International Journal of Business Research and Development
ISSN 1929-0977 | Vol. 2 No. 1, pp. 18-27 (2013)

SCIENCE TARGET
www.sciencetarget.com

Corporate Social Responsibility: Driving Forces and Challenges

Anupam Sharma* **and Ravi Kiran**

Thapar University, Patiala, India

Abstract

Corporate social responsibility (CSR) is gaining more and more importance day by day. CSR is not only drawing the corporate magnates into its circumference, but is also luring educationists, social activists, reformists, from all over the world to delve deeper into it. Changing market scenario, globalization, ethical consumerism all are adding heat to the CSR concept. More and more organizations are showing their commitments towards CSR either for enhancing their corporate image or to be in competition. Emergence of different marketing innovations demands direct linkage of corporate social responsibility practices with the business corporate strategies. The present article reviews the CSR literature from 1975 to 2011, conveying changing developments of CSR practices.

Keywords: *Globalization, ethical consumerism, competition, innovation.*

Introduction

In today's changing world, Corporate Social Responsibility (CSR) is a growing area of interest for academics, practitioners and entrepreneurs, in terms of both theory and practice.

Corporate Social Responsibility (CSR) is a concept whereby companies integrate social, environmental and health concerns in their business strategy (policy) and operations and in their interactions with stakeholders on a voluntary basis. The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979).

As the world is shrinking due to globalization the concept of Corporate Social Responsibility (CSR) has acquired an undeniably high degree of relevance and scope in a large number of sectors. Many academicians and practitioners are developping theory and practices of this concept of social responsibility among entrepreneurs. Within this context, one frequently asked question is: What theory or model should be followed or considered for implementation of CSR practices?

In order to contribute to a clarification of the importance of the contributions made by the field of business towards society, the present paper tries to map the theoretical and practical perspective on CSR by studying country wide literature on CSR. This is done by considering various theories of CSR and CSR practices from the perspective of published research papers among the listed journals from year 1975 to 2011.

CSR is defined by The Prince of Wales International Business Leaders Forum as, ''CSR means open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment. It is designed to deliver sustainable value to society at large, as well as to shareholders'' (http://www.iblf.org/csr) According to business for Social Responsibility (BSR), a U.S.-based global business organization: CSR means ''operating a business enterprise in a manner that consistently meets or

* Corresponding author: anupam8611@gmail.com

exceeds the ethical, legal, commercial, and public expectations society has of business'' (http://www.bsr.org/). In a more systematic way, Carroll (1999) has offered a historical sequence of the main developments in how the responsibilities of business in society have been understood.

Carroll (1991) presented his CSR model as a pyramid, as shown in Figure1. He once again uses his original historical explanation for the relative weighting, saying: "To be sure, all these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place" (p.40).

Earlier a few organizations focused on economic, responsibility, philanthropic, and legal responsibilities. But nowadays with the changing market situation this focus is shifting and including three other factors: environmental, educational and health responsibilities. Companies or organizations have started spending their social responsibility money for environmental benefits, public health care initiatives and for providing free education to the wads of employees and underprivileged.

In this paper, the researchers highlight the interaction between the three factors, education, health, and environment as represented in our model (Figure1). Based on education, health, and environment sectors the present study investigates the relationship or importance of these three factors (2E-H corporate social responsibility model), for undertaking CSR practices as these are at present the most preferred sectors in organizations. With globalization change is coming in traditional social responsibility practices, now entrepreneurs are spending maximum money of CSR expenditure on education, environment and health sectors (Sharma and Kiran, 2012a). Based on the literature it tries to find out the social responsibility practices adopted by the organizations.

