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## Understanding and Measuring Motivations for Indian Firms to Engage in Corporate Social Responsibility

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### Abstract:

Baron (2001) insisted that in order to receive a CSR label both motivation and performance are critical. Based on the review of literature, this paper observes the dichotomy of CSR perspectives and identifies two kinds of motivations for firms to engage in CSR activities: one driven by expectation of benefit named as strategic motivation and the other one without any such expectation named as altruistic CSR. It classifies the literature along the dichotomy and identifies a probable global trend towards strategic CSR based on the evidences from literature and industry practices. Indian CSR had traditionally not been strategic in nature and mostly driven by the trusteeship concept prevalent historically. In order to know whether Indian firms are also driven by strategic motive, the paper evolves ten-item scale to measure the motivations, validates it using data collected from 142 businesses professional. Analysis of the data using factor analysis and crosstabs is done to understand the motivations of Indian firms to engage in CSR. The analysis reveals and confirms the motivational categories of strategic and altruistic motivation. It also validates the

scale measuring motivations. The key outcomes of the work are majority of Indian firms have not been predominantly driven by strategic motivation and altruistic perspective continues to dominate them. The paper also confirms the existence of an industry specific pattern of motivations to engage in CSR. This research is expected to contribute to building awareness amongst corporate about strategic CSR, and further the cause of CSR theory building efforts.

**Keywords :** Corporate Social Responsibility, Motivation, CSR in India

Strategic Motivation, Altruistic Motivation, Measuring Motivation, CSR Drivers

### Introduction

Motivation is simply the answer to the question “what causes a corporate house to embark on CSR” or alternatively, “what is the philosophical underpinning that makes a corporate house undertakes CSR initiatives”. The theory of rational choice in economics takes into account the subjective condition (willingness) and the objective condition (ability) that need to be fulfilled. So too is the case in CSR. Baron (2001), for instance, has stated that in order to receive a CSR label both

motivation (subjective condition) and performance (objective condition) are critical. We, in this paper, ask and address the issue of what motivates a corporate entity to undertake CSR

There is an on-going debate about the purposes and reasons for undertaking CSR initiatives. The question "why would a firm practice CSR?" has been raised often, and there were many and varied answers to this. The answers are mostly two fold, on the one hand the enlightened self-interest of the firm is mentioned, and on the other hand authors argued that the role of business in society requires the use of CSR. This two-fold perspective is supported by Porter and Kramer (2002), who have distinguished between pure philanthropic and pure business views focusing on social benefit and economic benefit respectively. Graafland and Ven (2006) have also distinguished between the positive strategic and positive moral motivation and concluded that both strategic and moral motivation are important for corporate social performance.

To glean an understanding of what motivates a company to undertake CSR initiatives the investigator refers to the work of Garriga and Melé (2004) who have identified four theoretical approaches to CSR. These CSR motivations grew out of a four-fold classifications of CSR theories that in turn were based on the dimensions of profits, political performance, social demands and ethical values. These classifications have been used by Cochius (2006) to answer the question "what motivations for CSR do firms have?" These classifications were plotted

against four categories: (1) 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; (2) Political Theories, which concern themselves with the power of corporations in society and a responsible use of this power in the political arena; (3) Integrative Theories, in which the corporation is focused on the satisfaction of social demands; and (4) Ethical Theories, based on ethical responsibilities of corporations to society.

Jamali (2007) argues that these approaches overlap with the motivations of enlightened self-interest and the role of business in society. The other two motives (ethical and integrative) are considered as they add value by means of giving more detailed descriptions and classifications of the same motivations. Baron (2001), on the other hand, talked about the motivations of self-interest, moral values, and of suitably addressing the threats by stakeholders. Lantos (2001) accordingly proceeded in a logical manner when he grouped the motivations into three categories ethical, altruistic and strategic motivations. We too agree with Jamali in that social reality is not to be seen in clear black and white terms but as a huge grey area with several shades within it.

The above discussion, culled from CSR literature, leads us to conceptualize CSR as having two fundamental approaches or motivations: Strategic (also termed as value driven, instrumental, driven by self-interest, profit maximizing CSR) vs. Altruistic

(alternatively termed as philanthropic, value based, ethical, moral, and humanitarian CSR). Those approaches where this dichotomy is not clearly demarcated may be explained with the reference to the classification made by Lantos (2001) and the accepted working definition given earlier. This definition (as stated above) was based on whether the CSR practice is voluntary or mandatory. If the CSR contribution is voluntary it should constitute CSR else it may be termed as corporate responsibility (Jamali D., 2007). Adopting this logic, Dima Jamali argued that the use of the term CSR should be restricted to social voluntary responsibility and the term corporate responsibility can be used for the other (economic, legal and ethical) responsibilities given by Carroll.

According to us, CSR as motivated by stakeholder threats mentioned by Baron (2001) and the ethical CSR given by Lantos (2001), which, being obligatory if not mandatory, may be considered to be out of the bounds of CSR definition. This is precisely because we opine that CSR is a voluntary corporate commitment that enhances the business-society interface and meaningfully contributes to the elevation of the quality of human life thereby.

