



Corporate social responsibilities theories and related approaches : A study

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Abstract :

This paper aims to analyze three theories of CSR namely utilitarian, managerial and relational in terms of their meaning and practical emphases. These groups of theories are chosen because they are interdisciplinary in nature covering aspects of economic system, the managerial aspects of the corporation and the beneficiaries. The paper then highlights the role of CSR in community development based on an international perspective due to the heterogeneity of CSR in its understanding and practices in various countries of the world. The organization of the article is as follows: First, theories of CSR are analyzed in order to look at their emphases of meaning, perspective, and approaches. Second, the roles of CSR are highlighted specifically in community development because the very logic of CSR is towards seeing its impact in community socially, environmentally and economically. Third, competencies required by CSR managers are discussed in order to have a better understanding of the practical aspects of CSR. Finally, conclusions and implications for future research are drawn.

Key Words : CSR, Corporate social responsibilities

Introduction :

The present-day CSR is a concept whereby business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment. This obligation shows that the organizations have to comply with legislation and voluntarily take initiatives to improve the well-being of their employees and their families as well as for the local community and society at large.

CSR simply refers to strategies corporations or firms conduct their business in a way that is ethical and society friendly. CSR can involve a range of activities such as working in partnership with local communities, socially sensitive investment, developing relationships



with employees, customers and their families, and involving in activities for environmental conservation and sustainability.

Theories of CSR:

Since there is a great heterogeneity of theories and approaches of CSR, discussion in this article is based on a comprehensive analysis by Secchi (2007) and it is compared with an analysis by Garriga and Mele (2004). Secchi has come up with a group of theories based on a criterion what role the theories confer to the corporation and society. The theories are as follows:

- 1) The utilitarian theory,
- 2) The managerial theory, and
- 3) The relational theory.

On the other hand, Garriga and Mele’s (2004) analysis maps CSR into four types of territories. They are:

- 1) Instrumental theories,
- 2) Political theories,
- 3) Integrative theories, and
- 4) Ethical theories

Table 2 describes the theories and the relevant approaches. There is no doubt that some similarities do exist in both conceptualizations of CSR and the discussion will be based on emphases and approaches.

Table: Utilitarian, managerial and relational theories of CSR.

Utilitarian Theory	Managerial Theory	Relational Theory
Theories on social costs Functionalism	Corporate social performance Social accountability, auditing and reporting (SAAR) Social responsibility for multinationals	Business and society Stakeholder approach Corporate global citizenship Social contract theory

Source: Secchi (2007: 350)

Utilitarian Theories

In the utilitarian theories the corporation serves as a part of the economic system in which the function is mechanical i.e. traditionally known as in profit maximization. CSR ideas emerged after a realization that there is a need for an economics of responsibility, embedded in the business ethics of a corporation. Hence, the old idea of laissez faire business gives way to



determinism, individualism to public control, and personal responsibility to social responsibility. Utilitarian could also be taken synonymously with instrumental theories in which the corporation is seen as only an instrument for wealth creation, and its social activities are only a means to achieve economic results. Instrumental theories were also based on the basic idea about investment in a local community in which Friedman (1970) strongly stated earlier that the investment will be in long run provide resources and amenities for the livelihoods of the people in the community.

The utilitarian theories are related to strategies for competitive advantages. The proponents of these theories are, for instance, Porter and Cramer (2002) and Litz (1996) who viewed the theories as bases for formulating strategies in the dynamic usage of natural resources of the corporation for competitive advantages. The strategies also include altruistic activities that are socially recognized as instruments for marketing.

Secchi (2007) further divides the utilitarian group of theories into two, namely, the social costs of the corporation and the idea of functionalism. The social cost theory has a basis for CSR in which the socio-economic system in the community is said to be influenced by the corporate non-economic forces. It is also called instrumental theory because it is understood that CSR as a mere means to the end, which leads to the fact that the social power of the corporation is materialized specifically in its political relationship with society. The utilitarian theory, therefore, suggests that the corporation needs to accept social duties and rights to participate in social co-operation. Within it, the functionalist theory, specifically advocates that the corporation is seen as a part of the economic system, which one of the goals is profit making. The firm is viewed as an investment, and investment should be profitable to the investors and stakeholders. Putting it from the internal point of view of the firm, CSR was coined as a defense tactic of the industrial system against external attacks because there needs a balance between profit making and social objectives for the economic system's equilibrium.

Managerial Theory

Secchi's (2007) analysis further stresses the logic of managerial theory that emphasizes corporate management in which CSR are approached by the corporation internally. This makes the difference between utilitarian and managerial perspective of CSR. This suggests that everything external to the corporation is taken into account for organizational decision making. Managerial theories have been divided into three sub-groups:

- 1) Corporate social performance (CSP);

- 2) Social accountability, auditing and reporting (SAAR), and
- 3) Social responsibility for multinationals

CSP aims to measure the contribution the social variable makes to economic performance. Thus, the problem is that of managing the firm considering social and economic factors together. It is based on the assumption that business depends on society for its growth and sustainability. CSP of a corporation is further sub-divided into five dimensions in order to keep detailed information about its existence in the corporate chains:

- 1) Centrality measures the way CSR is compatible with mission of the core goals;
- 2) Specificity gauges the advantages CSR brings to the corporation;
- 3) Pro-activity that measures the degree of reaction to external demands;
- 4) Voluntarism that accounts for the discretion the firm in implementing CSR; and
- 5) Visibility refers to the way the responsible behavior is perceived by community of stakeholders.