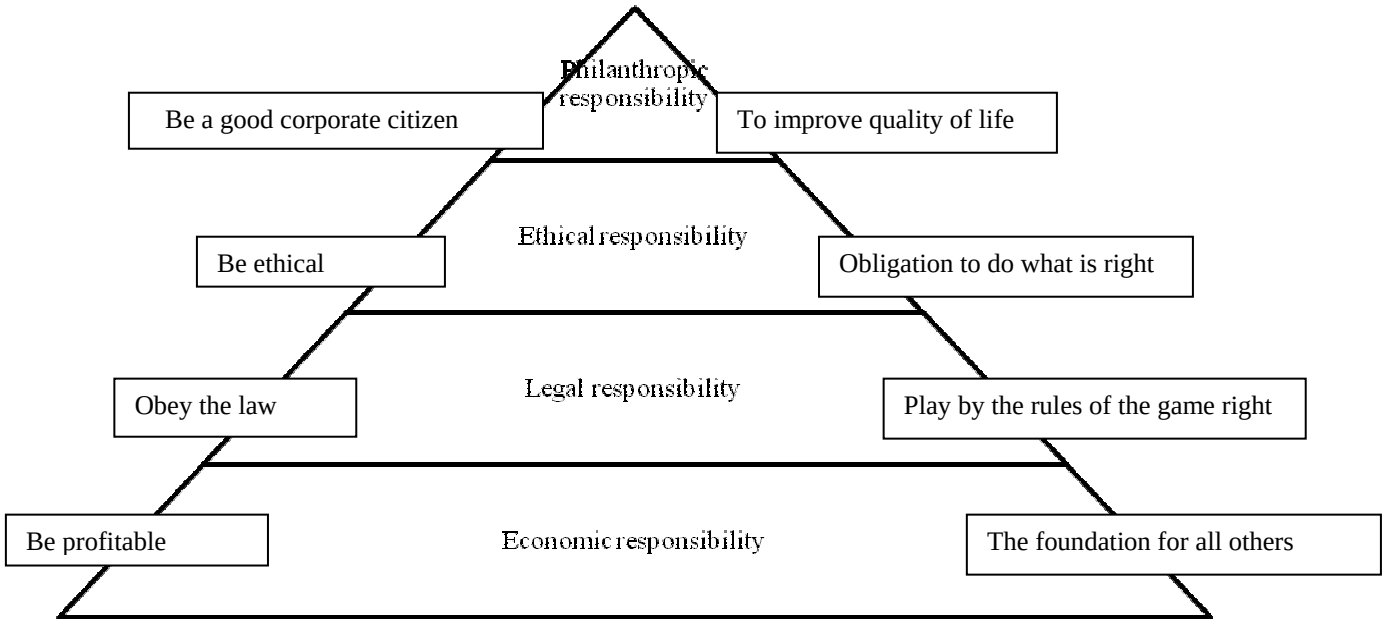


Figure1: The Pyramid of Corporate Social Responsibility (Carroll, 1991)

Table 1

CSR Practices County wise Focus

Country	Author Name	Sector	CSR Practices
Europe	Furrer *et. al.* (2009)	Education	Business students attribute more importance to environmental CR and less importance to social CR than managers.
Europe	Steurer (2010)	The role of governments in CSR characterizing public policies	CSR started out as a neo-liberal concept that helped to downscale government regulations, but that it has in turn matured into a more progressive approach of societal co-regulation.
Indonesia	Arli and Lasmono (2010)	Consumers' perception of CSR	Consumers are often unaware and unsupportive towards CSR. But When consumers have to buy similar products with the same price and quality, CSR could be the determining factor. Eg. ITC notebooks.
Chinese	Ramasamy, and Yeung, (2009)	Consumers Perception of CSR	Economic responsibilities are most important while philanthropic responsibilities are of least importance.
Mexico	Muller, and Kolk, (2009),	Auto industry	Local companies do engage in the type of CSR activities commonly associated with CSR in developed countries.
Germany and UK	Silberhorn, D. and Warren, R.C., (2007)	CSR view from big companies	German companies could benefit more from demonstrating a broad, business-driven understanding of CSR.
Finland	Kapoor, and Sandhu (2010)	Compares CSR practices of forest company, a cooperative bank, and a retail cooperative	The local corporate social responsibility should be in balance with global corporate social responsibility. Companies have still much work to do for good "corporation citizenship".
Japan	Fukukawa and Teramoto (2009)	Multinational companies	Japanese business is not keeping up with corporate social responsibility practices, and it needs to achieve a more global mode of transparency and accountability.

