the corporate enterprise were individuals who had characteristic traits of cheapness, low dignity, hypocrites etc. They blindly believed in Darwinism theory of survival of the fittest.¹⁶ They had no compassion or ethics. During this period only the owners and the managers were the beneficiaries of the corporate enterprise. As evident the Primary organizational goals were those aimed for achieving more and more profit and Primary type of policies were basically profit oriented.

Thus we can say that in this phase the perception about CSR were similar to the classical view or the orthodox neoclassical perspective. As according to this perspective there is no provision or necessity for business to look beyond profit-making behaviour, and where indulging in CSR activities is seen as incurring an extra cost which is not a necessary objective as it goes against the profit maximization behaviour of the corporate enterprise. Even the proponents of this view don't see any benefits for indulging in CSR activities. So indulging in social responsible activities or making policies beneficial for society at large did not exist in this corporate phase.

2.6.2 Phase 2: The period roughly from 1900 to 1950:

During this phase the corporate model was influenced by the organizational participants like the employees of the corporate enterprise. This corporate phase had witnessed the rise of unionism, where workers rejected the view that they were only a factor of production. So they organized themselves into groups to fight for their rights and to ensure that they should not be exploited anymore. This resulted in the establishment of certain regulation like Workers Compensation Act 1938¹⁷, Income Tax (corporate) 1917, Norris –laGuardia 1932¹⁸, Wagner Act Wage

¹⁷ The Workers Compensation Act 1938 (No.4524) became effective on 18 July 1938. It established the Workers Compensation Board. Which consisted of three members, a County Court Judge as Chairman and two members, one representing the insurers and the Victorian Employers Federation and the other representing the Melbourne Trades Hall Council.

¹⁸The Norris – LaGuardia Act was passed in 1932. It gave freedom to the labor unions to organize, strike and to use other forms of economic leverage in dealings with management. In addition, it barred

Hour Law 1936¹⁹, Social Security 1941, O.P.A 1940-45²⁰ were enacted. In this phase the Prime beneficiary group were the owners, managers and to a little extent the employees. The Primary organizational goals were motivated towards profit and resource utilization. Primary type of policies was oriented towards industries growth and to be more competitive in the market. So here certain incentives to the employees were given to avoid conflict with the union.

Even in this phase we cannot see the social or ethical face of the corporate enterprise. Although there are some legislation for the workers but one should not misinterpret it as a socially responsible behaviour. It was more of a corrective measure. As the workers were the key constituents of the corporate enterprise and saving them of exploitation through legislation is not responsibility. Moreover with the rise of unionism, the corporate enterprise changed its previous policies of workers exploitation and resource expropriation for the owners. Recognising the workers as one of the key agents in running a corporate, resulted in policy change of the corporate enterprise.

2.6.3 Phase 3: The period roughly from 1945 to 1960.

In this phase not only the owners and employees but also the task environment like suppliers, creditors, distributors etc started to influence the performance of the corporate enterprise. It was a phase characterised by over production and competition, so the importance of marketing started gaining momentum. Legislation that were passed during this time were Wheeler Lea 1938²¹, Wool Labeling 1939²², Tuft Hurtle 1947²³, Flour Products 1951²⁴, Flammable Products 1953²⁵, Textile Fibre 1958²⁶, Landrum Griffin 1959²⁷ etc. The primary

Federal courts from issuing restraining orders or injunctions against activities by labor unions and individuals, including the following

¹⁹ This act protects the labour from unfair labour practices. Like employing for a long time and paying less.

²⁰ O.P.A 1940-45. This act allowed the appointment of aborigines in the Aborigines Welfare Board

²¹ This act broadened the Federal trade commission powers to include protection for consumers from false advertising practices

²² This act protects To protect producers, manufacturers, distributors, and consumers from the unrevealed presence of its substitutes by mentioning a permanent tag and conveying three pieces of information to the consumer: the fibre content, the country of origin and the name of the manufacturer

²³ This act guarantees the workers the rights to join unions, bargain collectively, and conduct strike.

²⁴ It is a method to produce stable bran and flour products from cereals

²⁵ This act aims to regulate and set mandatory safety standards for dangerous products on the market.

²⁶ This act aims to protect producers and consumers against misbranding and false advertising of the fibre content of textile fibre products.

beneficiaries of this model were the Owners, Managers, Employees and the task Environment like Supplier, Distributor, and Creditor etc. The organizational goals centred around Profit maximization, Resource Utilization and to increase the Sales volume. While the organizational policies centred on Financial, Industrial, and Marketing areas.

In this phase we can justify the CSR activities if we look at it from socio-economic perspective of CSR. This perspective view that by undertaking CSR activities certain benefits can be gained like avoidance of regulation and building up of a good customer and supplier relationship. Here business continues to pursue profit maximization as a primary concern, while they also try to meet the social demand and derive some benefits in the process.

2.6.4 Phase 4: The period from 1960 onwards.

This period saw a growing criticism of the corporate scandals. So there was a pressure to neutralize the strong public opinion against the corporations. The important legislation passed during this phase were Water Pollution Control 1961, Clean Air 1963, Civil Rights 1965, Air Quality 1967, O.S.H.A 1970, Environmental Quality 1970, E.P.A 1970, Amendments to Civil Rights 1972, No Discrimination of Age and Equal Pay. The primary beneficiaries were Owners, Managers, Employees, Task Environment and Public or society at large. The organizational goals were based on Profit, Resource Utilization, Sales volume, Welfare of society and the organizational principles hovered around Financial, Industrial, Market, Social aspects.

In this phase we can classify CSR as reputation capital. This concept was given by John Samuel and Anil Saarir. According to this perspective CSR is looked as a strategy which helps in minimizing market risk and maximizing profit by taking all the key stake holder into confidence. The proponent of this perspective always highlights the CSR measures taken by them in advertising and marketing initiatives.

Thus from the preceding arguments we can conclude that, undertaking CSR activities was neither present in the organizational principles nor in the goals of the corporate enterprise since its inception. Although some measures were taken from

²⁷ It is officially known as the Labour-Management Reporting and Disclosure Act. It aims in The act provided for the regulation of internal union affairs, including the regulation and control of union funds.

1900 A.D onwards but it was more of a corrective measure. During 1945 also one can see some CSR activities but it had a economic-social angle, which is discussed above. But it was from 1960 onwards that the corporate enterprise adopted a societal welfare policy in its organizational goals and principles. And in this phase one can classify CSR activities as a reputational capital. As it is clear that CSR activities started around 1960 and from the above table one can figure out that the number of legislation on the corporate enterprise were increasing with every passing period. This regulatory environment can be a strong source of external control. As with the help of laws the state can control the behaviour of the corporate enterprise directly(e.g. Employment Laws, Safety Laws, Non Discrimination Laws, Pension Laws, Liability Laws). And this legislator frame work directly intervenes in the activities of the corporation (Sundram, Bradley, Schipani, Walsh 1999). More over it is very hard to neglect the social milieu that persisted during that time like rise of unionism, marketing, and pressure to internalize the social externalities and its influence on the corporate enterprise. So one even cannot rule out the influence of the socio-politico context in which the corporate enterprise is situated.

So from the above analysis one can come to understand that there is certainly some role of state and civil society to influence the behaviour of corporate enterprise. So an analysis of is to be done CSR within the broad matrix of state, civil society and the corporate enterprise. So the next chapter will help us in understanding the nexus between state, civil society and the corporate enterprise.

CHAPTER - 3

CONCEPTUALIZING THE RELATIONSHIP BETWEEN THE STATE, SOCIETY AND CORPORATE ENTERPRISE.

3.1 Introduction:

In the preceding chapter it became evident that CSR did not figure in the initial organizational goal or principles of the corporate enterprise. The emergence of CSR therefore has to be located in the boarder matrix and dynamics of the relationship between state, civil society and corporate enterprise. Thus I have divided this chapter into three parts.

The first part tries to understand the relationship between the corporate enterprise and the state. This is important because it will help us to understand whether the corporate enterprise acts freely or under the pressure of the state. It also helps us to know, whether the state is an instrument or the agent of the corporate enterprise interests. In this part views of scholars like Karl Marx, Freidrich Engels, Louis Althuser, Karl Polanyi are deployed to understand the relationship between the state and the corporate enterprise. These scholars are important because unlike classical economists like Adam Smith they did not look at the economic institution or the corporate enterprise in isolation from the structure of society.

The second part tries to outline the relationship between the corporate enterprise and the society. The scholarly works of Karl Polanyi, Marx Granovetter, Neil Smelser and Talcott Parson are used. This part will help us to understand whether the economic decisions do get influenced by the social factors or whether the economic institutions are independent from the society's influence. Further this also opens up possibilities to analyse the sociological reasons for the emergence of CSR.

In the final part I have tried to outline the role of civil society in the context of the state and market. Work of scholars like Antonio Gramsci, Tocquville, and Habermas are emphasized. This section will help us in understanding whether the civil society is a passive force which is unaffected by the actions of the state or the corporate enterprise, or it is an active force which is instrumental in bringing some

change in the policies or workings of the state or corporate enterprise. And if civil society is a force capable of pressurizing the state and corporate enterprise then we can further outline and understand the need for CSR to have emerged.

Thus by analyzing the relationship between the corporate enterprise and the state; the corporate enterprise and the society; and the civil society with the state, we can understand the way the corporate, state and society works. Thus these will help us in understanding and finding the rational for emergence of CSR. This is important as we saw in the last chapter that CSR was not an integral part of corporate activities from the beginning.

3.2 Understanding the nexus between the corporate and state:

Basically liberal theories and commonsensical understanding views the state as a neutral arbiter which is above all sectional interest. In other words the state is not seen as being constituted of the social forces that make up society. While in contrast, Marxist scholars assume that the nature of state is part and parcel of the society. In other words the class dynamics of society has to necessarily impinge in the making of the state and in shaping its character.

Thus by taking into account the categorization of state made by Poulantzas, we can look into the role and function of the state. He analysed the state from two aspects:

(a) The first aspect looks at the state as a thing or instrument. Therefore the state is seen as a passive tool in the hands of a class or of a particular faction. Thus from this perspective the state has little autonomy. Because the social class act to influence the state by forming themselves into various pressure groups. Thus the dominant class influences and absorbs the state and its specific powers.

(b) The second aspect views the state as a subject, which means the autonomy of state and its specific power are considered to be absolute. The state functions in its own which is seen seen through the rationalizing instances of civil society and its power is also incarnated in a group that correctly represents this power e.g. bureaucracy, elites. Moreover here the state subdues the classes. It also resists and deprives the dominant class power and works to its own advantage (Poulantzas).

After outlining these two aspects of the state, an analysis of the relationship of state with the corporate enterprise and the civil society becomes relevant to understand whether state is an independent institution or it gets influenced by certain external forces like the business elites, the corporate enterprise, or the civil society to be specific. In the following section one borrows the ideas from certain theorist to analyse the relationship between the state and corporate enterprise.

3.2.1 The state as the product of irreconcilable class antagonisms:

Freidrich Engel and Karl Marx were of the opinion that the state originated in a particular context i.e. conflicting interest. This context led to the need to mediate between different classes because of their conflicting interest. Maintenance of order or peace was the rationale behind the emergence of the state. Although the state is assumed to have a neutral stand, Marx and Engels are sceptical about it. They were of the view that the social structure or the ruling class influences the nature and functioning of the state.

To quote from Engels:

The state is therefore by no means a power imposed on society from without; just as little is it “the reality of the moral ideas,” “the imagine and the reality of reason ,”. Rather it is a product of society at a particular stage of development; it is the admission that this society at a particular stage of development; it is the contradiction and the cleft into irreconcilable antagonism which it is powerless to exorcise. But in order that these antagonism, classes with conflicting economic interest shall not consume themselves and society in fruitless struggle, *a power apparently standing above society has become necessary to moderate the conflict and keep it within the bounds “order”;* and this power, *arisen out of society, but placing itself above it and increasingly alienating itself from it, is the state.* (Engels 1884, emphasis mine)

Thus if we sum up Engels view we can say that the state originated to maintain order and mediate between different classes as they had conflicting interest. In order to avoid certain kind of struggle or unrest the state emerged. Thus it is

important to notice that the state is not an external entity but is a product of society's tension.

On similar lines scholar like Mandel also looks at the State as a product of irreconcilable class conflict within the social structure, which it seeks to regulate on behalf of the ruling class. Moreover he also claims that the state does not determine the social structure and the nature of the class conflict by supporting and protecting their origins, as the nature of state is itself the product of the material conditions of production. He opines that the principal factor in determining the character of the state is not in the prevailing form of rule, which can vary greatly from time to time, but the type of property and productive relations that its institutions and prime beneficiaries protect and promote. This is important because it means that the modern capitalist state can be seen as impermanent and fallible, such that if the property relations and the material conditions of production to which they give rise can change, then so can the nature of the state (Mandel 2004).

3.2.2 The state as an instrument for the exploitation of the oppressed class.

According to Marx the state is an organ of class domination, it is an organ of oppression of one class by another. This oppression is legalized and perpetuated under the ideology of maintenance of order between the classes. The State is a 'machine' of repression, which enables the ruling classes particularly the bourgeois class and the 'class' of big landowners of the nineteenth century to ensure their domination over the working class. Thus the state enables the former to subject the latter to the process of surplus-value extortion (i.e. to capitalist exploitation).