In the classification given by Garriga and Mele instrumental theorists are motivated by strategic motives; political theorists are motivated by responsible use of the power in the political arena; integrative theorists focusing on satisfaction of social demands and ethical theories based on ethical responsibilities of corporations to society

may be grouped under the CSR motivated by normative principles or altruistic CSR. This paper seeks to reduce this four-fold motivational classification into a two-fold classification as was argued above. The two fold classification is essentially either strategic or altruistic. These two categories are further elaborated below for the sake of definitional clarity since these are germane to the ensuing investigation.

Strategic Motivation has also been termed in the literature as economic benefit, Porter and Krammer (2002); Windsor (2006) and as instrumental approach, Garriga and Melé, (2004). CSR with this motivation (hereinafter referred to as Strategic CSR) is supported by the argument of enlightened self-interest and focuses on the economic benefit of the organization and aims at gaining some advantage out of CSR in terms of reputation, market acceptance, employee motivation, corporate image, government support and aims at profit maximization either in the short run or long run. Davis (1973) indicates several reasons for imbibing CSR into a firm's daily practice and weaving it into the overall business plan that will lead to business advantages. He argues that the long-run self-interest is one of the most prevalent reasons to practice CSR. This belief assumes that business needs to provide a variety of social goods in order to remain profitable in the long run. The company that takes community needs into account will create a better community for conducting business (Davis 1973).

Strategic CSR or "strategic philanthropy" (Carroll, 2001) is done to accomplish strategic

business goals i.e. good deeds are believed to be good for business as well as for society. With strategic CSR, corporations “give back” to their constituencies because they believe it to be in their best financial interests to do so. This is “philanthropy aligned with profit motives”, Quester and Thompson, (2001) which considers that social goals might be profitable in the long run since market forces provide financial incentives for perceived socially responsible behaviour. Stakeholders outside the stockholder group are viewed as means to the ends of maximizing shareholder wealth, Goodpaster, (1996). Such strategic philanthropy grew popular beginning around the mid-1980s Jones, (1997), and Carroll, (2001) expects it to grow in the years ahead. The idea is that while being socially responsible often entails short-run sacrifice and even pain, it usually ultimately results in long-term gain. Vaughn, (1999) states that expenditures on strategic CSR activities should properly be viewed as investments in a Goodwill Bank which yields financial returns (McWilliams and Siegel, 2001). These long-term benefits might not immediately show up on a firm's financial statements, as is true of economic outcomes of many marketing activities, such as marketing research and advertising for image-building. Also, a company, (he argues) would be wise to make deposits in this bank of goodwill in order to make withdrawals when it comes under fire. We somehow find that hard to agree with.

Providing for good (social) works from the corporate coffer is therefore compatible with Friedman's Monetarist view so long as the firm reaps indirect financial benefits

(Boatright, 1999). We might find a corporation practicing strategic CSR by providing charitable good deeds such as providing shelter for the destitute, building a museum, or renovating the local park if, as a result, those helped will feel grateful and indebted to that organization, and will reciprocate in various ways by giving it their business, recommending it to others, asking government regulators to stay at bay, and so on and, some of those not directly helped will still look more favourably on the firm and thereby turn their loyalties toward it as Brenkert, (1996) points out.

Several Studies have been conducted confirming the positive impact of CSR on the corporations. These studies exploring the linkage between the firms' CSR and corporate performance have given impetus to the thinking on this dimension to the extent that Lantos (2001) argues that Strategic CSR is the only legitimate form of CSR for organizations. CSR can positively affect profitability (Graafland 2004; Graafland and Smid, 2004) and it is seen to improve the company's reputation in the consumer market Fombrun and Shanley, (1990). The work of Miles and Covin (2000) extended empirical support for the claim that environmental stewardship creates a reputation enhancing advantage that assists marketing and financial performance. Several other empirical studies show that a good social reputation facilitates the support of consumers to buy or refrain from buying goods, especially in the retail sector (Brown and Dacin 1997). There is substantial evidence pointing to the fact that a negative social reputation ultimately has a detrimental

effect on overall product evaluations whereas a positive social reputation can enhance product evaluations (Brown and Dacin, 1997). Furthermore, a good CSR reputation may also be rewarded by both potential employees and the current workforce.