Table 1 (cont'd)

Country	Author Name	Sector	CSR Practices
United States, Europe, and Asia	Hill (2007)	Company stock market valuation	European countries and United States represented in this study are best characterized by horizontal individualism. Thus, their possible impact on socially responsible investing may be very different than Asian investors.
India	Murthy (2008)	Top Software Firms	Corporate social disclosure practices of the top 16 software firms in India. firms had different motives/reasons for reporting the different attributes of CSR.
India	Chaudhri *et. al*. (2007)	Information technology (IT) companies	IT companies in India are lagging behind in creative and effective CSR communication on their Web sites. Multinational corporations would do well to proactively present CSR information on country-specific sites as an expression of their commitment to local communities.
Asia	Chapple and Moon, (2005),	CSR Web Site Reporting	Multinational companies are more likely to adopt CSR than those operating solely in their home country.
India	Kapoor and Sandhu (2010)	Impact of Corporate Social Responsibility on Financial Performance	Bi-dimensional model
India	Kiran and Sharma (2011a)	Education	Introduce CSR into course-work of management curriculum.
India	Kiran and Sharma (2011b)	Health, Education & Environment	Investment in CSR initiatives vary according to the firm size.
India	Kiran and Sharma (2011b)	Health, Education & Environment	Need of the hour is for the development of CSR framework

The research paper has focused on reviewing and linking the literature in three domains: CSR practice, theory and country wise perspective. Finally the study focuses on developing a framework of CSR practices implementation. In this paper the literature covering most relevant theories and practices on CSR will be presented to see whether they are focusing on one of the above mentioned aspects- education, health and environment. At the same time, an attempt will be made to situate these theories and approaches within a general framework based on country wise contribution to the concept of CSR describing the current panorama regarding the role of business in society.

CSR Practice

Corporate Social Responsibility is an uncertain and complex term of assorted meaning (Matten and Moon, 2005). Social responsibility is used interchangeably with terms such as corporate responsibility and corporate sustainability (Waddock and Bodwell, 2007). Much of the literature on CSR to date has engaged in mitigating in economic/ philanthropic terms the various activities connected with CSR (Basu and Palazzo, 2008; Margolis and Walsh, 2003). Before moving ahead, it is essential to study the country wise CSR perspective as shown in Table 1.

Although country specific studies focus on one aspect or other of CSR from the above analysis a transition in the concept of CSR is clearly visible. It can be stated that now CSR is a wider concept and has traversed from being focussed on social issues and collectivism to being involved with transparency, accountability and corporate citizenship. CSR is not only undertaken as a profit initiative or tax saving opportunity but continuously associated with consumer satisfaction in general and societal benefits in particular.

CSR Scenario: A Theoretical Discussion

The concept of CSR has evolved from two parallel developments. The first one comprises the efforts of policy makers and organizations to spread the idea of SRB and CSR practices at every level of the firm, by means of frequent initiatives, formal definitions and so on (Tencati *et al*., 2004; Zadek, 2002). More specifically, the European Union (EU) also has been contributing to the universal debate on CSR, providing an analysis of CSR: ‘‘a concept whereby companies/ business firms decide voluntarily to contribute to the betterment of the social world and uplifting of society and a cleaner environment’’(European Commission, 2001). This social responsibility affects employees and more generally all the stakeholders under one corporate umbrella. CSR means that organizations should integrate economic, social, health and environmental concerns into their business strategies, their management tools and other activities. However, in the beginning the focus was on large companies characterized by a progressively new range of activities. The public was becoming wary that corporate power was expanding much too rapidly. The CSR concept evolved despite usual uncertainty (Friedman, 1962). Throughout this period, most of the studies attempted to define unique features and rules of CSR (Manne and Wallich, 1972). Some of the theories (Ackerman, 1975; Preston and Post, 1975) centred on the relationship between companies and their social context: society interacts with business at large, lending it legitimacy and prestige.

