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Working Paper

CORPORATE POWER AND SOCIAL
RESPONSIBILITY: LESSONS FROM THE WEST

By

K. Balakrishnan

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ABSTRACT

Corporate social responsibility is fast becoming a fashionable phrase among businessmen, managers, management academics, economists, politicians, and the public at large. Before these diverse groups plunge into serious debate on this crucial issue, one could perhaps learn from the long experience of Western countries, especially the U.S., on this subject.

A detailed scrutiny of a selected sample of Western thought showed that two different and distinct groups existed. One group looked at the problem as corporate power to be contained, curtailed, or counter-vailed -- the negative view; the other as corporate responsibility to be mobilized, channeled, and sustained through appropriate supportive efforts -- the positive view. What the two distinct groups saw depended on the locus of their observation. It was significant to find economists, lawyers, and political thinkers in the former group looking at the corporation mostly from outside, and teachers, researchers, and counsellors to the corporate sector in the latter group looking at the corporation from within. The former group, called externalists, has wielded better influence with policymakers in government and the latter, called managerialists, has influenced decisionmakers in corporations. The four -- externalists, government, managerialists, and corporations -- has continued to function as two parallel axes; the externalists-government axis almost always confronting the managerialists-corporations axis.

It is concluded that in the Indian context we can obviate such futile confrontations and achieve positive results, and faster, if all the four pooled their thinking. Whether the business will be locking horns or shaking hands with society in the coming decades in India would depend upon the success in such collaborative thinking.

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CORPORATE POWER AND SOCIAL RESPONSIBILITY:
LESSONS FROM THE WEST

K. Balakrishnan

Introduction

'Corporate social responsibility' is fast becoming a fashionable phrase. The chairmen's statements in the annual reports of many Indian companies invariably contain at least a paragraph proclaiming their achievements on this front, whether it is adoption of a village, or contribution for philanthropic purposes, or just highlighting the magnitude of taxes they had contributed to the exchequer. Some business houses had traditionally spent money for building temples, and some others in running advertisement series with religious themes. These may also be branded as ways of meeting the social responsibility of business!

In the past, any trend in corporate managerial behaviour had provoked academicians to research its motives and implications and thinkers to argue for or against such trends. It is my belief that the current social responsibility fad in Indian corporate behaviour would also come for close scrutiny and comments by a diverse set of people — economists, management researchers, politicians of various hues, and the public at large. There are likely to be extreme views. Despite the tentative efforts by the businessman in meeting his social responsibilities, many thinkers might start pointing an accusing finger at the magnitude of corporate power and the possible dysfunctional

consequences to society arising out of, such power, whether it is polluting the environment or corrupting the political process. Some others might start wondering whether the business is overstepping its boundaries. Like Friedman, they might even go to the extent of asserting that 'business of business is just business!'

Since the same issues had come into prominence in the debate on corporate social responsibility in other industrialized countries and particularly in U.S.A. in the late 50s and 60s (the debate is still on), the author wondered whether we could learn a few lessons from their experience, and may reduce the possibility of 'reinventing the wheel' in our own explorations. With this objective, the author scanned through all available material on the subject which were published in **the West** since mid 50s to mid 70s.

Western Thought - Now and the Past

The mid-seventies provided the beginning of a new era in the West to the concept of corporate power and its consequent responsibilities to society. The polar views and the polemic confrontations of the two extremist camps - "isolationists" of the Friedman brand and an amorphous group of "social revolutionaries" -- had gradually commenced giving way to arguments based on reason. The talk of corporate power and social responsibility had gained more responsibility and consequently more power with people who matter, the corporate citizens who could do

something about it soon, before the slow wheels of the bureaucratic machinery of the state could move by inches. But it took more than two decades for the various groups to appreciate the views of other groups, and to pool their collective thinking for the benefit of all. Partly this came about from the efforts of an increasing cadre of enlightened management, whose actions mostly met the demands of the moderates in all groups.

As Andrews (1971) said, "his (the corporate citizen's) professional concern for legality, fairness and decency, his professional contempt for returns improperly or unfairly secured," and "his human concern for the progress of society and his perception of the proper uses of corporate power in dealing with problems not directly related to his present business" are making the strategist sensitive to the range of issues. The entire credit for this change in sensitivity of the corporate sector need not go to the increasing level of education (Newcomer, 1965) of the "new generation" of the managerial class. The enlightenment was obvious, as observed by Andrews and his colleagues at the Harvard Business School, through successive batches of corporate executives attending the school's senior and middle-level management development programmes. It was also obvious that adequate impetus had come from two major developments. "The first of them is the hitherto unforeseen consequences of technological advance and industrial growth. The second is a feeling of urgency,

fed by but not confined to environmental faddism sweeping through a press and public newly alarmed and indignant" (Andrews 1973). Sources of pressure, as Bauer and Fenn pointed out, are many, ranging from the consulting wolves who smelt the profit blood in the business of corporate social responsibility, to the social activists who had been "crying wolf" at corporate power for years.