(Turban and Greening, 1996)

**Altruistic Motivation:** The other category of motive is the altruistic motive that does not aim at any kind of advantage by practicing CSR and insists that CSR is desirable in its own right regardless of the impact it has on the company. CSR based on this motive is herein after referred to as Altruistic CSR. Unlike strategic CSR, where it is believed that the money put into good works will yield a return on investment for the business, with altruistic CSR this is not the motive (benefits accruing due to CSR are just a by-product and not the reason for undertaking CSR). For instance, if a firm adopts an inner-city school and pours resources into it, there is no guarantee that the business will immediately gain when tomorrow's workers are better educated, as they could work for other area organizations or even move away (Singer, 2000). According to Lantos (2001) the term altruistic or humanitarian CSR suggests, "genuine optional caring, even at possible personal or organizational sacrifice". Altruistic CSR is Carroll's "fourth face" of CSR—philanthropic responsibilities—to be a "good corporate citizen" by "giving back" to society, furthering some social good, regardless of whether the firm will financially reap what it has spiritually sown. It demands that corporations help alleviate

"public welfare deficiencies" (Brenkert, 1996), such as urban blight, drug and alcohol problems, poverty, crime, illiteracy, lack of sufficient funding for educational institutions, inadequate moneys for the arts, chronic unemployment, and other social ills within a community or society. Altruistic CSR is based on capability responsibility—the company has the resources to be able to do social good. One of the favourite justifications for this form of CSR comes from the contract theory, which argues that there is an implicit contract between the constituents of the society, and the business and business has a responsibility to do justice to the contractual obligations.

Altruistic CSR includes all philosophies, policies, procedures, and actions intended to enhance society's welfare and improve the quality of life, and it involves linking core corporate competencies to societal and community needs. Altruistic CSR therefore, in a way, goes beyond and yet rests on business ethics while attempting to make the world a better place by helping to solve social problems. The proponents of the altruistic motive assume that business' role in society is more than just making profits and providing products and services. The most basic justification for Altruistic CSR is the social contract argument that "business is a major social institution that should bear the same kinds of citizenship costs for society that an individual citizen bears" Davis, (1983). Similarly, Klonoski (1991) sees corporations as social institutions that are not only responsible to their shareholders, but also to society. The view is also supported by the idea that companies seek legitimacy pressurized

by societal institutions, such as governments and media as exemplified by Weaver, Treviño and Cochran, (1999). Going a step further Wartick and Cochran (1985) state that "business exists at the pleasure of society". This means that business has certain obligations towards society as part of a social contract. The details of this contract are subject to change and differ for every situation, but the basic notion is that businesses gain legitimacy through this social contract. Their actions are brought into conformity with the objectives of society through this (implied or explicit) social contract (Fox 1974, Wartick and Cochran, 1985.). Wood (1991) translates this understanding as business and society being interwoven and therefore, "society has certain expectations for appropriate business behaviour and outcomes". Altogether the different views on the specific role of business in society can be summed up as business having a moral obligation towards society and society having certain expectations from business.

Another point made for Altruistic motivation of CSR is that, as the two most powerful institutions, business and government are obliged to address and rectify problems of social concern ("power begets responsibility."). They say corporate philanthropy is a preferable substitute for government welfare, or at least is necessary in the face of deficient public welfare, which, indeed, is partially due to corporate opposition to higher taxes (Benkert, 1996). The public is apparently transferring its expectations for solving social problems from

failed "Great Society" government programs to business (Carroll, 2001).

In short, what distinguishes Strategic CSR and Altruistic CSR is the motive of the managers adopting CSR. If the motive is gaining some kind of advantage for the company, it is strategic CSR and absence of any such motive would classify the CSR programme as altruistic CSR. The importance of the distinction is thrown into relief when we see the work of Boatright (1999) who states that the wisdom of strategic CSR is seen in the fact that some of the most successful corporations are also among the most socially responsible. Carroll (2001) argues that due to belt tightening and increased pressure on accountability for expenditures, the trend will likely be towards funding those good works expected to financially benefit the companies. Lantos (2001) while making a case for strategic CSR argues that in view of the rising public expectations for corporate good works, returns to strategic CSR should rise.

#### Defining CSR:

Based on the above position taken, the essential elements that define the form and the content of CSR in our considered opinion may be identified as under

1. Sufficient focus by the enterprise on its contribution to the welfare of society
2. The relationship with its stakeholders and society at large
3. Voluntary nature

Scholars whose work were reviewed in the previous section and are summarized below

further strengthen these three points that emanate from the accepted working definition. The first point emphasizes the company's contribution to the welfare of society. This element is closely related to the 'values and objective of society' and 'benefit society' stressed most of the definition above. (Bowen, 1953; Carroll, 1979 & 1999; and Wood, 1991). The second point stresses the importance of stakeholder management, which has been stressed by Freeman (1984), Donaldson and Preston (1995) and Jones (1995). The third point covers the voluntary nature of CSR has been stressed upon by Lantos (2001) and Jamali D. (2007). Based on the same we thus define CSR:

- CSR is defined as a voluntary verifiable continuing commitment by business to contribute to development of the quality of life of the stakeholders and society at large.
- Strategic CSR is defined as CSR undertaken with the motive of gaining some kind of advantage for the corporation.
- Altruistic CSR is defined as CSR undertaken without any motive or regard for its implications on Organisational profitability either short-term or long-term.

As the battle for competition intensifies every company will be forced to leverage its core competency to gain competitive advantage. In this regard the "perceived value of the corporate brand" is very crucial. This brand image, reputation and recall have a direct impact on company profits as well as its market expansion plans. Hence it is understandable that CSR could be used strategically to gain competitive advantage. There is accordingly evidence of a palpable

shift in CSR paradigm from Altruistic CSR to Strategic CSR that is apparent in both industry practices and academic literature.