As conclusion, the managerial theory generates interests in the sense that CSR considers socio-economic variables to measure firms' socio-economic performance, as well as to link social responsibility ideology to business strategy. Secchi (2005) further elaborates that SAAR are strictly related to social performance contributions through accounting, auditing and reporting procedures. SAAR means a firm accounts for its action. By doing so, firms are controlled and regulated in their actions towards performing their core business while responsible to the relevant community.

The three activities are separate managerial activities but they are interrelated to each other. All these contribute to the socially responsible behavior of a firm, which finally measures the corporations' activities that have social impact. Firms are involved in SAAR activities for communication needs, to have better stakeholder involvement and for discloser concerns

CSR for multinationals (MNCs) grows as a result of global competitions and challenges they faced. This aspect of managerial theory comes into being as a result of the responsibility the managers have to shoulder by defining useful tools about the CSR for the MNCs to survive in foreign countries. Donaldson refers to the MNCs as 'moral agents', analyzed on the basis of the moral values when managers make decision in the firms, going beyond profit maximization. The logic of CSR for MNCs is also derived from the fact that when cultural clashes become relevant due to events such as protests, demonstrations, boycotts, strikes and other negative actions against the employers. The answer to these actions is the formulation of 'code of



conduct' that should be adopted by MNCs. The success of this initiative, however, depends on client expectation and corporate reputation; the level of trust, acceptance, and cooperation shown by the stakeholders and community of workers.

Managerial theories are also strongly related to political theories based on the conceptualization by Garriga and Mele (2004) and supported by Wood and Lodgson (2002) as well as Detomasi (2008). They stress that social responsibilities of businesses arise from the amount of social power a corporation has and the corporation is understood as being like a citizen with certain involvement in the community. The origin of the political power of CSR is based on Davis's (1960) idea who proposed that business is a social institution and it must use power responsibly. It is also noted that causes that generate the social power are from inside and outside of the corporation. Detomasi (2008) further argued that strategies firms choose to adopt CSR initiatives are conditioned in part upon the domestic political institutional structures present in the home market. Political theories further demonstrate the links between economic globalization pressures felt by the companies, domestic political structures where the companies are in, and CSR policies.

Managerial theories are also covered under the integrative theories of Garriga and Mele (2004), namely, the entities of public responsibility and corporate social performance. Public responsibility stresses on law and public policy process that are taken as a reference for social performance, while corporate social performance searches for social legitimacy relevant to social issues.

Relational Theory

Relational theory has a root from the complex firm-environment relationships. As the term implies, interrelations between the two are the focus of the analysis of CSR. As indicated in relational theory is further divided into four sub-groups of theories:

- 1) Business and society;
- 2) Stakeholder approach;
- 3) Corporate citizenship; and
- 4) Social contract

Business and society is proposed to mean 'business in society' in which CSR emerges as a matter of interaction between the two entities. One of the measures of CSR is the development of economic values in a society. Another is a person's obligation to consider the effects of his



decision and action on the whole social system. Stated in the form of a general relationship, social responsibilities of businessmen need to reflect the amount of social power they have.

Stakeholder approach has been developed as one of the strategies in improving the management of the firm. It is also said as a way to understand reality in order to manage the socially responsible behavior of a firm. The stakeholder approach further considers a firm as an interconnected web of different interests where self creation and community creation happen interdependently; and individuals behave altruistically. Based on Garriga and Mele's (2004) analysis, stakeholder approach is both within the integrative and ethical theories, where the former emphasizes the integration of social demands and the latter focuses on the right thing to achieve a good society. These are supported by the work of Mitchel, Agle and Wood (1997) where balances among the interests of the stakeholders are the emphases; and the work of Freeman and Phillips (2002) that considers fiduciary duties towards stakeholders of the firms, respectively.

Corporate citizenship of the relational theory strongly depends on the type of community to which it is referred. It is a path that a corporation may take to behave responsibly. Fundamentally, it is about the relationship that a corporation develops with its stakeholders, and therefore, the former has to continuously search for engagement and commitment with the latter. Corporate citizenship based on Garriga and Mele's (2004) analysis is an approach used under the integrative and political theories and this is supported by Swanson (1995) and Wood and Lodgson (2002), respectively.

Conclusion :

Finally, the social contract theory of the relational group refers to the fundamental issue of justifying the morality of economic activities in order to have a theoretical basis for analyzing social relations between corporation and society. Hence, CSR is derived from the moral legitimacy the corporation achieves in the society and understanding about CSR is contained in the justification of social actions that legitimize the behavior of the corporation. Garriga and Mele's (2004) analysis puts the social contract theory under the group of ethical theories, the approaches of which include universal rights and sustainable development. Both approaches of CSR are based on human rights, labor rights and respect for the environment.

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