CSR Framework

From the extensive literature review it has been determined that need of the hour is the development of CSR framework. So that companies can effectively channelize the available resources for social responsibility practices. Inputs for the development of CSR framework has been taken from the literature as study by Carroll (1991) helped us in determining the major contributors required for the development of CSR framework. According to Carroll’s CSR pyramid (1999), business should embrace economic, legal, ethical and philanthropic responsibilities. Study by Sharma and Kiran (2012b) showed the importance of case studies for the development of framework. Study by Maon *et al*. (2009) suggests need for integrative framework of Corporate Social Responsibility design and implementation.

The literature provides a variety of views of researchers regarding CSR definitions and underlying dimensions (McWilliamset *et al*. 2006). Till now, there is no universally accepted definition, measurement scale, and a universal

framework for the CSR concept, though some agreement exists on the potential positive impact (Branco and Rodrigues 2006; McWilliams *et al*. 2006; Smith 2003). What is needed is that firms must build their corporate values to create an organizational culture that is receptive to change and can sustain a corporate social responsibility strategy over the long run (Maon *et al*., 2009).

Studies by Lewis (2003), Lichtentein *et al*. (2004), and Nielsen *et al*. (2009) suggested that society values, new business opportunities, reduced regulatory interventions, customer satisfaction, firms' reputation, and better stakeholder relationship are acting as different driving forces that are motivating business firms for the implementation of CSR initiatives. On the basis of above discussed literature survey, the CSR framework has been developed as shown in Figures 2 and 3.

Discussion

This paper examined the evolution of policy framework parameters and found that, rather than evidence of a single form of CSR practices, the organizations have to diversify, for example previously the shift was from philanthropic practices to Carroll's social responsibility practices. Similarly with the changing world these social responsibility practices have to change according to the needs of the economy. The present study exhibits that both implicit and explicit CSR factors should be considered for a holistic approach as shown in the Figure1 Combination of four of Carroll's responsibilities, including education, health, and environment will help in the formulation and implementation of social responsibility practices.