Evidences from academic literature:

The following table which takes a review of CSR literature strongly indicates the shift and the subsequent review of the industry practices confirms that the shift is for real and is here to stay even as more and more corporate houses from the world over are shifting to Strategic CSR practices from the traditional - historical Altruistic CSR based on normative principles.

### The Shift in Paradigm from Altruistic to Strategic

Year	Author	Key Argument	Perspective
1953	Bowen	Social Responsibility of the Businessman	Altruistic
1973	Davis	Firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm is CSR	Altruistic
1984	Freeman	Managers should tailor their policies to satisfy stakeholders and not just shareholders.	Altruistic
1991	Woods	Business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes.	Altruistic
1995	Donaldson and Preston	Normative , Descriptive and Instrumental stakeholder theory. Gave a Business Case for CSR	Strategic and Altruistic
1995	Jones	Firms involved in repeated transactions with stakeholders have an incentive to be honest and ethical.	Strategic
1995	Hart	RBV- Environmental Social Responsibility can constitute a resource or a capability that leads to sustained competitive advantage	Strategic
2001	Baron	The use of CSR to attract socially responsible consumers. Firms provide public good in conjunction with their business strategy	Strategic
2001	McWilliams and Siegel	Theory of a firm - Presents a supply demand perspective on CSR to determine the ideal level of CSR using cost benefit analysis	Strategic
2003	Bangoli and Watts	Private provision of public good	Strategic

The theoretical conceptualization on strategic CSR was substantiated by the empirical studies proving a positive relationship between Strategic CSR and Corporate financial Performance. Russo and Fouts (1997) empirically proved that environmental performance and financial performance were positively correlated. Waddock and Graves (1997) established a positive relationship between the CSR, employee morale and firm performance. Hillman and Keim (2001) found a positive correlation between stakeholder management CSR (Strategic CSR) and shareholder wealth while he observed negative relation between Altruistic CSR and firm performance. Encouraged by the evidences from the literature that CSR leads to business benefits for the firms, more and more corporate houses are adopting strategic CSR and working on integrating their CSR strategy with their core business goals.

**Evidences from industry:**

The research of Chahoud et al (2007) reveals a shift from a purely philanthropic approach (e.g. selective donations) to a more comprehensive CSR approach. This shift is apparent primarily in the perceptions of CSR, the professionalism of community development and the integration and organization of CSR within a company. Singhal (2007) in a recent article in Economic Times also outlined some instances where Indian companies have used CSR strategically to achieve both economic and social goals.

The CSR Survey-2002 India also pointed to the movement of Indian companies from ethical-statist model to liberal-stakeholder model and also pointed out instances where companies with strong philosophical foundations of their founding fathers are shifting to TBL concept and strategic CSR. While the survey pointed out the limited degree of integration with the business process, it noted the distinct shift in paradigm.

Deveshwar (2007), Chairman of ITC Ltd., one of the leading companies in CSR movement in India in making a strong case for strategic CSR argued that CSR is not only a responsibility that the business and Industry must commit themselves to, but a crying need that Business cannot afford to neglect any longer. It is in the enlightened self-interest of business to engage constructively in enlarging its contribution to the broader social and environmental agenda. Competitiveness of firms can be severely threatened by unsustainable environments and a lopsided social structure. He argued that a constructive public private partnership for socially responsible growth is imperative and must occupy a larger space in future business strategies of India's corporate

sector. He cautioned that mere long term reputation based advantages are not sufficient for corporations to commit long term investments in CSR and suggests that the most potent force that can trigger a complete rethink of corporate strategy and bring about transformational change is the power of consumer franchise (encompassing other market participants including government, investors, employees, job seekers and other segments of the civil society markets). The market for virtue in India is difficult to discern; however a small beginning has been made towards creation of the same. He also argues referring to a 2006 survey conducted in US that with greater awareness through education and exposure, the future generations will tend to exercise a vote for companies with higher social accountability. This is a force that is lying dormant amongst India's confident young generation and once unleashed will be a formidable catalyst for change. Corporate houses will thus be able to support a much larger social involvement in their business strategies if market forces facilitate such investment and returns.

Even as ITC's e-Choupal, strategic CSR initiative of ITC which is integrated with its core business strategy, is busy helping the rural farmers in India, the Micro credit revolution through the Gramin Bank in Bangladesh is one of the best known examples of strategies for the bottom of the pyramid inter alia strategic CSR. Hindustan Lever Limited (now HUL) also has carried out a packaging revolution catering to the needs of Rural poor in India, at the same time making a business out of it. HP has created R&D labs in rural India to address the need for information poverty at the same time trying to reduce the cost of being connected.

The new mantra for corporate houses is to integrate CSR in their Business Strategies, view it as a strategy, identify business opportunities which were earlier presumed not to exist and work out a sustainable business which will contribute to the society and the stakeholders of business as well.