Engels further argues:

The state arose out of need to hold class antagonism in check, but as it at the same time, arose in the midst of the conflict of these classes, it is, as a rule, the state of the most powerful, economically dominant class, which by virtue thereof becomes also the dominant class politically, and thus acquires new means of holding down and exploiting the oppressed class. Thus the ancient state was above all the slave owners' state for holding down the slaves, as the feudal state was the organ of the nobles for holding down the peasantry,

bondmen and serfs, and the modern representative state is the instrument of the exploitation of wage-labour by capital. . (Engels 1884, emphasis mine)

Moreover in most states that have existed in history the rights conceded to citizens have been graded on the basis of property, and thereby the fact has been directly expressed that *the state is an organization of the possession class for protection against the non-possessing class.* (Engels 1884, emphasis mine)

Thus taking into account the views of Marx and Engels, we can say that the state although emerged to mediate between the antagonistic classes, it eventually became an instrument of the ruling class. The ruling class or the dominant class started to use the state for its own purpose to ensure its domination and to exploit the oppressed classes.

3.2.3 State and State Power are simply surface reflection of economic base.

Karl Marx views the state and state power as simple surface reflection of the system of property relations and the resulting economic class structure. It is clear in his early comments on law where he opines that the legal relations are treated as mere expression of social relations of production., but is also apparent in more general analysis of political institutions. The most frequently cited illustration of this approach is the 1859 preface to his Contribution to the Critique of Political Economy. This appears to treat law and politics as a superstructure based on the economic infrastructure.

To quote Karl Marx:

I was led by my studies to the conclusion that legal relations as well as *forms of state could neither be understood by themselves nor explained by the so-called general process of the mind ,but are rooted in the material conditions of life.*

In the social production which man carry as they enter into definite relations that are indispensable and independent of their will; these relations of production corresponds to a definite stage of development of their material power of production. The sum total of these relations of production constitute

the economic structure of society – the real foundation on which rise legal and political superstructure and to which corresponds different forms of social consciousness. The mode of production in material life determines the general character of the social, political, spiritual process of life (Marx 1859, emphasis mine).

Thus from the above analysis we can say that the state is not an independent force but it is interlinked with the economy. And many times the economic structure determines the action of state.

3.2.4 State as an apparatus:

Louis Althusser emphasized the power of the state. According to him, the state is meaningless without its power. He even stresses that many political classes or an alliance between classes or class fraction struggles to seize or achieve this power. The possession of power revolves around the State. Thus he made an important distinction between the State powers (The conservation or seizure of this power is the main objective of the political class struggle) with the State Apparatus.

Althusser perceives that the State Apparatus survives despite different revolutions as is proved by the bourgeois revolutions in nineteenth-century France (1830, 1848)²⁸, by coups d'état (2 December, May 1958)²⁹, by collapses of the State (the fall of the Empire in 1870, of the Third Republic in 1940)³⁰, or by the political rise of the petty bourgeoisie (1890-95 in France)³¹, etc., without the State Apparatus being affected or modified: it may survive political events which affect the possession of State power. Even after a social revolution like that of 1917 in Russia, a large part of the State Apparatus survived after the seizure of State power by the alliance of the proletariat and the small peasantry, a fact which Lenin repeated time and again (Lenin 1884, 1891).

²⁸ As during this time the Charles X and his son Louis abdicated the throne. In this era many legitimist thought of themselves to be the king. It was a chaos state.

²⁹ The algeirs in order to change the policies in favor of the right-wing partisans of French Algeria, marked the return of Charles de Gaulle to political affairs after a decade of absence.

³⁰ Because Louis-Napoléon was defeated in the Franco-Prussian war in 1870 and the invasion of France by the German Third Reich in 1940.

³¹ It can be said in the ontext of rise of Friedrich Nietzsche's and his inclination to right-wing German militarism.

Louis Althusser argued:

The State is thus first of all what the Marxist classics have called the State Apparatus. This term means: not only the specialized apparatus (in the narrow sense) whose existence and necessity I have recognized in relation to the requirements of legal practice, i.e. the police, the courts, the prisons; but also the army, which (the proletariat has paid for this experience with its blood) intervenes directly as a supplementary repressive force in the last instance, when the police and its specialized auxiliary corps are 'outrun by events'; and above this ensemble, the head of State, the government and the administration. *The State Apparatus, which defines the State as a force of repressive execution and intervention 'in the interests of the ruling classes' in the class struggle conducted by the bourgeoisie and its allies against the proletariat, is quite certainly the State, and quite certainly defines its basic 'function'.* (Althusser 1970, emphasis mine)

Thus Althusser perceived the state apparatus to be repressive. Althusser highlights the massacres of June 1848³² and of the Paris Commune³³, of Bloody Sunday³⁴, of the Resistance, of Charonne³⁵, etc., to the mere interventions of a 'censorship' which has banned Diderot's *La Religieuse*³⁶ or a play by Gatti on Franco; it casts light on all the direct or indirect forms of exploitation and extermination of the masses of the people. He defines the State Apparatus functions in the form of repression, execution and intervention in the interests of the ruling classes. The objective of this class struggle concerns with the appropriation of state power. Moreover the classes (or alliance of classes or of fractions of classes) which holds the state power use this power to fulfill their class objectives. In this context he argues that the proletariat must seize state power because the existing state apparatus is bourgeoisie in nature. So the bourgeoisie state apparatus should be replaced with a

³²In Prague Bohemia(now Czech republic), It was a time of revolutions and army were searching for rebels. A train of students left from prague someone had a stifle with the armed forces, so those forces attacked and killed everyone in sight.

³³ The paris Commune was a local body that ruled Paris for two months from March 28 to may 28, 1871. But for the torture it inflicted on the people made it unforgettable.

³⁴ It was in January 20, 1905 when agroup of unarmed and peacefull protesters were going to the Tsar Nicholas to give a petition were gunned down by the imperial guards.

³⁵ This is basically refer to paris massacre of 1961 when the police killed nearly 30,000 pro FLN Algerians, peaceful but illegal demonstrators.

³⁶ The play *La Religieuse* was banned as it has anti catholic feeling.

different, proletarian, state apparatus. And ultimately the destruction of the state, the end of state power, the end of every state apparatus should be aimed for.

3.2.5 Modern market economy and modern nation-state are interrelated and are not discrete elements.

Polanyi in his book “The Great Transformation”, emphasized the importance of the modern nation-state for the modern market economy. He viewed that a powerful modern state was required to push changes in the social structure thus making an environment conducive to competitive capitalist economy. Secondly even the capitalist economy required a strong state to mitigate its harsher effects. Polanyi criticizes the notion of a fully self-regulating market economy. Because when the consequences of unrestrained markets become visible people resist, they refuse to act like lemmings marching over a cliff to their own destruction. Thus in order to save the society and market from destruction, they reject the tenets of market self-regulation. In this context disembedding the market cannot be justified.

The main thrust of Polanyi’s argument comes when he makes a demarcation between real and fictitious commodities. For Polanyi, a commodity is something that has been produced for sale in the market. By this definition, land, labour, and money are fictitious commodities because they were not originally produced to be sold on a market. Labour is simply the activity of human beings, land is subdivided nature, and the supply of money and credit in modern societies is necessarily shaped by governmental policies. Modern economics starts by pretending that these fictitious commodities will behave in the same way as real commodities. So here Polanyi argues that the economic theorizing is based on a lie and this lie places human society at risk. There are two levels to Polanyi's argument here.

- The first is a moral argument. This implies that it is simply wrong to treat nature and human beings as objects whose price will be determined entirely by the market. Because it violates the principles which regard that both nature and human life are sacred, which have governed societies for centuries. Thus it is impossible to replace this sacred dimension with the subordination of labor and nature to the market.

▪ The second level of Polanyi's argument centers on the role of the state in the economy. Even though the economy is supposed to be self-regulating, the state must play the ongoing role of adjusting the supply of money and credit to avoid the twin dangers of inflation and deflation. Similarly, the state has to manage shifting demand for employees by providing relief in periods of unemployment, by educating and training future workers, and by seeking to influence migration flows. While in the case of land, governments have sought to maintain continuity in food production by a variety of devices that insulate farmers from the pressures of fluctuating harvests and volatile prices. In urban areas, governments manage the use of the existing land through both environmental and land use regulations.

In short by understanding the role of state in managing fictitious commodities criticizes the market liberalism's view that the state is "outside" of the economy. Real market societies need the state to play an active role in managing markets, and that role requires political decision making; it cannot be reduced to some kind of technical or administrative function. When the state policies move in the direction of disembedding through placing greater reliance on market self-regulation, ordinary people are forced to bear higher costs. Workers and their families are made more vulnerable to unemployment, farmers are exposed to greater competition from imports, and both groups are required to get by with reduced entitlements to assistance. It often takes greater state efforts to assure that these groups will bear these increased costs without engaging in disruptive political actions. It requires statecraft and repression to impose the logic of the market and its attendant risks on ordinary people.

3.2.6 State is bourgeois in Principle and Practice.

For Bonefield the state is bourgeois in principle insofar as it embodies and enforces bourgeois laws. He particularly emphasized those laws that protect private property. Thus on the basis of the law of abstract equality the state preserves the unequal production relations. According to Ernesto Mandel, the state is bourgeois even in practice. The centre of state power which Mandel claims are not the elected representative but the civil servants, the police, the judicial system and all other servants of the state who are permanent. This permanency of centralised power serves

the interests of the political class, the bourgeoisie rather than the working class that is supposedly being represented. He gives the case of Britain and the USA, where the vast majority of elected politicians are lawyers or other professionals. (Mandel, 2004).

Mandel further argues that many institutions which appear today as democratic in nature, for example the parliamentary institution, clearly reveal the class nature of the bourgeois state. Initially in most of the countries in which parliamentarism was instituted, only the bourgeoisie had the right to vote. This type of parliamentary democracy existed in most Western countries till the end of the nineteenth century or even the beginning of the twentieth century. And Universal Adult suffrage is a relatively new phenomenon in the history of capitalism. So how does one explain this? One can understand this universal adult suffrage by looking at the seventeenth century, when the English capitalists proclaimed "No taxation without representation". The English capitalist meant only representation for them or the bourgeoisie. And at that time it seemed absurd and ridiculous to allow those person to vote who own nothing and paid no taxes. The bourgeoisie were of the opinion that the parliament was created for the very purpose of controlling expenditures made with the taxpayers' money. And only those who pay taxes may validly exercise this control because those who do not pay taxes would constantly have the tendency to increase expenditures, since they are not footing the bill. But with growing dissent among the public towards this limited representation of bourgeoisie, the bourgeoisie cleverly initiated universal suffrage attaching universal taxation with it. Thus he outlines that taxation which is seen as an instrument of social justice by means of economic redistribution, becomes a form of political repression. Taxation acts as a means of representation for the taxpayers, and since the bourgeois pays more taxes than the working class so they influence the state more. And although the working class are being exploited still they have to pay tax. But in general taxation becomes a mode of representation for the bourgeoisie. Thus the parliamentary institution shows a direct relationship between the domination of the ruling class and the exercise of state power. During the period from fifteenth to sixteenth century onward the monetary needs of the modern state become greater. It was the money of the capitalists, of the merchant and commercial bankers, that in large part fills the coffers of the state. Ever since that time, to the extent that the capitalists pay for the upkeep of the state, they

will demand that the latter place itself completely at their service. They will make this quite clearly felt and understood by the very nature of the laws they enact and by the institutions they create. In a capitalist society, the state is seen as inherently bourgeois. In the words of Marx and Engels, “The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie”. (Marx and Engel, 1848).

Thus by taking the insights from Marx, Mandel and other scholars we can conclude that the state acts in the interest of the bourgeoisie or capitalist interest. This is more visible in the present context with the rise of multinational companies. Due to the Neoliberal Policies the nation state boundaries are becoming less important and less visible. Through the process of Globalization and Neo-Liberal policies a process of making a global state is being initiated with a rational to fulfil or to look after the needs of the multinational companies (Chimni 2004). Thus borrowing from Chimni we can further understand the relations of the nation-state with transnational company and various International Institutions. Some of his arguments are outlined below.

- International Institutions like WTO, IMF etc have developed in all areas of international relations like economic, political and social. Thus with the evolution of the international standards the sovereign state autonomy gets limited.
- Secondly with the emergence of international economic institution like WTO, IMF, World Bank the economic decision making authority has been relocated from states to these international economic institutions. And since these institutions possess effective enforcement powers so their chief task is to facilitate transnational capital by creating appropriate economic and social conditions.
- Third the UN by embracing the neo-liberal policies facilitates the interest of transnational capital. Thus increasing the role that the private corporate sector can play within the organization(s).

Thus by analyzing the above theoretical insights we can conclude that the state acted as a facilitator of corporate interests. In the present context with the rise of international institution the power of state has been reduced significantly. Thus in this

context we can say that the state definitely acted as an instrument or a thing of a particular class. So after outlining that the autonomy of state was a vague proposition and the state and corporate worked in cooperative nexus than the question which arise in mind is that, what promoted the corporate to go for a social action(according to Corporate enterprise) like CSR. Thus we need to move beyond the state and the international institutions to the dynamics of society at large. Perhaps an understanding of the relationship between the corporate and society will help us in understanding the rational in the emergence of CSR. So the relationship between corporate and society is theorized in the next page.

3.3 Understanding the nexus between the corporate and society:

In recent times we hear a lot about Green labels, eco-efficiency, life-cycle management, environmental and social reporting, socially responsible investing, and closed manufacturing process. These expression of corporate social responsibility appear regularly in corporate publication, a phenomenon which no one would have predicted 40 years ago. This does not mean that Global corporations woke up on their own one morning to become socially responsible citizens. However they were instead awakened roughly by the concerned efforts of civil society efforts. Thus to understand why the corporate are acting under pressure of society or civil society to be particular, we need to conceptualize the relationship between society and corporate. This is stated below.