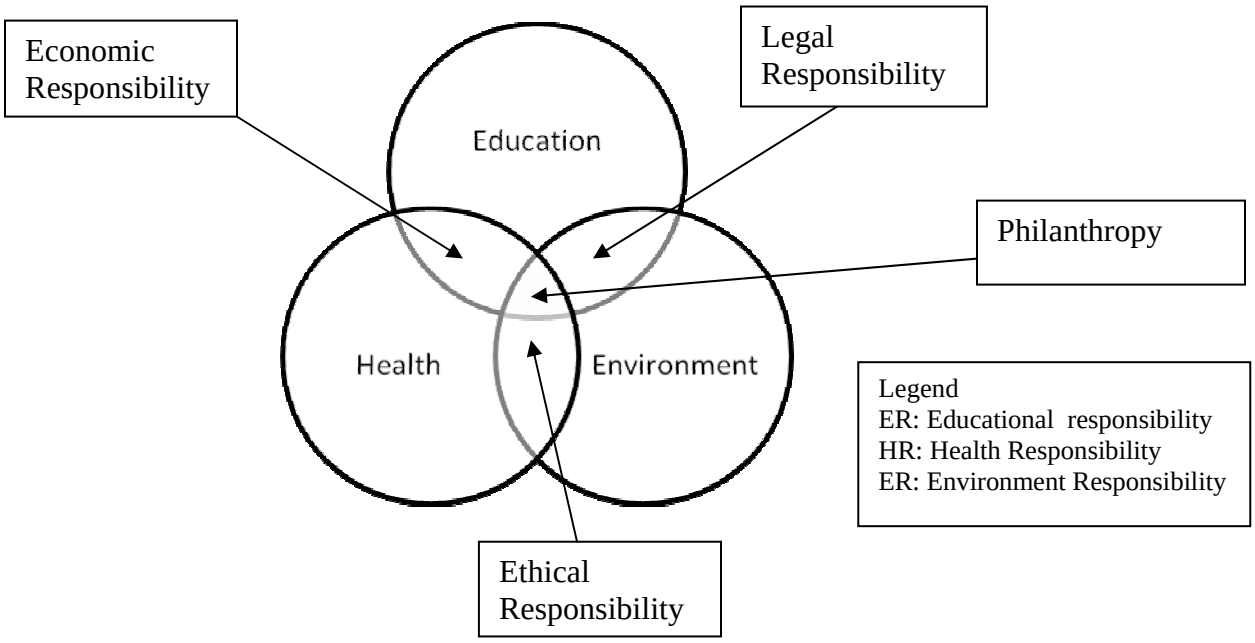


Figure 2: CSR model

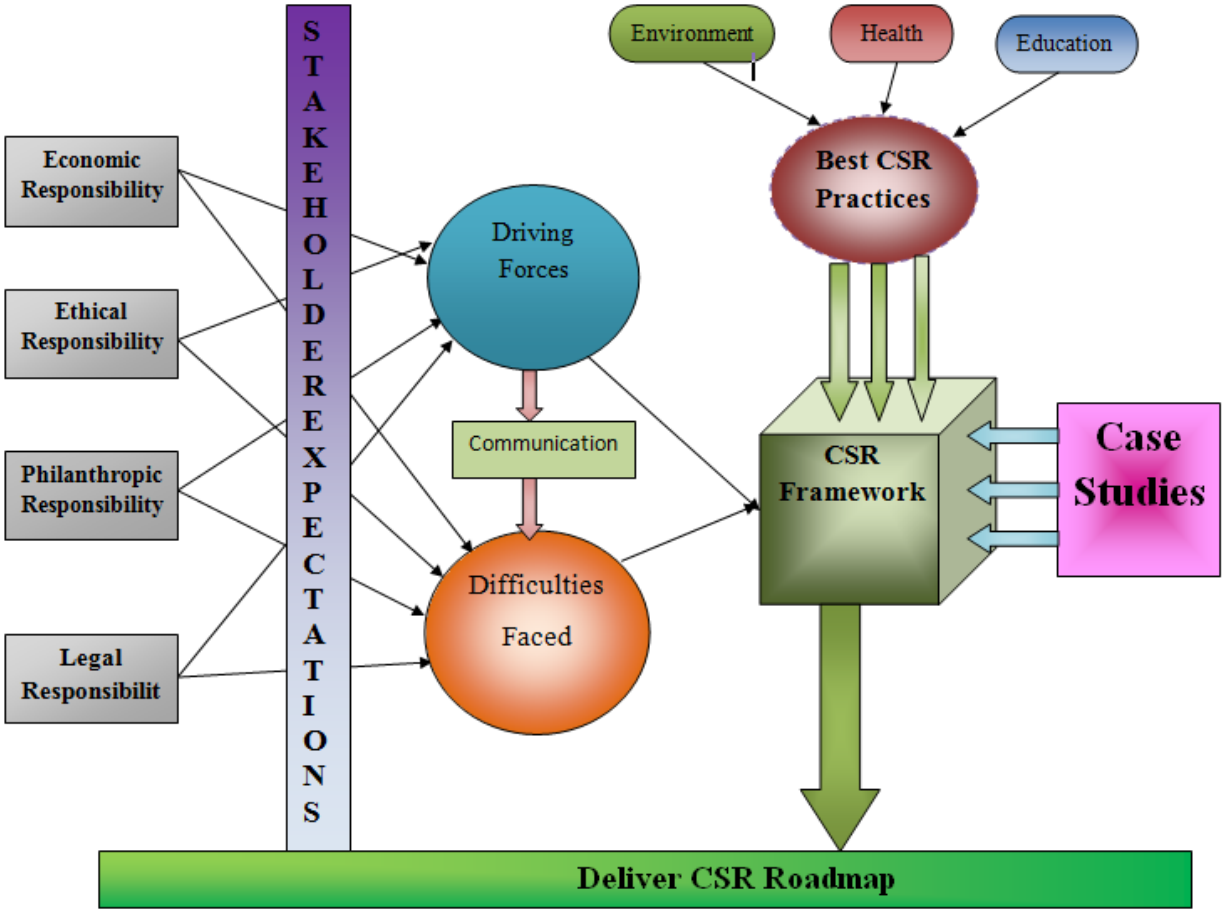


Figure 3: An extended CSR Framework

Extensive literature review revealed that support from authorities will lead to formulation of CSR practices in the organizations. Figure 2 summarizes our findings on the relationships between explicit and implicit CSR, indicating the importance and requirement of different factors as co-existing within the framework. Table 1 helps in understanding the different counties focus upon social responsibility practices and the most preferred sectors. Business ethics and corporate responsibility have been more and more considered by both academics and practitioners in recent decades (Schwartz and Carroll, 2008; Vogel, 1991).

The present paper proposes a distinction between theoretical approaches for implementation of the CSR practices by proposing a framework for social responsibility practices. Flow chart of twenty first century's perspective helps a lot in understanding the changing nature of CSR strategies. This is not to say that organizations' social responsible practices can be explained only through the notion of above mentioned social responsibility factors but the combination of these perspectives must be considered, along with Carol's model of social responsibility.

Limitations

The finding that education, environment and health sectors are more focused in comparison to other factors is not at all surprising if a pragmatic view is taken. Theoretically, a socially responsible organization is more attractive to potential staff and, therefore, it is less expensive to recruit in a talent competitive market (Phillips, 2008). It is also somewhat rewarded by customers and shareholders making it simpler to manage stakeholders and obtain further market share (Hammann *et al*., 2009; Blumenfield, 2008). If organizations will