Clearly therefore, CSR is not a static concept but an evolving one which has passed through several phases of development, each one being higher than the previous one in terms of the business-society interface. There are two ramifications to this: (a) the degree of involvement and thus commitment of the business to social causes increases and (b) the degree of integration of CSR with the core business processes improves. The movement from charity to strategic CSR thus has been the process of integration of CSR into the core business strategy of the firm

Johan Graafland and Bert van de Ven (2006) tested the hypothesis that a positive strategic and moral view on CSR stimulates companies to undertake CSR efforts on a sample consisting of 111 Dutch companies. They argued that the view of the firm (Strategic or Moral) has implications on the stakeholder practices they adopt. They observed that strategic view has a stronger correlation with consumer related CSR policies and practices while moral view was found to have stronger correlation with other stakeholder related CSR.

### **CSR in India**

The concept of CSR had always been part of Indian business tradition, though it had not been highlighted in terms of CSR, as understood or defined today. People being highly social, the tradition of CSR had existed even before the industrial revolution in India

in 20th Century, and manifested itself in practice and core philosophical thoughts.

Puspha Sundar (2000) in a book 'Beyond Business: From Merchant Charity to Corporate Citizenship', presented a synoptic view of Indian business philanthropy in the context of the economic, social, political and cultural developments in the country from the beginning of modern industrial development in the second half of the nineteenth century. Sundar differentiates between charity, philanthropy, CSR and corporate citizenship, and claims to capture and present the shifts, from merchant charity to corporate citizenship in India, with CSR in between. Such shifts occurred over the nineteenth and twentieth centuries, as business responded to evolving societal needs and demands. He identified the following four phases of CSR development which parallel India's historical development and resulted in different CSR practices.

### **Philanthropy during early industrialization (1850 -1914)**

The first phase of CSR is predominantly influenced by culture, religion, family tradition, and industrialization. CSR engagement was based mainly on corporate self-regulation. Charity and Philanthropy characterized this phase of CSR. A few families (Tata, Birla, Godrej, Sarabhai etc) in India which pioneered the industrial revolution in India were strongly devoted to philanthropically motivated CSR. Their CSR engagement was driven not only by altruistic motives but was also stimulated by religious motives. These early stages of industrialization witnessed newly rich business families setting up trusts and institutions such as schools, colleges, hospitals, orphanages, widows' homes, art galleries and museums.

### **The “golden age” of Indian capitalism and philanthropy (1914-1960)**

This Phase which Sunder termed as the “golden age” of Indian capitalism and philanthropy was strongly influenced Gandhi's call for social justice and the concept of trusteeship which he had given to the world. The concept of trusteeship argued that the wealthy should be trustees of their wealth, using only what was necessary for personal use and distributing the surplus among the needy. Like philanthropy in the early industrialization phase, this “golden age” was also characterized by the support for physical and social institutional infrastructure. However in this period, such ideas were led by a nationalistic fervour and a vision of a free, progressive and modern India (Sundar, 2000) Birla, Jamnalal Bajaj, Lala Shri Ram and Ambalal Sarabhai, all believed to be influenced by Mahatma Gandhi and his theory of the “trusteeship” of wealth, contributed to Gandhi's reform programmes, such as those targeting the situation of untouchables, women's empowerment and rural development (Sood and Arora, 2006)

### **Business and community development under state-led development (1960-1980)**

The Nehruvian paradigm of Mixed Economy, emergence of the PSUs and ample legislations on environmental and labour standards dominated CSR thinking of the period. This phase is also characterized by a shift from corporate self-regulation to strict legal and public regulation of business activities. Under the paradigm the role of the private sector in advancing India receded. The 1960s have been described as an “era of command and control”, because strict legal regulations determined the activities of the private sector (Arora, 2004). The

introduction of a regime of high taxes and a quota and license system imposed tight restrictions on the private sector and indirectly triggered corporate malpractices. As a result, corporate governance, labour and environmental issues rose on the political agenda and quickly became the subject of legislation. Furthermore, state authorities established PSUs with the intention of guaranteeing the appropriate distribution of wealth to the needy (Arora and Puranik, 2004). However, the assumption and anticipation that the public sector could tackle developmental challenges effectively materialized to only a limited extent. Consequently, what was expected of the private sector grew, and the need for its involvement in socio-economic development became indispensable.

### **CSR at the interface between philanthropic and business approaches (1980-present)**

In the fourth phase (1980 until the present) Indian companies and stakeholders began abandoning traditional philanthropic engagement and, to some extent, integrated CSR into a coherent and sustainable business strategy, partly adopting the multi-stakeholder approach. Post 1991, the Indian government initiated reforms to liberalize and deregulate the Indian economy by tackling the shortcomings of the “mixed economy” and tried to integrate India into the global market. As a consequence controls and license systems were partly abolished, and the Indian economy experienced a pronounced boom, which has persisted until today (Arora and Puranik, 2004). This rapid growth did not lead to a reduction in philanthropic donations; on the contrary, “the increased profitability also increased business willingness as well as ability to give, along with a surge in public and government expectations of businesses”

(Arora, 2004). Against this background, India has meanwhile become an important economic and political actor in the process of globalization. Jane Nelson (2006), senior fellow and director for Harvard University's corporate responsibility initiative and former advisor to UN secretary general Kofi Annan while outlining the key trends in CSR predicted that India and China will decide the future of CSR. This new situation has also affected the Indian CSR agenda.