3.3.1 Economic action as Social action:

There exist a complicated link between an economic actor, other actors (social /political) as well as the social environment that all strands of economic sociology agree upon. This idea was highlighted in the work of Karl Polanyi where he stressed the notion of embeddedness. According to Polanyi economic action without the societal elements would be like bare bones that would have no unity or stability. In the great transformation Polanyi has attempted to show the terrible anarchy that developed in nineteenth century England when the social foundations of the economy for a brief period crumbled. For Polanyi and for economic sociologists the idea that an economic actor who is separate from society is unrealistic and this is the cause of many misunderstanding in neoclassical economics. In the words of Polanyi, "Our

thesis is that the idea of self-adjusting market implied stark utopia". (Polanyi 1944).

Polanyi emphasized that the entire theorization of the classical economic thought rest on the conceptualization of the economy as an interlocking system of markets that automatically adjust supply and demand through price mechanism. This theorization is still followed in the present times. Although some economist acknowledge or accept the fact that the market system sometimes need help from the government to overcome market failure but still the conceptualization of the economy as an equilibrium system of integrated markets holds its ground. But Polanyi was against this dis-embedding of the market and he argued that the human economy was always embedded in the society. The term embeddedness expresses that the economy is not autonomous as it suggested in economic theory, but subordinates to politics and social relations (network). He formulated four types of system in which the need for goods and commodities are fulfilled. Moreover he used the concept of embeddedness to show how classical economist, especially Malthus and Ricardo took a radical break from the previous thinkers. Instead of subordinating the economy to society, their view regarding self regulating markets forced them to theorize the subordination of the society to the logic of market.

In order to justify his argument Polanyi referred to a tribe by the name of Kula Ring which is one of the Western Melanesian Community of the Trobean Island. He found out that there was an absence of the principle of getting any remuneration for the amount of labour undertaken by an individual member. There was an absence of separate and distinct institution which is purely based on economic motives. Polanyi's argument is that the tribe is a multi-functional institution. It functions simultaneously as an economic institution mobilizing resources to feed, cloth and shelter its members and as a cultural institution providing meaning and a sense of community cohesion between its members. Hence when tribal members exchange goods they don't do it for material survival or to access a wider range of goods, but also to reaffirm the social bonds between them. In this sense, economic relations are embedded in broader social relations.

Some extracts regarding this feature of Kula Ring as written by Karl Polanyi in his book *The Great Transformation* are quoted below to help us develop his argument more comprehensively.

The sustenance of the family - the female and the children - is the obligation of matrilineal relatives. *The male, who provides for his sister, and her family by delivering the finest specimens of his crop, will mainly earn credit due to his good behavior, but will reap little immediate material benefit in exchange; if he is slack, it is first and foremost his reputation that will suffer.* It is for the benefit of his wife and her children that the principle of reciprocity will work, and thus compensate him economically for his acts of civic virtue (Polanyi 1944, emphasis mine).

The principle of redistribution is no less effective. A substantial part of all the produce of the island is delivered by the village headmen to the chief who keeps it in storage (Polanyi 1944).

As long as social organization runs in its ruts, no individual economic motives need come into play; no shirking of personal effort need be feared; division of labor will automatically be ensured; economic obligations will be duly discharged; and, above all, the material means for an exuberant display of abundance at all public festivals will be provided. In such a community the idea of profit is barred; higgling and haggling is decried; giving freely is acclaimed as a virtue; the supposed propensity to barter, truck, and exchange does not appear. The economic system is, in effect, a mere function of social organization (Polanyi 1944, emphasis mine).

Thus Polanyi outlined four mode of integration by which resources have been collected, produced, stored and disturbed to meet human wants during the course of history. These modes are outlined below:

- Reciprocity: In this system the human wants for goods and services are are satisfied through an exchange pattern. This is a predominant feature of a closed tribal or kinship system. Basically the main purpose is to reaffirm the interdependence between all the members through performance of obligation.

- **Redistribution:** In this system there is a centralized control over resources. The best example is during the time of imperial power, where it controls all the goods and services. And the human needs are fulfilled by these imperial forces through redistribution of the resources that is controlled by them.

- **Households:** In this system wants are satisfied through self sufficiency. Here an individual is solely responsible in fulfilling his/her own needs of goods and other commodities.

- **Market:** in this system the needs of goods and other resources of the individual is fulfilled through market transaction or exchange.

To quote Polanyi: “No economy prior to our own controlled and regulated by markets” (Polanyi 1944). According to Polanyi many economists have neglected the first three types of economy, in favour of a market based economy as the basis of their conceptualization of the economy. So in Polanyi’s views those economists hold a narrow ahistorical approach. Moreover this will enable most economists to bracket out society and history from their definition of economics. He believes this bracketing out cannot be sustained.

Thus by taking into account the above debate we can formulate the propositions that:

- It is very difficult to categorise anything to be a pure Economic action, as social elements do tend to influence such action.

On the lines of Polanyi we can say that it is wrong to look at economic life in isolation because the social influences play a key role in constituting economic relations. Thus it will be wrong to think of the economy as an autonomous realm in which politics or the community intervenes or interferes as if from outside. Polanyi argues that it is the extra- economic factors which influences in constituting and reproducing of economic relationships, although they are also are influenced by them. For example the economic institution of wage-labour is one in which individuals sell their labour-power to an employer in return for a wage. But this cannot be explained as a purely economic based market phenomenon. Nor has it survived for purely economic reasons. One can say that wage-labour is one of the economically efficient means of labour organization. And its origins and reproduction have depended on

favourable forms of political underpinning. Like political and legal support for the limitation or abolition of non wage based employment alternatives such as peasant farming or voluntary unemployment through the welfare state have emerged.

We can thus conclude that there exists a complex link between an economic actor and other actor as well the social environment. Economic action is socially situated and cannot be explained by references to individual motives alone as it is embedded in ongoing networks of personal relationship rather than being carried out by atomized actors. Here network symbolises a regular set of contracts or similar social correction among individuals or groups (Swedberg and Granoveter 1992).

3.3.2 Economic action is socially situated:

If we take the neo classical framework then the interaction between real firms (actors) and their host environment is difficult. But such problem is avoided in economic sociology because it conceptualizes the actor as a social agent. Thus this will help us in establishing a relationship between the economic actors with the other actors and the social environment. So an analysis should comprise taking into account the broad spectrum of action and actors. Granovetter outlined some core principles of social structure that influences in determining the economic action. These core principles are outlined below.

To quote Granovetter:

Social structure, especially in the form of social networks, affects economic outcomes for three main reasons. First, social networks affect the flow and the quality of information. Much information is subtle, nuanced and difficult to verify, so actors do not believe impersonal sources and instead rely on people they know. Second, social networks are an important source of reward and punishment, since these are often magnified in their impact when coming from others personally known. Third, trust, by which I mean the confidence that others will do the “right” thing despite a clear balance of incentives to the contrary, emerges, if it does, in the context of a social network. (Granovetter 2004)

Thus Granovetter stresses three propositions to justify that economic action is influenced by social structures. Which are outlined below.

1. Norms and Network Density: Granovetter is of the opinion that generally notions regarding free-riding, exploitation etc is less in the group in which the social network is dense and cohesive. Because the actors in such networks internalize norms that discourage free-riding or exploiting others and emphasize trust. But in larger groups people will have lower density of social network as there will be cognitive, emotional, spatial and temporal limits in sustaining social ties. Thus, it becomes difficult to crystallize and enforce norms, including those against free-riding if the group is large. So the main argument here is that behaviour regarding free-rider is unlikely within immediate families.

2. The Strength of Weak Ties: It implies that the information which we have and which our friends receive many times overlaps because we and our close friends move in the same circles. But by contrast our acquaintance knows people that we do not and thus they receive more novel information. This is because our acquaintances spend less time with us than our friends. And since they move in different circles from ours so they get connected to a wider world. Therefore they can be a better source of information for finding new job or some scarce resources than our own friend circle. In 1992 Burt extended and reformulated the weak ties argument. He emphasized that it is not the quality of any particular tie but rather it is the way in which different parts of networks are bridged. He was of the opinion that individual who have links with multiple networks have a strategic advantage as they become the only medium in which information passes from one network to other. In this way they exploit the structural holes in the network.

3. The Interpenetration of Economic and Non-Economic Action: Granovetter was of the opinion that mostly our social life revolves around a non-economic focus. So when these two economic and non-economic activities are intermixed, the non-economic activity affects the costs and the available techniques for economic activity. For him the intermixture of economic and non-economic activities is known as social embeddedness of the economy for him. As many time the economic action is linked to or depends on non-economic in content goals or processes.

Thus taking into account these above principle Granovetter also outlined that how these social structure impacts the economic activities like Labour markets, productivity, price and innovation.

1. Social Structure and its influence on Labour Markets: Granovetter is of the view that social networks play a key role in the labour market. Because many times prospective employers and employees gather information regarding each other sources whose information they trust. This leads to asymmetric information. Moreover he views many times during our social interaction information regarding details about employers, employees, and jobs flows from people who maintain it for non-economic reasons. As the individual use the pre-existing networks which are already in place and since these networks are unevenly distributed across individuals so it creates an uneven playing field in the labour market. This happens many times the actor does not necessarily have the intention of doing it.

2. Social Structure and its impact on Productivity and Compliance: Economic Productivity is also related to personal traits which is also modifiable by learning. One's position in a social group can also be a central influence on productivity. Because many tasks cannot be accomplished without serious co operation from others. Further many tasks are too complex and subtle to be done by the book and require the exercise of tacit knowledge appropriable only through interaction with knowledgeable others.

3. Social Structure and its impact on Innovation: During the early nineteenth century Americans looked at life insurance as sacrilege, or at best gambling. But it was during late 1800s that life insurance had established itself as a breadwinner's obligation. One can trace that the insurance industry, to achieve this transformation, made use of religious language and secured the support of clergy who urged on their flocks the necessity of providing for family after death, making this a sacred duty.

4. Social Structure and Prices: When people trade with other people they know it impacts on the dealing. Thus the price varies with their relationship, the cost of shifting to different partners, and the market situation.

3.3.3 Economic system is a Sub-system of Social System:

Talcott Parson and Neil J Smelser in their book *Economy and society* show how economy is related to society. Parson was of the view that the survival of any society depends on the fulfillment of four needs. These are adaptation (A), goal attainment (G), integration (I) and latency or pattern-maintenance (L). The social system is made up of four analytical sub system of which economy is one. The main task of the economy is to take cares of society's need to adapt (A). The main idea in economic and society is that the economy can be conceptualized as a distinct subsystem that addresses the problem of adaptation. And moreover it is subordinate to the social system and interacts with the three other subsystems through various input – output exchanges. The adaptive system finally can itself be subdivided according to the AGIL schema. Thus one can tentatively say basing on these arguments that economy is not a fully autonomous unit.

Parson and Smelser argue that the economy is to be defined in terms of a specific social function, performance of which is of critical importance to the successful development of a social system. They also conclude that the specific nature of this function is bound up with the deployment of resource such as land, labour and capital to meet human wants or goals. This incorporates the function of production, in which society acts upon nature and the exchange of goods and services for consumption purpose. Like Polanyi, Parson and Smelser then identified the other non-economic functions and which interact with them. Parson and Smelser identified three additional function.

- **Goal attainment:** This involves the political articulation and implementation of goals.
- **Pattern Maintenance:** It emphasized in establishing and institutionalizing the values into stable cultural patterns.
- **Integration:** It involves in the creation of a balance between the other three functions (i.e. including the economy) so as to manage conflict and tension.

Parson and Smelser also stressed that the four functions are not located in four entirely separate sets of social institutions. But these four function are

abstracted from reality to reduce the complexities of social life. After having made this abstraction a theoretical point, Parson and Smelser felt that in reality, all social systems, including major institutions such as governments, corporations and cultural communities are concerned with various combinations of both economic and non economic functions.

Parson gives the example of the political entity or the Government and says although it is concerned with political goal-attainment it cannot but at the same time avoid economic issues such as fiscal basis of government activity, or the destabilizing effect of unregulated market forces. Similarly economic institutions like banks also involved itself in other social functions. But primarily their focus is on the profitability in investments, loans and other services. More over they do not distance themselves from politics as relationship with government is important for influencing policies regarding regulation of financial markets, the setting of interest rates. Banks may also involve itself in cultural institutions for promoting values like saving and home ownership.

Thus in brief we can say that Talcott Parson and Neil Smelser have attempted to resolve the relationship between social function and their connection with the institutional fabric of the society. They started from the ideological position that the economy is to be defined in terms of a specific social function. And the fulfilment of that specific function is very important for the successful development of social system. Parson and Smelser argue that purely economic issues can be distinguished, but only analytically by abstracting from the more complex multi-functional reality of the real world. Here actual institutions which may be primarily concerned with one function tend to be implicated in wider multi-functional networks which combine 'economic and non-economic functions.

Thus taking these insights from Parson, Smelser, Polanyi and Granovetter we can argue by saying that:

Economy does not function independently or is an autonomous entity. Scholars like Granovetter have clearly showed us how the social structures have an influence on the economy. Even Polanyi, Parson and Smelser were of the view that economy is subordinate to the society. And economy not only influences but also gets

influenced by other sub-system. These scholars falsify the classical economics ideology of identifying the economy with the market. Thus borrowing the theoretical position from these Economic sociologists we can conceptualizes the economy as social economy. This means that the economy is seen as part of society and it is subordinated to the social system. The social systems have an influence on the working of the economic system.