shift their focus from philanthropic and economic responsibilities to education, environment and health responsibility, this will help them in the development of healthy staff and a better social image in the eyes of customers and shareholders. This will also result in different organizational outcomes for businesses and social causes-companies definitely want the best of both the worlds.

Organizations interested in implementing social responsibility practices should, therefore, be cognizant of the diversity of skills of their leaders and may need to encourage different and new styles in order to be successful. Therefore, further research should examine whether the combination of these systems need to be mediated through some other variable such as another style of social responsibility. Combination of Carroll's model with these three perspectives may lead to better implementation of social responsibility practices. It may be better to go for transformational leadership, which although not authentic, is an effective means of dealing with the conflict between the two types of CSR practices. Shift in the nature of CSR strategies or practices is clear from the above explained flow chart 1. Transformational leadership approach may be the key to stirring debate and innovation, thereby, providing the innovation needed to produce 'solutions' for enhanced sustainable corporate practices.

Finally, it is important to recognize the limitations of this research. The most substantial limitation is that it is based on the literature review of published renowned journals. It may be that these findings are not transferable or applicable to some organizations in total or that they are dependent on the type of organization, a bank in this case, because the results of the present research are not according to any particular organization. These are review based findings. Therefore, additional research is needed to determine whether these findings are situational rather than generalizable. These findings could be tested by additional research method such as the use of quantitative questionnaires alongside qualitative data.