As reported by Chahod et al (2007) the research reveals a shift from a purely philanthropic approach (e.g. selective donations) to a more comprehensive CSR approach. This shift is apparent primarily in the perceptions of CSR, the professionalism of community development and the integration and organization of CSR within a company. Irrespective of these aspects, the empirical results lead to the conclusion that CSR still has a philanthropic connotation because of its emphasis on external stakeholders, particularly communities. Singhal R. (2007) in a recent article in Economic times also outlined some instances where Indian companies have used CSR strategically to achieve both economic and social goals.

Corporate Social responsibility survey -2002 India also pointed out towards the transition from a ethical statist model (Charity and employee focus) to a Liberal – Stakeholder Model for CSR. The survey also points that several companies attach very high importance to the philosophy of founding fathers as a principal driver of CSR and there are several such companies adopting the ethical philanthropic approach to CSR. However there are instances pointed in the survey where companies with commendable history have transitions from philanthropic

to TBL approach while retaining part focus on philanthropy. While the survey noted the distinct shift, it also opined that given the prevailing perceptions them about CSR which was not considered as a mechanism to manage risk, improve operational efficiency or access to markets, integration with the business process was limited.

Deveshwar Y. C. (2007), Chairman of ITC Ltd., one of the leading companies in CSR movement in India making a strong case for strategic CSR argued that CSR is not only a responsibility that the business and Industry must commit themselves to, but a crying need that Business cannot afford to neglect any longer mere It is in the enlightened self-interest of Business to engage in constructively in enlarging its contribution to the broader social and environmental agenda. Competitiveness of firms can be severely threatened by unsustainable environments and a lopsided social structure. He argues that a constructive public private partnership for socially responsible growth is imperative and must occupy a larger space in future business strategies of India's corporate sector. He cautions that mere long term reputational advantages are not sufficient for corporations to commit long term investments in CSR and suggests that the most potent force that can trigger a complete rethink of corporate strategy and bring about transformational change is the power of consumer franchise (encompassing other market participants including government, investors, employees, job seekers and other segments of the civil society markets). He states that the market for virtue in India is virtually non-existent; however a small beginning has been made (towards creation of the same). He also argues

referring to a 2006 survey conducted in US that with greater awareness through education and exposure, the future generations will tend to exercise a vote for companies with higher social accountability. This is a force that is lying dormant amongst India's confident young generation and once unleashed will be a formidable catalyst for change. He opines that corporates will be able to support a much larger social involvement in their business strategies if market forces facilitate such investment and returns.

### **Propositions**

As is evident from the above review the Indian CSR approach has been shifting from the purely normative philanthropic CSR to stakeholder engagement and strategic use of CSR. Given the continuance of this phase of CSR in India the importance of the study of motives cannot be further emphasized in the Indian context.

If, as suggested by the above review of literature, the trend towards strategic CSR is there, most of the Indian companies should be following Strategic CSR. This paper seeks to empirically verify whether this is true for Indian companies or not.

Since, as defined earlier, what distinguishes Strategic CSR from Altruistic CSR is the motive with which companies engage in CSR activities.

This led us to formulate the following proposition for empirical testing.

Hypothesis1: Organisations have strategic and altruistic motive to engage in CSR.

Further based on the above review of literature, it was logical to expect,

Hypothesis2: Indian companies are driven more by strategic motive compared to altruistic motive.

Many researchers have argued that companies in different industries may simply be more socially involved than do other firms in different industries (Waddock & Graves, 1997; Sweeney & Coughlin, 2008). Therefore, researchers must consider the industry the firm is operating (Sturdivant & Ginter, 1977). Different firms in different industries seem to report and invest in CSR values which they deem to be more important to their core business. Accordingly we expected,

Hypothesis 3: There is an industry specific motivation pattern in Indian companies.

## Measurement of the Motives

Organisational motives have been variously measured based on the perspectives adopted by the authors. Graafland et al (2006) measured the strategic and moral motives using two propositions on a 5-point likert scale. Timo Cochius (2006) measured the four fold motives based on the Garriga and Mele's work on Classification of CSR theories (Political, Instrumental, Integrative and Ethical Motives). Dima Jamali's (2007) method to measure strategic and altruistic motivation was based on structured interviews. Aupperle et al (1985) used a forced choice instrument to measure four fold CSR orientations based on Carroll's work (Legal, Economic, Ethical and Discretionary components of CSR)

In absence of any such valid instrument to measure strategic and altruistic Motive, it was decided to evolve a new instrument to measure the motivations of organisations.