The argument that this chapter has been seeking to promote is that the economy is not an autonomous unit and that the society encompasses the economy. And moreover earlier through the analysis of the relationship between state and corporate enterprise we have seen that state acts as a facilitator of corporate interests. So the next question that arises is did society influenced or pressurized the corporate enterprise to into CSR activities. So it becomes very important to understand the role and relationship of society in general or civil society in particular with that of state and the corporate enterprise so that we can get a clear understanding of how the corporate enterprise works and what is the rationale behind the emergence of CSR. So the role and influence of the society in general and civil society in particular is outlined below.

3.4 Understanding the role of civil society in the context of Society and state:

Civil societies have been conceptualized differently by different authors. For Aristotle civil society meant political society/community of free and equal citizens under a legally defined system of rule. For John Locke civil society evolved out to protect and preserve the rights of the citizens, like right to life, liberty and property which is guaranteed by law. To put in a nut shell civil society is a kind of Political society where the rights of individuals receive primacy over all else. Adam Ferguson broke down this classical conception of civil society by saying that civil society is a type of political order which protects and polishes its mechanical and commercial arts, as well as its cultural achievement and sense of public spirit, by means of regular government, rule of law and strong military defences.

Whether civil society can exist and function properly without co-operation from the state or can it exist independently is debatable. But as the state became more and more exploitative (as I have shown in the first part of this chapter)

people started to be disenchanted, disgruntled and disillusioned with the state. Since the state fails to be fully democratic as it primarily caters to the needs of economic elites or the dominant section of society it leads to a major revival of civil society as an autonomous entity. With growing public awareness the civil society became more dominant with its values of political participation, state accountability and publicity of politics. The institutions of civil society were the associational and representative forums, a free press and social organization. The members of this civil society were the citizens. Moreover the protection of the members of civil society is encapsulated in the vocabulary and institution of rights. Thus civil society is privileged as a necessary condition for the existence of democracy. Thus the roles of civil society are presumed on some broad parameters such as:

1. Protecting the citizens against state arbitrariness.
2. Maintaining a balance between society and state based on the rule of the law.
3. Disseminating the democratic values of tolerance, honesty and mutual acceptance.
4. The creation of public sphere for discussion.
5. Maintaining social conflict by criss-crossing loyalties.

Now let us go into a more detailed analysis about the role and impact of civil society by taking into account the theoretical position of some scholars like Antonio Gramsci, Jurgen Habermas and Tocqueville. Which are outlined in the next page.

3.4.1 Civil society as a counter hegemonic force:

According to Antonio Gramsci, civil society is both a symbolic field and a network of institutional practices which leads to the formation of values, action oriented norms, meanings and collective identities. Antonio Gramsci not only abandoned the economic reductionism of civil society to political economy but also insisted on its autonomy and distinctiveness from the state i.e. political society. In his view civil society belongs to the super-structure rather than the base as viewed in general orthodox Marxian view. But he believes in the Marxian notion that state is the facilitator of bourgeoisie class interest. He also goes one step further by saying that at

times the holders of state power differs in their interest with economic elites or the dominant class of society.

Moreover Gramsci views that the state is not only brutal through the use of force like army, police, and prison but also hegemonic in nature. For Gramsci the state is hegemonic because it incorporates the ideological and cultural ethos of a particular class which is the dominant class and tries to mobilize the rest of the society in those lines. So for Gramsci civil society is the space where domination of hegemony unfolds. And a counter hegemonic force starts gaining momentum. Civil society is an arena in which battles for class power against capitalism is fought. Thus in this area there is a struggle for material, ideological and cultural control along with state, which for Marx was an instrument for class domination. He was also of the view that many times the dominant class establishes its ideological and political hegemony through civil society. So there should also be a class struggle within civil society to counter the hegemony of the hegemonic ethos of the dominant (exploitative) class.

Thus from the above analysis it is clear that although state mobilizes people in the lines of dominant class(business elites etc) but the civil society acts as a counter hegemonic force. Many times it becomes instrumental in exposing the evil effects of corporate enterprise and state practices. So we can conclude that primarily the bourgeoisie state is active in looking after the corporate elite's interest and the civil society looks after the interest and the needs of the common masses. A similar line of argument is given by Habermas which is outlined below.

3.4.2 Civil society act to safeguard the public opinion from getting influenced by state or Market:

Jurgen Habermas gave a lot of importance to the autonomy of public sphere. According to him in the public sphere people not only discusses matters of mutual concern but also give importance to the perspective of others. This public sphere forms the basis of civil society. This civil society must act to protect the autonomy of public opinion from getting undermined or influenced either by the state through its system of power or by the economic power of markets through its system of money. He argues that public opinion is meant to influence the debates within

institution like legislature. So informally it controls the decision and action of rulers and law makers. Moreover he emphasized the prevalence of the rule of law through the assertive role of public opinion. Thus he outlined the institutional core of civil society comprising of non-governmental, non-economic connection and voluntary associations that hold the communicative structures i.e. discussion of matters of the public sphere.

Thus Habermas tried to show that the institution of civil society must act to protect the autonomy of public opinion in the public sphere from getting undermined either by state bureaucracy through its system of power or by the economic power of the market. The role of civil society does not remain only in influencing the public opinion but also the state. This theoretical perspective is outlined below.

3.4.3 Democratic Association helps to curb the state power whenever necessary:

According to Tocquevillian associations are intermediaries between the individual and the state. And strong independent associations are highly required to achieve common goals. In his book "Democracy in America" he incorporated voluntary associations and democratic association within the domain of civil society. This civil society was highly necessary for the success and stability of democracy. He was of the opinion that absolute power should not be bestowed to any authority (state). As democracy tends to give the authority more power, so a check and balance is highly required and these democratic association act as a pressure valve in curbing the state power whenever the condition arise.

For Tocquevillian these intermediary institutions have a rational of its own which is independent of the modern hegemonic state. He also stressed the role associations have in empowering the citizens. This way the citizens can organise themselves to go against the state. He emphasized the impact of collective action and he laid immense emphasis on group actions. As he was of the view that in isolation the individuals cannot pressurize much and will eventually fail to achieve the desired goal. He viewed that collectiveness can influence the state though resisting its power or making it abide by laws for the benefit of the common masses to a greater extent. So eventually he pointed that predominantly the state is despotic in character and thus

the role of these civil association should be to check and control the state power. Thus Tocquevillian suggests that associations are part of civil society. And these democratic associations have immense power to influence the state.

Thus by taking into account the insights from Habermas, Gramsci and Tocquevillian and contemporaries academicians like Neera Chandoke and Rajni Kothari we can outline the role of Civil Society. This is discussed in the next page.

Social movements are the mechanism by which people express their dissent against oppression and exploitation. These movements also act as a self-empowerment mechanism. The problem of most countries is the bias through which the state functions. This biasness of state is reflected because it fails to accommodate the interest of the weaker section of society, as it looks after the interest of a particular section (elites) of the society. More over it does not function according to a Universalist and legalist principle which it claims to be imbibed into. So here the civil societies act as an instrument of human governance.

In the same line Rajni Kothari states that a highly bureaucratic state instead of fostering freedom curbs individual liberty. Moreover he is of the view that civil society acts both as a mechanism for self management and active participation. He conceptualizes civil society to be an alternative of the state as it is composed of non-governmental organization through which people participate directly and manage their own affairs. So basing on him we can say that the concept of civil society is closely related to democracy as it provides a space, a private realm independently of the state to further not only individual's interest but also the development of state and society. For Neera Chandoke, the essential duty of civil society is to establish a system of rights and give them a legal and constitutional status. Rights are important as they are linked with the premise of how an individual should be treated. So we can say that civil society is the domain characterized by a realm of choices, personal freedom and individual responsibility. It is a public sphere where private individuals realize their freedom while leaving the same scope for others. It allows individuals to shape their destiny by minimizing public authority and maximizing private initiative

Thus after analyzing the relationship between the state, the corporate enterprise and civil society we can come to a couple of conclusions. Which are outlined below.

In the first part after analysing the relationship between the state and the corporate enterprise we can say that the corporate enterprise and the state worked in tandem. Although the state emerged having a equalitarian and democratic ethos in principle, in practice it catered to the needs of a handful of people (business elites). The state became an instrument of the exploitation of the oppressed class. Moreover the state and the state power worked in sync with the economic base. Thus we can conceptualise the state to be the facilitator for the corporate interest. So we can assume here that the state was under the influence of the corporate enterprise.

In the second part by outlining the relationship between the corporate enterprise and state we came to the conclusion that the state should not be looked in isolation. The social structure does impact the outcome of economic activities. And economic system is the subsystem of the social system. Thus we can state that the economy is embedded in the society and the economic activity is influenced by the social structures within which it is embedded.

In the third part after understanding the role of civil society we can conclude that civil society is a space where the hegemony of the state and the corporate enterprise gets questioned. The civil society not only curbs the state power but also safeguards the public opinion from getting influenced by state or the market. It fights for the rights of the individuals against the atrocities of the state or the corporate enterprise. So when that state fails to deliver and primarily it caters to the needs of a few handfults of peoples (elites) the civil society emerges as an alternative to the state power which is capable of curtailing the power of the state and market.

As in chapter two I have outlined that CSR was adopted by the corporate enterprise during the 1960. And CSR did not feature in the organizational goals or policies of the corporate enterprise roughly till 1960's. And in this chapter as it is outlined that since the state and corporate enterprise worked in close co-operation. Thus the civil society emerged to safeguard the interest of the common people. And the corporate enterprise is embedded in the society so the social

structures can influence the working and outcome of the corporate enterprise. So by joining these two themes can we say that CSR activities evolved out because of the constant pressure from the civil society to act in a socially responsible manner. In the next chapter I will try to examine the validity of the above mentioned suppositions by tracing out the historic specific juncture in the emergence of CSR. And I will also analyse the cause and the role of civil society in the emergence of CSR.

CHAPTER 4:

THE EMERGENCE OF CORPORATE SOCIAL RESPONSIBILITY: THE HISTORICAL CONTEXT.

4.1 Introduction:

As I have argued throughout and explicated in chapter two that CSR activities did not exist either in organizational principle or as an expressed goal of the corporate enterprise existed during its early phase. It was in the fourth phase of its development, that is 1960 onwards that one can see an increase of corporate interest in socially responsible behaviour. This chapter tries to find out the reason for the emergence of CSR. This chapter also tries to see whether societal pressure influences the economy as economy is embedded in society. As in chapter 3 we have dealt with the idea that; economic action is socially situated. In this chapter I have tried to trace the specific historic roots of emergence of corporate social responsibility, by outlining two crisis phase of the corporate enterprise. The first one is post 1960-1976 post cold war and challenge of soviet communism to the capitalist ethos. The second one existed during 1998 onwards when the anti globalization movement gained momentum (Rowe 2008). Moreover by borrowing the framework of SIM or Strategic Issue Management (Perry, 1995) I try to show how CSR evolved as a Strategy to pacify the changing socio-politico conditions against the corporations. Thus by analysing the historical context which forces the evolution of CSR, I have tried to emphasise the role and importance of the civil society organization for the growth and sustainence of the corporate enterprise.

4.2 Outlining the two crisis phase of the corporate enterprise:

A historical analysis of CSR reveals that it has flourished as a discourse and practice at times when corporations became subject to intense public scrutiny. In this paper I intend to examine how the corporate social responsibility as strategic issue management mechanism evolved for the business world by taking two crisis phases during which the threat of public regulation loomed large. These two phases are outlined in the next page.

Phase 1: This phase roughly existed from 1960 to 1976. During this period some developing countries along with Western unions and social activists called for a New International Economic Order (NIEO) that would tightly regulate the activity of Transnational Corporations.

Phase 2: This phase began roughly after 1998. During this period mass anti-globalization demonstrations and high profile corporate scandals (Enron and World Com) came to the public eyes thus resulting in an increase in the demand for stricter regulation.

We can get a clear picture in understanding corporate social responsibility if we look at it as Strategic Issue Management (SIM) which is a method used by managers in dealing with the socio-politico environment by identifying important socio-political issues, evaluating their potential impact on the business, and formulating a strategic response and implementing the strategy (Perry, 1995). So will it be fair to call corporate social responsibility as a strategic issue management action. In order to formalize any conclusion we need to conceptualize SIM and see whether the necessary conditions required for any issues to be addressed through SIM were also present in the manner that CSR evolved.

4.3 So what is a Strategic Issue?

A strategic issues is a condition whose outcomes have a strong impact in organizational performance, which are likely to be controversial, have consequence for the organization resulting in the need for modifying strategy. There are certain steps through which Public Issues are addressed by Strategic Management Process. These are outlined below.

- Step 1: Issues identification: In this stage monitoring, forecasting, identifying, and tracking social trends, political controversies and technological development that is of concern to a business are the initial processes needed for issues identification.

- Step 2: Impact profile assessment: This stage is concerned with relating the issues that have been identified and are being monitored in the interest of

a specific business organization or industry interested in developing an effective response capacity for the issues.

- Step 3: Evaluation and prioritizing the issues: In this phase issues are categorized depending upon the magnitude of impact and probability of strategic impact on the operations of the business.

- Step – 4: Issues analysis:

- a. Diagnosis of issue stage: An issue passes through certain stages like growing public awareness, defining the issue as a public problem, formation of interest groups and organization around the issue, debates and public policy agenda are set regarding the issue, laws and regulation for the issues are passed, then the remaining conflict is resolved through legislation, (six stage). Simultaneously adequate response plans are need to fit the requirements of each stage. This step enables managers to consider an issue broadly according to its stage once an issue has been designated as a high priority.

- b. Strategic development: The strategic approach and action plan vary depending upon the issue stage. Such as participation and involvement with other organizations, support of a public policy or a private negotiation with interest groups, building consensus or litigation.