Suggestions for Further Research

The current research does indicate an interesting path for the future research. Firstly, we could complement the results found here with a more quantitative approach. These could be achieved through the use of questionnaires and a regression-based analysis of the factors that align with economic, ethical, philanthropic, and legal responsibilities along with educational, environmental and health perspectives. Secondly, further research could examine the effects of this framework on some external measure of CSR success. Carroll's model of social responsibility practices is renowned; therefore, researchers suggest examining the effects of educational, environmental and health responsibility on the organizations social responsibility practices, budget and their social image. Finally, this will encourage researchers to examine whether the effect found here is an organizational lifecycle phenomenon that may disappear as organizations include corporate social responsibility practices in their culture.

References

Ackerman, R. W. (1975), *The Social Challenge to Business*, Harvard University Press, Cambridge, MA

Branco, M., and Rodrigues, L. (2006), "Corporate social responsibility and resource-based perspectives", *Journal of Business Ethics*, Vol. 69 No. 2, pp. 111–132

Blumenfield, M (2008), "Brand rankings find top CUS have one thing in common: they stay true to values", *Credit Union Journal*, Vol. 12 No. 36, p.16

Basu, K. and G. Palazzo (2008), "Corporate social responsibility: a process model of sense making", *The Academy of Management Review*, Vol. 33 No 1, pp.122–136

Carroll, A. B., A (1979) "Three-dimensional conceptual model of corporate performance", *Academy of Management Review*, Vol. 4 No. 4, pp. 497-505

Carroll, A. B. (1991), "The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders", *Business Horizons*, Vol. 34, pp.39-48

Carroll, A. B., (1999), "Corporate social responsibility: evolution of definitional construct", *Business and Society*, Vol. 38 No.3, pp. 268–295.

Chapple, M and Moon, J. (2005), "Corporate social responsibility (CSR) in Asia a seven-country study of CSR web site reporting", *Business and Society*, Vol. 44 No. 4, pp.270-278

Chaudhri et. al. (2007), "Communicating corporate social responsibility on the internet a case study of the top 100 information technology companies in India", *Management Communication Quarterly*, Vol. 21 No. 2, pp. 232-247

Friedman, M. (1970), "The social responsibility of business is to increase its profits", *New York Times Magazine*, Vol. 32 No33, pp. 122, 126

Fukukawa, K. and Teramoto, Y. (2009), "Understanding Japanese CSR: the reflections of managers in the field of global operations", *Journal of Business Ethics*, Vol.85 No. 1, pp. 133-146

Furrer, O., Egri, C. P., Ralston, D. A., Danis, W., Reynaud, E., Naoumova, I., Molteni, M., Starkus, A., Darder, F. L., Dabic, M. and Furrer-Perrinjaquet, A., (2010), "Attitudes toward Corporate Responsibilities in Western Europe and in Central and East Europe", *Manag Int Rev*, Vol. 50, pp. 379–398

Hammann, E. M., A. Habisch and H. Pechlaner: (2009), "Values that create value: socially responsible business practices in SMEs: empirical evidence from German companies", *Business Ethics: A European Review*, Vol. 18 No. 1, pp. 37–51

Kapoor, and Sandhu (2010), "Does it pay to be socially responsible? an empirical examination of impact of corporate social responsibility on financial performance", *Global Business Review*, Vol. 11 No.2, pp.185–208

Kiran, R. and Sharma, A., (2011a), "Corporate social responsibility: a corporate vision", *International Journal of Contemporary Business Studies*, Vol. 2 No 3, pp.56-68

Kiran, R. and Sharma, A., (2011b), "Corporate social responsibility and management education: changing perception and perspectives", *Global Journal of Management and Business Research*, Vol. 11 No. 6, pp.56-67.