Comprehensive Review of Literature was undertaken to identify reflective indicators of each category of the motive which helped us identify the following indicators

S N	Indicators of Strategic Motivation	Sources from literature
1	Reputation enhancement	Fombrum and Shanley(1990), Miles and Covin (2000)
2	Attract better human Resource	Turban And Greening (1996)
3	Improve profitability	Graafland (2004), Miles and Covin (2000)
4	License to operate	Porter and Kramer (2006)
5	Source of sustainable competitive advantage	Hart (1995)
6	CSR is an investment	Porter and Kramer (2006)
	<b>Indicators of Altruistic Motivation</b>	<b>Sources from literature</b>
1	It is the moral duty of the corporation	Donaldson and Davis, (1991)
2	Giving back to the society	Bowen (1953)
3	Corporations help alleviate "public welfare deficiencies"	Brenkert (1996)
4	Fiduciary duty towards stakeholders	Freeman (1984)
5	Firm as a public institution sanctioned by state	Boatright (2000)
6	CSR is a Possible, probable or a definite Cost	Lantos (2001)

These indicators were then translated into an instrument containing 12 items on a seven point likert scale (appendix 1) In order to validate the scale and test the hypothesis post validation, the instrument was administered through mail to around 1000 business professional in Indian companies. The follow up was done telephonically and the total responses received were 142 of which 133 responses were complete. These responses were analysed using SPSS for validating the scale and testing the hypothesis. 73% of the respondents were Post Graduates. 45% of the professionals in the sample represent the service sector and 47 % represented the manufacturing sector.

The correlation matrix given in table no I gives the inter-item correlations.

Correlations Matrix		1	2	3	4	5	6	7	8	9	10	11	12
<b>S</b>	<b>Item</b>												
<b>N</b>													
1	Public Institution	1											
2	Giving back to Society	.69 6**	1										
3	CSR as a Cost	.60 4**	.472* .	1									
4	Alleviate Public Welfare Deficiencies	.50 7**	.573* .	.47 2**	1								
5	Improve Profitability	.37 2**	.303* .	.51 3**	.32 3**	1							
6	Fiduciary Duty	.36 2**	.425* .	.47 0**	.38 8**	.388* .	1						
7	Licence to Operate	.38 7**	.275* .	.55 9**	.36 3**	.563* .	.40 5**	1					
8	Enhancement of Reputation	.23 1**	.278* .	.38 8**	.11 8	.472* .	.27 7**	.36 4**	1				
9	Sustainable Competitive Advantage	.41 8**	.302* .	.61 7**	.32 3**	.516* .	.44 4**	.61 2**	.47 7**	1			
10	Retain Quality HR	.34 5**	.329* .	.42 4**	.40 8**	.574* .	.36 6**	.48 9**	.48 8**	.585* .	1		
11	CSR as Investment	.41 0**	.264* .	.47 6**	.30 0**	.497* .	.35 7**	.40 4**	.37 3**	.537* .	.55 1**	1	
12	CSR as Moral Duty	.32 1**	.420* .	.37 6**	.33 2**	.287* .	.39 3**	.32 3**	.30 2**	.437* .	.33 6**	.17 6*	1
	<b>** Significant at .01 alpha</b>												
	<b>* Significant at .05 alpha</b>												

Since most of the items were significantly correlated, exploratory principle component analysis with varimax rotation was run on the data to understand the underlying structure of the data.

The exploratory factor analysis gives two factors explaining 58% of variance. The rotated component matrix is given in table no II. While all the items were loaded onto the respective factors as expected factor 1 measuring strategic CSR and factor 2 measuring altruistic CSR, two items (Item No 5 and 12) were double barrelled items.

Table II

Rotated Component Matrix<sup>a</sup>

	Component	
	1	2
Public Institution	.235	.793
Giving back to Society	.105	.865
Alleviate Public Welfare Deficiencies'	.159	.767
Improve Profitability	.752	.230
Fiduciary Duty	.401	.518
Licence to Operate	.687	.298
Enhancement of Reputation	.706	.064
Sustainable Competitive Advantage	.771	.299
Retain Quality HR	.746	.249
CSR as Investment	.685	.218
CSR as Moral Duty	.302	.509
CSR as a Cost	<b>.549</b>	.577

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

The double barrelled items were removed from the scale and exploratory factor analysis with varimax rotation was rerun on the data for the reduced set of 10 factors. The factor analysis again revealed 2 factors explaining with initial eigen values of more than 1, explaining a slightly increased variance of 59.88%. Table III gives the rotated factor analysis output with 10 items.

**Table III****Rotated Component Matrix<sup>a</sup>**

	Component	
	1	2
Public Institution	.256	.795
Giving back to Society	.131	.881
Alleviate Public Welfare deficiencies	.179	.772
Improve Profitability	.760	.215
Licence to Operate	.696	.266
Enhancement of Reputation	.701	.066
Sustainable Competitive Advantage	.778	.264
Retain Quality HR	.762	.259
CSR as Investment	.688	.209
CSR as Moral Duty	.323	.500

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

As can be seen from the above table, the unearthed underlying structure of the data clearly establishes that there are two factors with factor 1 measuring Strategic Motivation with 6 items expected to measure strategic motivation loaded on the factor and factor 2 measuring altruistic motivation with 4 items expected to measure altruistic motivation loaded onto it validating the instrument and also testing the hypothesis 1 as it gives out two factors one strategic motivation and altruistic motivation.