- Step –5: Response development:

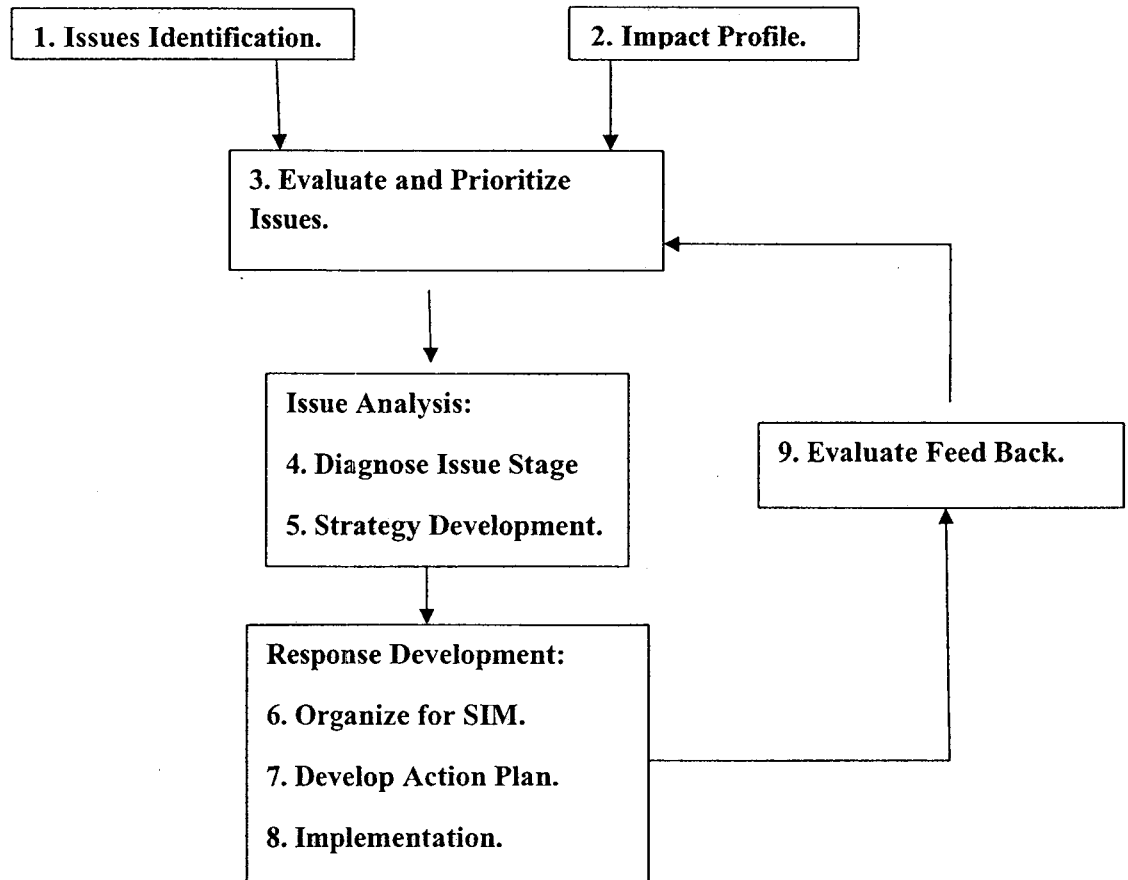
- a. Organization for strategic management of public issues: This process has to be managed by specific departments or individuals within the company if it is to be accomplished in a reliable and effective way.

- b. Development of action plan: Action plan include committing resources for specific activities to manage public issues.

- c. Implementation and follow up through planned response: Implementation includes the coordinated response of public statements with activities underway by the organization.

- Step – 6: Evaluate feedback: Some assessments of the effectiveness of the attempt to manage the public issue are necessary to see if it resulted in the desired outcome. If not another reiteration of the process may be required.

Figure 2: The Strategic Management Process for managing Public Issues.



Source: Newmar S. Perry jr (1995) '*Business, Government, Society: Managing competitiveness, Ethics and Social Issues*', New Jersey :Englewood Cliffs Prentice Hall, pp. 51.

Since we have conceptualized what is issue management and how it is addressed and managed then let us now see whether the changing socio-politico condition during the crisis phase fulfilled the necessary requirements for being an issue, which prompted the corporate enterprise to shed its profit maximization face and go into a socially responsible phase.

Therefore the next section analyses the socio-politico conditions that facilitated the emergence of CSR from a SIM perspective. This analysis is outlined in the next page.

4.4 Is Corporate Social Responsibility a Strategic Issue Management (SIM) mechanism?

It is only after analyzing the two phase of corporate crisis i.e 1960 to 1976 and 1998 onwards, we can take a position whether CSR is SIM mechanism or not. By taking the framework of how an issues is identified, prioritized, and managed through SIM, let us now discuss the two phase of corporate crisis. And let us see whether there were enough precondition i.e. socio-politico that forced the corporate entity to address this changing social political climate by changing its organizational ethos and principle of being responsible towards the society.

4.4.1 Phase 1: Post cold war and the threat of soviet communism (1960- 1976).

In the post cold war, there was a tangible ideological challenge of socialism to capitalism. It is during this period that The TNC/MNC power increased rapidly as did the corrupt practice of the TNC/MNC. This phase began from 1960 and continued uptill 1976. This phase saw a growing dissatisfaction about the corrupt practices of corporate enterprise. It is interesting that in this period that there was also a demand for state regulation of the TNC/MNC.

1. How was the Issues Identification stage of Strategic Issues Management process met by the corporate enterprise?

Post cold War the US was the dominant economic power backed by huge corporate enterprise or MNC. But the late 1960s and early 70s was characterized by emergence of a large number of social movements with respect to the consumers, worker safety, environment, and employees. This emerged due to the visibility of numerous corporate scandals like involvement of political destabilization³⁷ of other

³⁷ Chilean President Salvador Allende on September 11th, 1973. Eight months prior to his death, Allende had alerted the UN's General Assembly the plans of the International Telegraph and Telephone Company (an American TNC), to overthrow his democratically elected government with the help of the CIA:

states, improper payments of salary³⁸ to its employees who are working abroad, bribery, laundering money used for illegal political payments, and secret off-the book accounts came to limelight. Thus this was the first phase of corporate crisis.

To quote journalist Saville Davis from Harvard Business review “We, as citizens of the world, are engaged today in the most colossal struggle for the control of men’s thinking that the world has ever seen”. This statement shows the seriousness of the issue, thus tarring of the image of companies. Moreover with the rise of social movements and the fear of legislation led the corporate enterprise to acknowledge that the socio-politico condition did not remain the same. Thus the first requirement that is issue identification for Strategic Issues Management process was met.

2. Was the second Step that is Impact profile assessment of Strategic Issues Management process done?

Since the image of the MNC was tarred a consensus evolved cutting across party lines embracing both conservatives and liberals that soviet communism represented more than just a threat to Western power and dominance. International communism, controlled and directed from Moscow, represented a massive, ideologically-based assault upon everything Americans valued. Business, political, even religious institutions, along with family ties and private ownership were all at stake in this struggle. Since American corporations were achieving robust financial performance they acted as a roadblock against the spread of totalitarian communism. Cold War ideology viewed communism as a clear and present danger that threatened the corporate capitalist world good.

In this context the second stage of impact profile assessment was met. As it was seen that the corporate enterprise started supporting and encouraging free-market values, by fighting the spread of seditious and anti-capitalist points of view, and by opening trade and development with underserved regions in the global marketplace. Thus business leaders tried to proclaim themselves as the agents of worldwide benefit. This also served their more immediate interests of curtailing

³⁸ Kline, In a study of 500 top corporations of America it was found that there was gross improper payments of its employees working abroad (Kline 1985, 23).

communism and spread of capitalism. Within this ideological framework, business leaders proclaimed their responsibility to both their business and the world at large.

3. How was the issue evaluated and prioritized by the corporate?

The issue of growing discontent for the MNC reached at its peak when efforts were made by the post colonial state to restrict dominance of the transnational company (TNC) in their domestic economy and started initiating forced regulatory mechanism. During the 60s and 70's the newly independent states(post-colonial) were trying to gain economic and political autonomy. Salvador Allende's of Chile and some twenty other developing nations passed legislation controlling TNC activities in the late 1960s and early 1970s. Nationalization of foreign corporations reached a peak in the first half of the 1970s (Richter 2001, 20).

Some extracts of Salvador Allende's speech to the UN General Assembly just prior to his death are quoted below. As this will help us in understanding the concerns of developing country and captures the mood of the time:

The nationalization of basic resources constitutes an historic demand. Our economy could no longer tolerate the subordination implied by having more than 80 percent of its exports in the hands of *a small group of foreign companies that have always put their interests ahead of the country in which they make their profits...* We are potentially wealthy countries and yet we live a life of poverty. We go here and there, begging for credits and aid and yet we are – a paradox typical of the capitalist economic system – great exporters of wealth. (Allende 1975, emphasis mine).

With the attempt of domestic economy to gain autonomy, and freeing itself from TNC loops, there was ever increasing rise in the demand for nationalizing industries or corporate. This phase of dissent towards corporate was given top priority as the nationalization of industries lead to the breaking of two very important principles of corporate enterprise that is expropriation and exploitation of resources. Hence the third requirement of SIM process was also fulfilled.

4. How was the Issue Analysis done by the corporate?

This phase has two steps. One is Diagnosis of issue stage and other is the strategic development stage. These two step can be clearly conceptualized at two levels first at the post-colonial countries level and at the TNC/MNC level.

1 At the level of post colonial countries.

a. Diagnosis of the issue by the post-colonial countries:

The post colonial counties realized that the old colonial economic order (TNC or MNC) which worked on the principles of metropolis (developed north) where the resources were expropriated to and satellite (developing south) from where the resources were exploited was a highly unjust system (Frank). This lead to the demand of restructuring of the domestic economy of the newly independent countries.

b. Strategic development by the post colonial countries :

- Steps were taken to nationalize industries, impose national regulations on foreign capital and to strive for international regulation to control the powers of TNCs.

- There was also the formation of a Group of 77 developing countries at the United Nations Conference on Trade and Development (UNCTAD) in 1964, to promote an international agenda and structure more responsive to the needs of these developing countries.

- There was an establishment International Economic Order (NIEO) by UN General Assembly in 1974. Acknowledging that the colonial old international division of labour coupled with the unregulated operations of world markets systematically disadvantaged the poorer countries of Africa, Asia and Latin America.

- There was also an increasing demand for a binding international codes of conduct for TNCs. In 1974 the UN Economic and Social Council (ECOSOC) set up the UN Commission on Transnational Corporations, with

the UN Centre on Transnational Corporations (UNCTC) as its special research and administrative body. The centre was entrusted with three basic tasks (Richter2001, 9):

1. To monitor and provide reports on the activities of TNCs.
2. To strengthen the capacity of developing countries in dealing with TNCs.
3. To draft proposals for normative frameworks for the activities of TNCs.

▪ In 1976, the UN Commission on Transnational Corporations made the formulation, adoption and implementation of a draft UN Code of Conduct on Transnational Corporations one of its top priorities. It must be reiterated that the proposed code would have been comprehensive and legally binding.

2. At the MNC/TNC level:

a. Diagnosis of the issue by the MNC or TNC:

The MNC or TNC acknowledged that the expropriation model which it had imbibed for centuries as its organizational principle was being challenged by the post colonial countries. More over the oil crisis in 1973 shifted the focus from developed to developing countries who suddenly got a upper hand to influence the international policy, to be less exploitative. This oil crisis during 1973 gave a power to the developing countries to change the international economic system and to emphasize on reforming the global economy.

b. Strategic development by the MNC or TNC:

▪ The MNC devised a plan in order to resist the impact of G-77 countries on its economic interests and values. They formed the OECD Guidelines on Multinational Corporations. It was basically a voluntary code of conduct for business enterprise. To quote John Robinson, a business writer at that time, the voluntary guidelines were a;

calculated compromise by Western governments between, on the one hand, the need to sensitise firms to their social, economic, and political responsibilities and, on the other, the need to make the rest of the world aware,

and in particular the LDCs negotiating a UN code of conduct for transnational corporations, that the West is not prepared to see excessive constraints imposed on their major creators of wealth MNCs". Robinson continues: "The speed with which the Guidelines moved from conception to decision was dramatic, and was a direct product of the rich world's belief that it had to go into the UN negotiations on multinationals with a coherent and apparently progressive position with which to confront the developing countries clamour....for more radical and compulsory control.

5. Did the corporate meet the stage for Response Development of SIM process?

The effort of the north to derail negotiations of a binding code for transnational corporations were successful as the OECD Guidelines were used as a tool to forestall more compulsory control being sought at the UN. By the time negotiations on the code began in 1977, it had already been agreed that it would be voluntary. While a draft code was nearly complete by 1981, negotiations were stalled and more or less abandoned a short time later. Thus 1976 marks the entrance of the voluntary code of conduct into business' strategic repertoire. Thus this voluntary code can be paralleled with corporate social responsibility which is defined below:

CSR is the notion that corporation have an obligation to constituent group other than stockholders and beyond that prescribed by law and union government. Two things in this definition is important:

- The obligation must be voluntarily adopted; behaviour influenced by the coercive forces of law or union contract is not voluntary.
- The obligation is a broad one, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers, and neighbouring communities.

4.4.2 PHASE 2: Anti-globalization demonstrations and high profile corporate scandals (Enron and World Com), were increasing demand for regulation (1998- and after).

1. How was the Issues Identification stage of Strategic Issues Management process met by the corporate:

The 1980s were a decade of relative calm for transnational corporate capital. The Berlin Wall crumbled, the Soviet Union disintegrated, and so did, for many commentators, any alternative to the capitalist mode of production and social organization.