Lewis, S. (2003), "Reputation and corporate responsibility", *Journal of Communication Management*, Vol. 7, pp.356-364

Lichtenstein, D.R., Drumwright, M.E., and Braig, B.M. (2004), "The Effect of corporate social responsibility on customer donations to corporate-supported nonprofits", *Journal of Marketing*, Vol. 68, pp.16-32

Nielsen, A.E., and Thomson, C. (2009), "Corporate social responsibility communication in small and medium-sized enterprises", *International Journal of corporate communication*, Vol. 14 No.2, pp.176-189

Manne, H. G. and Wallich, H. (1972), "The modern corporation and social responsibility", *American Enterprise Institute for Public Policy Research*, Washington, DC

McWilliams, A., Siegel, D., and Wright, P. (2006), "Corporate social responsibility: Strategic implications", *Journal of Management Studies*, Vol. 43 No 1, pp.1–18

Matten, D. and J. Moon: (2008), "'Implicit' and 'explicit' CSR: a conceptual framework for a comparative understanding of corporate social responsibility", *Academy of Management Review*, Vol. 33, pp.404–424

Maon, F., Lindgreen, A., and Swaen, V. (2009), "Designing and implementing corporate social responsibility: an integrative framework grounded in theory and practice", *Journal of Business Eth*ics, Vol. 87, pp.71-89

Muller, and Kolk, (2009), "CSR performance in emerging markets evidence from Mexico", *Journal of Business Ethics*, Vol. 85, pp.325–337

Margolis, J. D. and J. P. Walsh: (2003), "Misery loves companies: rethinking social initiatives by business", *Administrative Science Quarterly*, Vol. 38 No.3, pp. 268–305

Murthy, V. (2008), "Corporate social disclosure practices of top software firms in India", *Global Business Review*, Vol. 9 No.2, pp.173–188

Preston, L. E. and Post, J. (1975), *Private Management and Public Policy: The Principle of Public Responsibility*, Prentice Hall, Englewood Cliffs, NJ

Phillips, R. A. (2003), "Stakeholder legitimacy", *Business Ethics Quarterly*, Vol. 13 No.1, pp.25–41

Hill, P. and Ainscough, T. and Shank, T. and Manullang, D., (2007), "Corporate social responsibility and socially responsible investing: a global perspective", J*ournal of Business Ethics*, Vol. 70, pp. 165–174

Phillips, C. (2008), "Tapping into the next talent generation", *Strategic HR Review*, Vol. 7, pp. 26–31

Ramasamy, R. and Yeung, C. (2009), "Chinese consumers' perception of corporate social responsibility (CSR)", *Journal of Business Ethics*, Vol. 88, pp.119–132

Smith, N.C. (2003), "Corporate social responsibility: whether or how?", *California Management Review*, Vol. 45 No.4, pp.52–76

Silberhorn, D. and Warren, R. (2007), "Defining corporate social Responsibility A view from big companies in Germany and the UK", *European Business Review*, Vol. 19 No. 5, pp.352-372

Schwartz, M. and Carroll, A. (2008), "Integrating and unifying competing frameworks: the search for a common core in the business and society field", *Business and Society*, Vol. 47 No. 2, pp.148–186

Steurer, R. (2010), "The role of governments in corporate social responsibility: characterizing public policies on CSR in Europe", *Springer Science*, Vol. 43, pp. 49–72

Sharma, A. and Kiran, R. (2012a), "A passion of large organizations or a commitment to the society", *African Journal of Business Management*, Vol. 6 No.22, pp. 6696-6708

Sharma, A. and Kiran, R. (2012b), "Corporate social responsibility initiatives of major companies of India with focus on health, education and environment", *African Journal of Basic and Applied Sciences*, Vol. 4 No.3, pp.95-105

Vogel, D. (1991), "Business ethics: new perspectives on old problems", *California Management Review*, Vol. 33 No. 4, pp.101–117

Tencati, A., F. Perrini and S. Pogutz: (2004), "New tools to foster corporate socially responsible behavior, *Journal of Business Ethics*, Vol. 53 No 1/2, pp.173–190

Zadek, S. (2002), "Mapping instrument for corporate social responsibility, *European Commission, Directorate- General for Employment and Social Affa*irs, Belgium