The Cronbach's alpha for the 10 item integrated motivation scale was 0.868 and for the strategic and altruistic motivation subscales it was 0.842 and 0.784 indicating high reliability of the scale.

In order to test the second hypothesis, the following computation was done. The average of all the items within the respective subscale was computed.

Table IV

## Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Altruistic motivation Score	134	2.00	7.00	5.2332	1.03473
Strategic Motivation Score	132	1.00	7.00	4.9192	1.00095
Valid N (listwise)	132				

The second hypothesis sought to know whether Indian companies are driven more by strategic motive compared to altruistic motive. Further Graafland et al (2006) based on the study of 111 Dutch companies had concluded that both moral (altruistic) and strategic motivation is necessary to perform on CSR. Therefore, both motivations would be instrumental in driving CSR performance, however, to know which motivation is predominant in the organisational perspective the scores on the two scales were compared and the higher score was taken as an indication of the predominance of the motivation. The computation showed that 53 of the 132 companies had predominantly strategic motivation and 79 of the 132 companies had predominantly altruistic motivation as a driver for CSR.

The average score of the altruistic subscale was 5.2332 and that for strategic subscale was 4.9192 on the 7 point likert scale.

Based on the same it can be concluded that there is no sufficient evidence to reject the null hypothesis and hence the second hypothesis is not accepted implying that the globally observed dominance of strategic motivation can not be confirmed with respect to Indian companies.

The third hypothesis was tested using the chi square tests. In order to know whether there is any industry specific pattern in motive for CSR, three categories of Industries (1 – Manufacturing, 2- Service and 3 others which included mining and extraction companies) were cross tabulated with the two categories of generating the following output.

**Chi-Square Test**

**Table V (a,b,c)**

**Frequencies**

**a) Industry type categorised**

	Observed N	Expected N	Residual
1	48	44.0	4.0
2	59	44.0	15.0
3	25	44.0	-19.0
Total	132		

**b) Motivation Categorised**

	Observed N	Expected N	Residual
1	53	66.0	-13.0
2	79	66.0	13.0
Total	132		

**c) Test Statistics**

	Industry type categorised	Motivation categorised
Chi-Square	13.682 <sup>a</sup>	5.121 <sup>b</sup>
df	2	1
Asymp. Sig.	.001	.024

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 44.0.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 66.0.

The chi-square test was significant at 0.001 alpha confirming that there is an industry specific motivation pattern leading us to accept the 3<sup>rd</sup> hypothesis.

## Conclusions

Motivation is fundamental to any kind of behaviour including corporate behaviour on social responsibility. This paper identifies the dichotomy of CSR perspectives and identifies two kinds of motivations for firms to engage in CSR activities: one driven by expectation of benefit named as strategic motivation and the other one without any such expectation named as altruistic CSR. It also evolves and validates the instrument to measure motivations. Traditionally Indian CSR has been based on the altruistic motivation based on the Gandhian concept of Trusteeship. However, the recent trends indicated that Indian companies are also adopting the strategic perspective. The paper also sought to find out the predominant motive for Indian firms to engage in CSR and also whether there is any industry specific pattern pertaining to the categories of motivations.

In order to meet the objective two types of motivations were identified based on comprehensive review of literature. For measurement of the motivation a 12 item scale was constructed. Data was collected from 142 businesses professional across companies and the 132 complete responses were analysed to validate the instrument and test the hypothesis

The analysis of the 132 complete responses from the business professional was analysed to validate the instrument and test the three hypothesis formulated to meet the objectives. The outcome of the analysis led to evolving a 10 item scale with two subscales to measure strategic and altruistic motivation. The analysis of the data also confirmed the existence of the two categories of motivations.

However it was found that majority of the Indian companies still had predominantly altruistic motive when it comes to CSR engagement. The third hypothesis confirmed industry specific pattern in motivation type.

This work in addition to evolving a new instrument to measure motivation, contributes to the theory building efforts in CSR. It also provides insights about the motivations of Indian firms to engage in CSR and helps in increasing awareness about strategic CSR amongst Indian companies.

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**Appendix 1**  
**Items in the motivation measurement Scale**

Our organisation engages in CSR activities primarily because we believe that,

- 1 it helps us enhance the reputation of the organisation.
- 2 the organisation is a part of the society and should give back to the society.
- 3 it helps us attract and retain quality human resource.
- 4 corporations are more powerful in terms of resources available with them and should help alleviate “public welfare deficiencies”.
- 5 it helps us improve profitability of the company both in the short and long run.
- 6 Corporation is a trustee to the societal wealth and has fiduciary duty towards stakeholders.**
- 7 it helps us smoothen our relations with governmental agencies and gives us license to operate.
- 8 the firm is a public institution sanctioned by the state.
- 9 it is a source of sustainable competitive advantage.
- 10 CSR is a possible, probable or a definite cost.**
- 11 CSR is an investment to develop a goodwill bank which can be en-cashed.
- 12 it is the moral duty of the organisation.