But while the 1990s were supposed to be the end of history's happy beginning, transnational corporations quickly became lightning rods for global protests against the neoliberal consensus and its deleterious effects. There were plant closures in the North, brutal labour conditions in the South, unrestricted exploitation of environmental resources worldwide, human rights abuses, corporate concentration, shrinking democratic accountability. The early 1990s saw a stream of exposes of sweatshop conditions within the Supply chains of major US clothing suppliers particularly in Central America.

2. Was the second Step that is Impact profile assessment of Strategic Issues Management process done?

Royal Dutch Shell was attacked relentlessly for its role or lack of it in relation to the killing of Ken Saro Wiwa and oppression of the Ogoni people in, then, nondemocratic Nigeria. The 1998 Soccer World Cup was skilfully exploited by activists to highlight child labour in South Asia's sportswear industry (2002, xiii). In North America, popular frustrations over corporate rule and power crystallized on November 30th 1999, when approx. 60 000 people flooded the streets of Seattle and succeeded in shutting down meetings of the WTO's Third Ministerial.

3. How was the issue evaluated and prioritized by the corporate?

The popularity of the anti-corporate sentiments impelling the mass demonstrations was confirmed by a Business Week poll conducted in September 2000. Pollsters asked Americans what they thought of the statement "Business has too

much power over too many aspects of our lives.” 52% said they ‘strongly’ agreed and an additional 30% said they agreed ‘somewhat’ (Nace 2003: 10). This is a powerful sentiment, especially from the putative beneficiaries of US Hegemony and the ‘liberal world economic order.’

4. How was the Issue Analysis done by the corporate?

Popular anti-corporate sentiments in the US were strengthened when Enron’s scandalous bankruptcy hit the front pages. Enron, for five years running, had been named ‘most innovative’ company by none other than *Business Week* magazine (ibid, 178). Its primary innovation, however, was creative accounting that enhanced the company’s financial appearance thus inflating stock price. When financial reality finally caught up appearances, thousands of Enron employees lost their jobs and retirement savings. Thousand more working Americans were impacted. Before going bankrupt, Enron was the 7th largest company in the nation and a favourite, and supposedly secure, investment for various employee pension and retirement plans. Enron might have been written off as an unfortunate exception to the rule of corporate responsibility, but by “by July 2002, the scandal sheet included over a dozen corporations like Adelphia³⁹, Bristol-Meyers quibb⁴⁰, Halliburton⁴¹, WorldCom⁴² (Nace 2000: 179).

(a) Diagnosis of issue stage: Investors and ordinary Americans whose retirements are dependant on healthy stock prices started demanding more government control over corporations. The corporate enterprise growing scandals forced peoples from around the world to actively opposed the neoliberal principles of globalization. This forced the corporate enterprise to be defensive position. It was also defensive during the mid 1960s and 70s.

(b) Strategic development: In response to this crisis, business has predictably turned to a trusty tool in its repertoire of contention: “In an era when

³⁹ It is a largest cable company of United States it became bankrupt in 2002 because of internal corruption.

⁴⁰ It is a pharmaceutical enterprise who was involves in accounting scandals.

⁴¹ Basically a subsidiary of Halliburton KVR gang raped one of its contractors Jamie, and then confined her in a container without food , water or medicines . but sine Jamie was having some kind of contractual restriction so she was not able to sue them.

⁴² World com an American telecommunication company was involved in accounting scandals by underreporting the losses and inflating revenues with bogus entries.

reputation began to exceed all other factors in determining company sales and value,” Richard Howitt writes about the past decade, “executives could not afford to wait for a change in the political wind. The more enlightened ones began to admit to the problem, and say only they could do something about it” (2000, xiii). CSR was born again.

5. Did the corporate meet the stage for Response Development of SIM process?

The corporate code of conduct has been a favoured business response to threatened profits. Whether in response to direct criticism or in scrambles to avoid that criticism, corporations worked hard through the nineties to stem growing frustration with corporate abuses.

According to Naomi Klein, all of the decade’s major corporate codes were drafted by public-relations firms in the wake of threatening media investigations:

Wal-Mart’s⁴³ code arrived after reports surfaced that its supplier factories in Bangladesh were using child labour; Disney’s code was born of the Haitian revelation; Levi’s wrote its policy as an answer to prison labour scandals. Their original purpose was not reform but to ‘muzzle the offshore watchdog’ groups, as Alan Rolnick, lawyer for the American Apparel Manufacturers Association, advised his clients (2000, 430). Every major corporation now has a code of conduct or at least makes mention of commitments to social responsibility on its website and in shareholder literature. Indeed, CSR has become a growth industry. Writing about the past decade, Dwight Justice of the International Confederation of Free Trade Unions⁴⁴ (ICFTU), notes how “CSR moved from a concept to become an industry as consultants and enterprises emerged, offering CSR services to business. Among these services were social auditing and reporting as well as ‘risk assessment’ services” (2002, 99). “The trade union concern with this Industry,” Justice continues, “is that is assisting business in redefining the expectations of society instead of responding to them”. Business has been intent on redefinition since labour and social activists have

⁴³ It is an American public corporation which runs a chain of large, discount department stores. It is the world’s largest public corporation by revenue, according to the 2008 Fortune Global 500

⁴⁴ It is an international trade union that came into existence in December 7, 1949

been working to capitalize on popular discontent and lobby for more market regulation nationally and globally.

In other words, the strategic hope that voluntary mechanisms can create regulation friendly environments is problematic when, historically, corporate codes have been self-consciously invoked by business to avoid social regulation. So we can conclude by saying CSR as a self correcting mechanism.

Thus from this chapter we can come to the conclusion that:

The analysis of the two periods (1960-1976 and after 1998) showed that the corporate enterprises were involved in a lot evil practices like labour exploitation, shrinking democratic accountability, human rights abuses etc. This resulted in a lot of social movements against those corporations. Even the demand for legislation to regulate the corporate enterprise started to emerge. So in this context the corporations started to behave in a socially responsible behaviour. Therefore we can say that CSR was not a voluntary action of the corporate enterprise, as it was the changing socio-politico conditions that forced the corporate enterprise to use CSR as a strategy to counter the growing dissent towards the corporate enterprise. So in this CSR can be conceptualised as a Strategic Issue Management Mechanism. Thus this chapter justifies the argument which is outlined in the third chapter that, since the corporate enterprise is embedded in the society, so the social structures have an influence on its performances or outcomes. Thus while analysing the context in which CSR emerged, it became clear that the corporate enterprise is not an autonomous unit and its performance gets influenced by certain societal elements. It is in this context it becomes important to trace the societal elements that are having a stake on the performances of the corporate enterprise. So the next chapter deals in understanding the role of the stakeholders in influencing the performance of the corporate enterprise.

CHAPTER -5

CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDERS

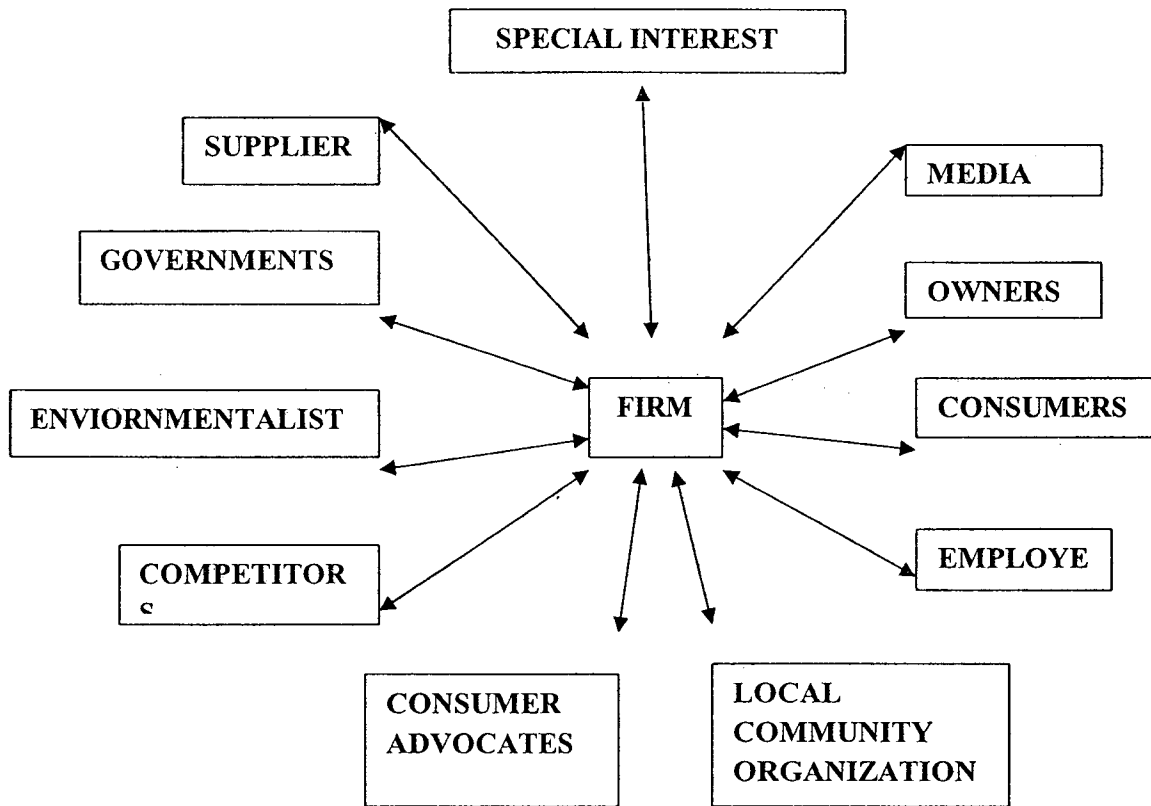
5.1 Introduction:

In the preceding chapters, the role of certain societal elements like civil society etc, in influencing the performance of the corporate enterprise is outlined. Thus the traditional view which emphasizes the sole responsibility of the corporate enterprise towards the share holder gets challenged. Moreover in the present context the corporate enterprise is forced to take into account certain societal elements as its stakeholders, because they influence the performance of the corporate enterprise. This model of taking into account all the constituencies of the corporate enterprise is known as the stakeholder model. Thus this chapter begins by identifying the key constituents or the stake holders of the corporate enterprise and tries to determine the rationale for the emergence of this stakeholder model. And then this chapter moves on to understand how these stakeholders influence the performances of the corporate enterprise.

5.2 So what is Stakeholder theory of firm?

The term stakeholder was first introduced by Edward Freeman in 1984. To quote Freeman, "A stakeholder in an organization is.... any group or individual who can affect, or is affected by, the achievements of the organizational's objectives". Thus we can say that there happened a paradigm shift in the approach of the corporate enterprise. As initially it was accountable only to the shareholders but now it looked after the interest of other societal elements like government, special interest groups, media, owners, consumers, competitors, environmentalist, local community organization, consumer advocates and employees. Since elements have a stake in the corporate growth and sustenance so these variables combine to form the stake holders of the corporate enterprise. So to be precise, "a stakeholder of a corporation is an individual or a group which either: is harmed by, or benefits from, the corporation or whose rights can be violated or have to be respected, by the corporations (Evan and Freeman 1993)

Figure 3: The Stake Holder Model of the Corporate Enterprise:



Source: Freeman, R. Edward. (1984) *Strategic Management: A Stakeholder approach*, Boston: Pitman,25

After understanding what the Stake holder model is, it becomes important to analyse why ensuring these stake holders well being is important for the corporate enterprise. So the reasons responsible for recognising and honouring the other stakeholders of the corporate enterprise are outlined below.

5.3 Rationale for the emergence of the stakeholder model.

Edward Freeman has given two main rationale for the acknowledging the stakeholders.

First at a descriptive level, one can see that the corporate enterprise and many other groups are related by all sorts of contracts. So it cannot be simply argued that the only group who have a legitimate interest in the corporation are the shareholders. Even from the legal perspective verifies that there are various group apart from shareholders who have a stake in the corporations as their interest is protected in some way or the other like. So a corporate enterprise is not only legally binded by contracts to suppliers, employees or customer but also there exists a dense

network of laws and regulation. This facilitates the stakeholders to have certain rights and claims on the corporation.

A second argument comes from an economic perspective. For example, if a corporate enterprise closes its plant in a small community and lays off the workers then it not only affects the relationship with the employees but also with the shop owners as they will lose their business, moreover tax payments to fund schools and other public service will get affected. But as the company has got no contractual relationship with these groups so the traditional model of corporations suggests that they have no obligation towards them. And as the share holders are key elements or owners so they should have a obligation to them. But in reality the shareholders do not invest in shares predominantly to own a company nor do they want the corporate enterprise to maximise its long term profitability. As in the first place the shareholders often buy shares for speculative reasons and it is the development of the share price that is their predominant interest and not ownership in a physical corporation. So it became evident that this highly speculative and mostly short term interests of share owners should not encompass the long term interest of the other groups as customer, employees or suppliers, because they are important for its survival.

Some other reasons as given by Sherlaker are outlined below.

1. Employee's satisfaction and well being increases their morale and by motivating them a firm can achieve optimum productivity, facilitating the prosperity of the business.

2. In a Buyers' market, the customer satisfaction and services related to it is an important factor for the progress or survival of any business in a free-market economy. With the development of consumerism in many countries, there has been constant pressure for enhancing consumer protection in the market place.

3. As a citizen of industrial society, business is expected to maintain the quality of life and fulfilment of civic duties like prevention of all types of pollution. And more over the growing public opinion to enhance the quality of life by reducing all types of pollution.

4. The pressure from the organised labour. This resulted in their recognition in the industry. More over the increase in participation of labour and

others in the decision making process. And pressurising the management to consider their demands before taking final decision.

5. As the citizen of a country the corporate enterprise must pay taxes and fulfil all national obligation under various national Laws. Thus serving national interest and ensuring national prosperity. This ideology is not in isolation as the threat of nationalism and the fear of severe regulation is always there to prevent business from exploiting the public and discard the evils of monopoly.

6. With the change of the structure from ownership to management. The managers got power to act as trustees and adopt certain attitudes like the distribution of surplus among all the interested parties. As the Managers are no longer the owners of the corporation so a democratic management welcomes all interested parties to share the fruits of prosperity equitably.

7. Even a growing Public opinion stressing the ethos of business morality and integrity, to be observed by all organization in any branch of human activities. This compels the corporate enterprise to go into socially responsible activities.

As I have outlined above the importance of the stakeholders for the corporate enterprise. So it becomes important in analysing how these stakeholders' influences or are influenced against the corporate enterprise. So the next section deals with the civil society organizations and the role they plays in influencing the stakeholders. Therefore we begin by conceptualising civil society, which is outlined below.

5.4 Conceptualizing Civil Society Organization's.

Some civil society organizations or CSOs can be classified as working without a profit motive, while some other CSOs do not have a formal structure. It may take the shape of grass roots movement and it can also get associated with some existing organizations such as faith groups or workers associations. There are various types of CSO some of which are stated below:

- Some CSOs focus on a particular sector or industry like mining, forestry, apparel etc.
- Some other CSOs target a single company (e.g. nike watch)

- There are also some CSOs which work on some specific issue e.g. Transparency International which concentrates solely on corruption.
- While in some countries the CSOs represents the consumers e.g. the US based Interfaith Center on Corporate Responsibility.

Thus after getting a bird's eye view of what CSOs are about then let us move to understand the role it performs in influencing the performance of the corporate enterprise. This is outlined below.

5.4.1 Impact of CSOs action on the corporate performance:

From the above analysis it is clear that the global corporations did not rise up one day and decided to behave in a socially responsible manner. They were instead awakened by the efforts of CSOs. These CSOs have an immense influence on the corporations. So now the next question that arises is, why does the civil society have so much importance? We can answer the question by understanding the various steps taken by the CSOs and its impact on the companies' performances.

1. Direct action: In this step the CSOs agitate precisely against the corporate enterprise. And since this action attracts a lot of media attention so the reputation and credibility of the corporation gets hampered.

For example Sam La Budde, an environmentalist who had signed on as a cook on a tuna boat in 1989, recorded a video tape of dolphins being drowned and crushed by Purse Seine's fishing nets. That tape launched the Save the Dolphin campaign in 1990, which included a broad based boycott of tuna. As a result of which the largest corporations in the industry like Starkest, Bumblebee, and Chicken of the Sea now sell tuna with the label 'dolphin safe'. And also laws governing tuna fishing came into effect in the eastern tropical pacific.

Thus many corporations have understood that bad publicity can have a long lasting effect. And boycott of products not only have an impact on immediate sales but also affect the brand loyalty and consumer choice for a long time. Even after the action has been called off before a long time.

2. Legal action and Formal complaints: In the last 20 years there has been an abnormal increase of the lawsuits filed by civil society organizations against corporate enterprises. This added strength to their campaigns of holding the corporate enterprise accountable for their actions in the social, political and environmental areas. More over the civil society organizations often organise the workers or other civil society actors and mobilise them to opt for legal action. Because they are affected by the policy and practice of a corporate enterprise. Even suits based on human rights treatise and international labour organization conventions have had some success in this respect. Although sometimes it takes years for legal action to create the impact direct action does but the court judgments can create precedents and provide interpretations of the law that can have far reaching implications.

The best example is that during 1991, the Supreme Court of India ruled that every individual has the fundamental right to enjoy pollution free water and air. As a result the government, state owned industries and private companies were held accountable for environmental degradation. Also under pressure from multiple soial forces, the state has formulated new consumer rights and environment legislation. In India, for instance we have the Consumer Protection Act of 1986 (Samuel and Saarir 2004).

3. Information and reputation: Many times civil society organizations go for publication of information relating to the corporate enterprise or some other issues. Since the publication data is specific and reliable so it becomes a powerful tool in promoting change, increasing public awareness and facilitating some direct and indirect civil society action. Generally Information campaigns target a large number of audiences which may include individual consumers to the whole groups of stakeholders. For example some CSO's focus on uncovering and reporting information about the entire range of corporate activity so that stakeholders may insist on action.

Another example is that some scientist formed the Union of Concerned Scientist (UCS) and environmental defense in 1990s. Their aim was to inform the American public of the extent to which antibiotic additives in animal feed fosters antibiotic resistance among human consumers. Thus some Americans demanded

antibiotic free poultry. As a result of which in February 2002 leading chicken producers Tyson foods, Perdue farms and Foster farms announced that they would remove most of the antibiotics used in their feed. Similarly, fast food chains such as Mc Donald's announced that they would not purchase poultry treated with Baytril, an antibiotic that is particularly important in human medical treatment. (UCS 2002)

Thus from the above stanza it is clear about the importance of reputation for the corporate enterprise. And the person in corporate world will only initiate real change only when the loss of reputation translates into loss of revenues.

4. Investor action: It means many investors generally prefer to invest in the companies which is known for good practice and whose products directly contribute to sustainability.

The investment made by investors has a social context. In order to predict the profit conscious investors takes into account the social organization of the targeted business like the stability of labour, management relations in a company etc. As many times Labour unrest which is a social factor, can have a deep impact on the company profit. Even a major strike could severely damage the returns. Investors can even access the likelihood of a company to get entangled in a court case contesting product safety. Thus the above context and some other are important for the investors because the stock dividends depend upon avoiding criminal liabilities.

Even the lists of non-economic factors that affect the economic outcome of a company are numerous. But the social behaviour of the company is very important for any economic investment. In final analysis the social criteria always interacts with the economic criteria, thus making it relevant for all investors to be interested in the social studies of the company. As there is interdependence of the social with the economic wellbeing of a company, the investors may act like social investors. Thus they might look at the accountable behaviour and quality of working life of the labours as it significantly influence the company's productivity and capacity to make profit.

5. Standard settings: There are certain CSOs who attempt to establish voluntary industry specific reporting mechanism that measure the social and environmental performance of company. Other CSOs tries to initiate the process of

social auditing and even certify it. A few CSOs even propose of maintaining a uniform policy that would transcend national boundaries and would be applicable to all the business sectors worldwide.

For example, Coalition for Environmentally Responsible Societies (CERES) is the author of one standard-setting initiative. CERES came into prominence after the 1989 Exxon Valdez disaster in Alaska. It is a coalition of environmentalists, corporate executives and concerned citizens who have promoted an agenda for environmental sustainability. Its Global Reporting Initiative (GRI) emerged in response to the increasing number of environmental and human rights abuses committed by corporate enterprises and moreover these incidents which neither been penalised nor challenged by the national or international agencies. The GRI which is supported by major corporations and professional associations in the Americas, the European Union, Asia, and South Africa is building a consensus for building up a voluntary standard of corporate reporting requirements that transcends specific industrial or geographical sectors (GRI 2000).

Thus after outlining the stakeholders of the corporate enterprise and the role the civil society plays in influencing these stake holders, we can argue that, CSR evolved as a mechanism to manage the issues concerning the corporate enterprise. More over by analysing the role of civil society we can argue that it has a role in influencing the performance and sustainability of business. So I will conclude this chapter with the view of Newman S.Perry jr. As according to him the performance of business depends on four dimensions.

5.5 Thus the Dimension on which Business Performance depends is outlined below.

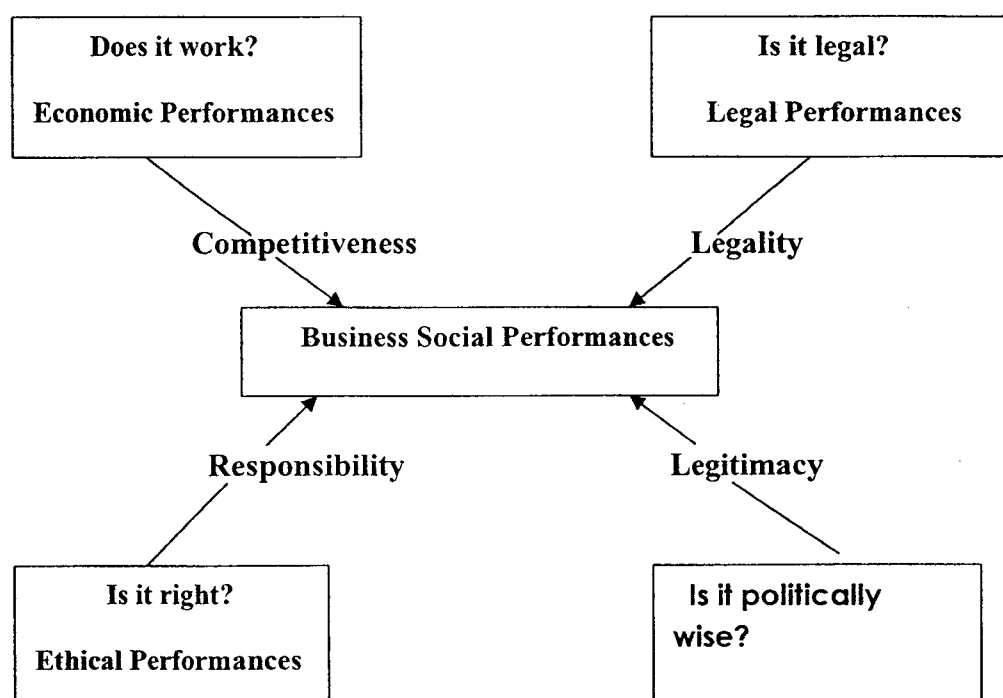
- The first dimension deals with the Economic Performance. This dimension tries to analyses what is competitive. And what will work for the growth and sustainability of the corporate enterprise.
- The second dimension deals with Ethical Performance: This dimension helps in understanding what are the right actions that a corporate enterprise should perform.

- The third dimension centres around the Legal Performances: It stresses law and legality aspect. It deals in figuring out what is legal for the corporate enterprise.

- The fourth dimension analyses the Political performance: Basically it analyses what are the aspect which are politically wise for the growth and existence of the corporate enterprise.

Thus from the above analysis it becomes clear that the Organizational effectiveness involves in developing and achieving high performance on this four dimension. An organization can sometimes increase its profit by violating the law by unethical behaviour or by disregarding the values and concerns of society. However such behaviour is short listed and is likely to lead to low levels of organizational effectiveness. So in order to attain high level of organizational effectiveness, it requires high performance in its economic activity, in maintaining ethical behaviour, in having compliance with laws and regulation and maintaining social and political support within the society.

Figure 4 : Key Elements of Business Social Performance Model



Sources: Newman S.Perry jr, (1995) 'Business Government and Society. Managing Competitiveness, New Jersey: Englewood Cliffs, pp. 9

Thus this chapter falsifies not only the arguments of many neoclassical economist, particularly Milton Friedman that: the social and economic objectives are separate and distinct so much that a corporations social spending comes at an expense of its economic wealth, but also the standard definition of CSR as propagated by business organization or association that: CSR is a ethical, moral or a socially responsible activity.

Secondly this chapter also justifies the argument which is formulated in the third chapter, which says that the economic outcomes is influenced by certain societal elements or social structures and many times the civil society can influence these societal elements and thus pressurising the corporate enterprise to act in a socially responsible manner.

Thirdly it even justifies the argument that is put forward in the fourth chapter, claiming CSR to be a strategy. As CSR evolved when it was realized by the corporate enterprise that in the long run social and economic goals are not inherently conflicting but are interconnected. For example competitiveness today depends on the productivity with which companies can use labour, capital and natural resources to produce high quality of goods and services. Productivity depends on having workers who are educated, safe, healthy, decently housed and motivated by a sense of opportunity. Preserving the environment benefits not only the society but companies too. Reducing pollution and waste can lead to a more productive use of resources and help goods and consumer value. Boosting social and economic condition in developing countries helps not only in creating a more productive location for a company's operation but also helps as a new market for its goods and services.

CHAPTER-6

CONCLUSION

In chapter one I have started by arguing that CSR is not an ethical or a socially responsible action as proclaimed by various business organizations or associations. The literature review helped us in looking at CSR from different perspective like ; a profit motivated behaviour or an additional cost which acts as a burden on the competitiveness or it aims at promoting the welfare of masses or a voluntary managerial duty etc. Thus through this literature review the hegemonic concept of looking at business as an ethical or an socially responsible behaviour is challenged.

CSR as an ethical, philanthropic or a socially responsible action is challenged in chapter one. Therefore chapter two tries to justify and further the arguments as put in chapter one. An analysis on the Company Law suggests that, initially the corporate enterprises were not entitled to undertake any philanthropic or any socially responsible activities, because it was Ultra vires. Which means it is beyond the power of the corporate enterprise. Moreover a number of case studies are fond like Laxmanswami vs. Life Insurance Corporation of India, in which the court proclaimed the charitable contributions made by the directors as ultra vires (Company Law, 2005). Even an analysis of the Organizational principles, goals and primary beneficiaries of the corporate enterprise at different time frames also suggest us that undertaking socially welfare or philanthropic activities was not present during the initial phase of corporate enterprise evolution, but it was after 1960 due to the changing social-political condition that socially responsible activities was undertaken (Zenisek, 1979). Thus again the ethical and socially responsible face of the corporate enterprise gets challenged as if the corporate has a ethical or a socially responsible character than it should have it from its very inception, but the analysis of the corporate objective and goals showed that it was only after 1960 the corporate enterprise showed its ethical and responsible face. Thus one should question how did corporate enterprise became socially responsible and what purpose CSR fulfils.

The third chapter tries to give a framework to understand the rationale for the emergence of CSR. So an analysis between the relationship of state, corporate enterprise and civil society is done. Thus after analysing the relationship between

state, Corporate enterprise and civil society it became clear that state acted as a facilitator of the corporate enterprise interests. Instead of performing the roles which were beneficial to the entire society, the state acted as an instrument or apparatus in exploiting the oppressed class (Marx & Engels, 1884; Althusser, 1970). Moreover the state power and policies supported the market or the economic growth (Polanyi, 1944). Thus by taking this theoretical insights we can say that the state can be seen as bourgeoisie in principle and practice (Mandel 2004). Secondly after analysing the relationship between the corporate enterprise and society we argue that since the Corporate enterprise is embedded in the society (Polanyi, 1944) or it is a subsystem of the social system (Parson, 1951) so the societal elements or structure have an impact or influence the economic outcome (Granovetter, 2004). So in this part the neoclassical myth that the economy is independent and is autonomous is exposed and the importance of societal elements comes to the picture. Thirdly by analysing the role of these societal elements or to be more specific the civil society we can argue that many times these democratic association can sometime control the state power (Tocquevillian, 1969) and it can also prevents the public opinion from getting influenced by market or the state. More over it can also act as a counter hegemonic force in lines of Gramsci. Thus if we take this argument and the argument in chapter 2 that socially responsible activities was started to be seen from 1960s because of societal pressure on the corporation than we can formulate a proposition that: as it was during 1960 that the scandals of corporations came into the public eyes so the civil society acted as the guardian of the society and started to raise its voice against the evil practices of the corporation's in the social spheres. Moreover since the performances of the corporate enterprises were influenced by the social structures so the corporate enterprise started to undertake socially responsible activities, with an aim to counter the growing dissent against it.

Although I have tried to give a rationale for the emergence of CSR in chapter 3, but without an analysis of the actual historical context the argument seemed vague. So the chapter four analyses the historical context for the emergence of CSR analysed. Thus two crisis phase of the corporate enterprise is outlined. The first phase was during post cold war roughly between 1960 to 1976 and second was after 1998 when anti-globalization movement was at its peak. Thus by analysing these two phase it became clear that CSR was a Strategic Issue Management (SIM) mechanism. As it

was during that period the scandals of the corporate enterprise like human rights abuses, labour exploitation, shrinking of accountability began to emerge. Thus there was a public dissent towards the corporations at large and this resulted in affecting the performance of the corporate enterprise. Thus CSR evolved as a SIM mechanism to counter the growing opposition against the corporate enterprise.

As in chapter four I have argued that CSR evolved as a strategy, thus the chapter five tries to outline the importance of CSR for the corporate enterprise. As it became clear from the previous chapters that the corporate enterprise did not function as an independent enterprise so this chapter outlined the its stakeholders. This chapter argues that as the corporate scandals came into the public eyes, peoples started agitating. Civil society groups like Greenpeace, Friends of the Earth etc started to act as pressure groups against the corrupt practices of the corporate enterprise. This agitation against the corporate enterprise basically took the form of consumer boycotts, direct action, shareholder action, ethical shopping guides, ethical labelling schemes, media campaigns, ethical competitors etc. And since the performance of the corporate enterprise depended not only in fulfilling its economic responsibilities but also its legal, political and ethical duty, so the importance of being socially responsible emerged. So there was a paradigm shift in the perspective of the corporate enterprise in which the sole responsibility of the corporate enterprise towards the shareholders changed because they realised that societal elements had a stake in the sustainability and growth of the corporate enterprise. So we can see a change in the beneficiaries and the organizational goals and principles of the corporate enterprises. Which later took the form of Ethics, responsibility etc.

Thus on the basis of the above arguments we can say that CSR acted as a smokescreen to hide away the corporate evil practices like exploitation of the employees, natural resources, appropriation of the huge profit by a few peoples of the enterprise like CEO, Managers, and Board of Directors etc. And through these CSR activities the corporate enterprise tried to formulate an opinion in its favour. Thus we can thus argue that CSR acted as a strategy to manipulate the public opinion during the crisis phase of the corporate enterprise. But one can also see a lot of CSR activities after the crisis phases. So what are the other functions CSR performs are outlined in the next page.

- **CSR helps the corporate enterprise to have a competitive advantage in the market.**

For Micheal E. Porter and Mark R.Kramer there are four interrelated elements of the local business environment that shape the productivity. These are first the factor conditions or the available inputs of production. Second the demand condition. Third is the context for strategy and rivalry. Fourth is relation to other related and supporting industries. He stressed the point that weakness in any part of these context can erode the competitiveness of a nation or region as a business location (Porter and Kramer 2009).

1. **Factor condition:** Factor conditions are those which help in achieving higher levels of production. Productivity of the corporate enterprise depends on certain factor condition like the presence of trained workers, presence of high quality of scientific and technological institutions, availability of adequate physical infrastructure, presence of transparency and efficient administrative process and the available of some natural resources. Parter and Kramer opines that philanthropy can influence in all these areas.

For example Dreamworks SKG, a film producing company recently created a programme to train low income students of Los Angeles, with the skills needed to work in the entertainment industry. To carry out this vision, the company is working with the Los Angeles Community College District, local high school, and after school programme to create a specialized curriculum that combines classroom instruction with internship and mentoring. The social benefit of this programme will result in an improved educational system and facilitating better employment opportunities for the low income students. Dream Work will also benefit economically from this programme, through greater availability of specially trained graduates. Even if a few of them will join Dream Works itself, the company will also gains by strengthening the entertainment cluster it depends on.

2. **Demand condition:** Demand condition in a nation or region basically deals with the size of the local market, the appropriateness of product standards and the sophistication of local customers. Sophisticated local customers enhance the regions competitiveness by providing companies with insight into emerging customer needs and pressurising for innovation. Philanthropy can both influence the size and quality of the local market.

For example, Apple computers have been donating computers to schools as a means of introducing its product to young people. This provides a clear social benefit as it helps students and teachers in getting familiar with computers free of cost. It also benefits the reputation of school. This programme also helps Apple computers because it expands its potential market and also helps in turning students and teachers into more sophisticated purchasers.

3. Context and Strategy Rivalry: The rules incentives and norms governing competition in a nation or region have a fundamental influence on the productivity of the corporate enterprise. Certain policies which encourage investment, protect intellectual property, open local markets to trade, break up the monopolies and reduce corruption makes the location a more attractive place for undertaking business activities.

For example the International Corporate Governance Network (ICGN) a non profit organization which is formed by major institutional investor. This includes organization like the College Retirement Equities Fund (TIAA-CREF) and the California Public Employees Retirement System known as CalPERS. The specific aim of ICGN was to promote improved standards of corporate governance and disclosures, especially in the developing countries, through uniform global accounting standards and equitable shareholder voting procedures. This plan benefits the developing countries and their citizens. As improved governance and disclosure enhance local corporate practices, it also exposes the unscrupulous local competitors, and helps in making the regions more attractive for foreign investment. The institutional investors that support this project will also benefit as they get an access to invest in a better and fairer capital markets.

4. Related and supporting industries: The productivity of a company can be enhanced by the availability of high quality supporting industries and services nearby. Although outsourcing from distant suppliers is possible but it is not as efficient as using the capable local suppliers, services, components and machinery. And moreover proximity helps in lowering down the transportation and inventory cost. Philanthropy can foster the development of clusters and also help in strengthening the supporting industries

For example, American Express⁴⁵ depends on travel related spending for a large share of its credit card and travel agency revenues. Hence it is a part of the travel cluster in each of these countries in which it operates. And the success of these clusters facilitates the improvement of tourism and in attracting travellers. Therefore since 1986 American express has funded Travel and Tourism Academics in secondary schools. Neither had it trained students for the credit card business, its core business nor for its own travel services, but for careers in other travel agencies as well as airlines, hotels, and restaurant. The programme which includes teacher training, curriculum, support, summer internship and industries mentors now operates in ten countries and more than 3000 schools with more than 120,000 students enrolled. It provides the major social benefits of improved educational and job opportunities for local citizens. Within the United States, 80% of students in the programme go to college and 25% take job in the travel industry after graduation. The economic gains are also substantial as local travel clusters becomes competitive and are able to grow better. This translates into important benefits for the American express.

- **CSR activities help in the creation of a value for the firm.**

Lee Burke and Jeanne M. Logsdon had identified five dimensions or strategies which are very much important for the success of the firm. Moreover they also figured out the usefulness of relating CSR activities with programmes, policies and process of the corporate enterprise for the creation of a value. The five dimensions are: Centrality, Specificity, Proactivity, Voluntarism And Visibility. These are analysed below.

1. **Centrality:** It means degree of closeness between the firm's mission and objective with the CSR policy and programme. It helps the corporate enterprise to analyze whether their actions or decisions are in consistent with the firm's mission, objective and goals by providing feedback of their action.

For example, a business man by the name of Merck invested money in developing and distributing the river blindness drug called Mectizen for philanthropy purpose. This benefitted nearly 18 million victims of the third world countries. This philanthropic activity benefitted Merck also as he got an enhanced reputation not only

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in the industrialized world but also in the medical professionals and among various government regulators. Moreover his company was also benefitted in terms of employee morale, productivity etc.

Thus the action which have high centrality are given top priority within the organization. Since it not only aims in achieving future benefits but also ultimately translates into profits for the organization.

2. Specificity: It means the ability of the corporate enterprise to internalize the benefits of CSR activities or programme. It simply do not aim in producing goods which can be shared by others of the industry, community or society.

For example a firm who is investing in co-generation technology which captures heat discharged through smokestacks and converts to energy which substitutes electrical power purchased from the local utility. In this case the benefits of cogeneration are highly specific to firm in the form of energy cost saved. It also benefits to the public by contributing to aggregate energy conservation.

3. Proactivity: It reflects the degree to which behaviour is planned in anticipation of emerging economic, technological, social or political trends and in the absence of crisis condition. In turbulent environments firms must constantly scan their environments to anticipate changes likely to affect the firm. Such changes can range from new market oppurtunities to emerging social issues or threats.

For example firms which emphasises on pollution reduction throughout the organization as it has anticipated that pollution related cost will increase in long run is proactivity. E.g 3M company developed the pollution preventions pays (3P) programme in 1975 and had reduced pollutants by over 575,000 tons by the early 1990s. The 3P plus programme was recently introduced to provide an even more holistic approach to pollution prevention.

Thus the firm that recognises critical changes early will be better positioned to take advantage of opportunities or to counter threats.

4. Voluntarism: Voluntarism indicates the scope of discretionary decision that is made by the firm in the absence of externally imposed compliance requirements. Voluntarism is closely related to proactivity as it presumes the absence of regulation or other mandates.

In CSR domain the firm that exceeds minimum standards for quality or safety such as airline which exceeds minimum standards for quality or safety such as an airline which exceeds FAA inspection and maintenance exhibits voluntarism. These activities offer both strategic and social responsibility pay offs.

5. **Visibility:** It denotes the observability of a business activity and the firm's ability to gain recognition from its internal and external stake holders. Visibility can have both positive and negative consequences for firms. Positive forms of visibility include favourable media mentions, strong earnings announcement, stock price run ups and successful new product launches. Instances of negative visibility include government investigation of contract fraud, the sentencing of company officials, the discovery of dangerous side effects from otherwise beneficial drug, cases of poisoning etc.

Visibility is very relevant with respect to the firms internal constituency which means the employees. For example creative and extensive employee benefit programme such as comprehensive health care, onsite day care and continuing educational benefits are highly visible within the firm, even if it not visible to the outside world. Thus it will benefit the firm to improve productivity through the employee's loyalty. As a result it makes easier for the firm to attract and retain the best employees.

Thus we can say that the ultimate measure of CSR activities is the value they create for the firm. Value creation refers to the readily measurable stream of economic benefits that the firms expect to develop. Firms create or attempt to create value in their ongoing business activities through investment in new technology, new products, brand awareness, production facilities, and training customer services. To some extent these also constitute or are integral with CSR objectives or goals. Some CSR programmes which are among the most likely to create demonstrable economic benefits to the firm are outlined below.

- Employee benefits will lead to high employee loyalty and morale. This will leads to productivity gains.
- Environment management will lead to patent or innovation edge in product or process development. It will lead to have a positive relation with regulators. Moreover it will add to public relations and marketing advantage.

- Political activity like lobby will lead to favourable change in economic or social regulations. It will also lead to new business opportunities. As if it is prepositioned to take advantage of new rules.

- Product or service related characteristic or innovation or processes like green, fuel efficiency, airbags etc. These activities not only help the corporate enterprise to have an innovation edge but also helps them in reaping market or leadership benefits.

Thus I will like to conclude this dissertation by saying that CSR is basically an Economically Oriented Action (Weber, 1922). According to Max Weber economically oriented action are of two types. These are stated below.

- An action which is primarily oriented towards other ends but takes into pursuit economic considerations.

- An action which is Primarily oriented to economic needs but makes use of physical force as a means e.g. all primary non-economic action and all non-peaceful action which is influenced by economic considerations.

Therefore by taking into account the insights from Weber we can say that CSR is an economically oriented action, as even though CSR activities aims for welfare of society but the motive that drives CSR activities is the economic one i.e. improving the performance of the corporate enterprise.

So I would end this discussion by putting forth my argument that CSR has basically evolved as a strategy which not only helped the corporate enterprise to manipulate the public opinion during the its crisis phase but also gave an added value in the competitive market sphere.

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