It was Berle, in 1959, who hurled platitudes at the "Graduate School of Business Administration at Harvard (which) for thirty years (had) devoted itself to making businessmen into professionals instead of privateersmen, and toward making business the economic service-of-supply for American society instead of the simpler art of exploiting human need for private profit" (Foreword to Mason, 1959, p.xiii). Berle seemed to be ahead of his time at least by a couple of decades! Even in the seventies, there were considerable criticism about the singular chase of profit motive by HBS graduates and corporations managed by them. Hopefully, HBS might prove worthy of Berle's confidence in another few years. Humble efforts (Ackerman, Andrews, Bauer, Bower, Fenn) have already made their tentative appearances; more is said to be on the anvil (Ackerman, Churchill, Shank). But no research effort on corporate social responsibility of the magnitude of the "Multi-National Enterprises Study" (Vernon and his group) or the "Strategy-Structure Series" (Scott and his group), both financed by the same school, had found its way to even the drawing boards!

It is in this context, and as a student at HBS, the author made an effort to survey all available literature on this subject, classify them into groups in terms of the commonalities in their thinking; ferret out the major strains in each group's thoughts; examine where they converge and where they diverge; and explore, as tentatively as possible, potential areas for applying further efforts.

For this purpose, a sample of the relevant literature pertaining to the two periods mentioned earlier has been studied, summarized, classified and presented in this paper. It might be noted that extremists of both hues -- 'red' for revolution and 'green' for money, I presume -- are conspicuous in my survey by their absence (though some might find traces of pink in Galbraith and Vanek and a little bit of green in Rostow!) in this survey. The reason is simple; there is hardly any who had taken such extreme positions among the American thinkers on the subject.

On conclusion of the literature survey of the selected sample, it was evident, as was mentioned earlier, that they belonged to two distinct groups, one looking at the problem as one of POWER to be contained, curtailed, and/or countervailed - the negative approach; and the other as one of RESPONSIBILITY to be mobilized, channelled, and sustained through appropriate supportive efforts - the positive approach. The differences in their analyses and conclusions were obviously because of the differences in their positions and points of view -- whether they viewed the

firm from inside or outside. It wasn't a surprise to find economists and lawyers in the former group -- POWER theorists -- and teachers and researchers in management in the latter -- RESPONSIBILITY group. Economists are by and large known for their macro orientation -- looking from outside the organisation at organisations, and lawyers for their 'nay-saying' attitude as Chayes, a professor of law, himself had proclaimed. As outsiders they were concerned about the growing private power in the unbridled hands of the managerial class. This group would henceforth be referred to as the EXTERNALISTS.

The other group, being the current and former teachers, trainers, and consultants of the managerial class, has to take both an inside and positive attitude towards corporations. Possibly because of their professional ethics and personal values -- the favourable trends in these among the managerial class were referred to earlier -- this group did not adopt a defensive posture. For the purpose of future reference, this group would be referred to as the MANAGERIALISTS.

The specific samples of literature surveyed from the two groups are listed below.

A. MANAGERIALISTS

- | | | |
|----------|---|------|
| Andrews: | 1. The Concept of Corporate Strategy (Chapter 5). | 1971 |
| | 2. Can the Best Corporations Be Made Moral? | 1973 |
| Bower: | 1. Planning Within The Firm. | 1970 |
| | 2. The Amoral Organisation. | 1973 |

Ackerman:	1. How Companies Respond to Social Demands.	1973
	2. Social Responsibility in the Large Corporation.	1973
Bauer:) 1. The Corporate Social Audit.	1973
&		
Fenn:		1973

B. EXTERNALISTS

Mason:	The Corporation in Modern Society.	1959
Chayes:	The Modern Corporation and the Rule of Law.	1959
Rostow:	To whom and for what Ends is Corporate Management Responsible?	1959
Kaysen:	The Corporation: How Much Power? What Scope?	1959
Galbraith:	1. The New Industrial State.	1967 & 1971
	2. Economics and the Public Purpose.	1973
Vanek:	The Participative Economy.	1971

The works of the MANAGERIALISTS on corporate RESPONSIBILITY were analyzed under the following framework.

1. What is their concept of corporate responsibility?
2. What are the areas of their primary concern?
3. What are the sources of motivation/pressures for the corporations to consider social responsibility as an issue for concern?
4. What are the sources of resistance or problem areas in implementing their policies and programmes in social responsibility?
5. What are their suggestions and recommendations?

The results of the survey are summarized in Exhibit 1.

The literature by the EXTERNALISTS (lawyers and economists) on corporate power is analysed and presented in Exhibit 2 using the following framework.

1. What are their concepts of corporate power?
2. What are the sources of this power?
3. How this power is used? Or, what are the consequences of this power?
4. To whom are these powerholders accountable for?
5. What are the recommendations of these authors?

Since the answers to these questions are mentioned in some details in the Exhibits, they are not enumerated and elaborated here. The reader might wish to peruse the Exhibits at this stage. However, it would be worthwhile to explicate the thrust of their arguments.

Views of the Managerialists

Andrews (1971) considered the problem in its widest scope, the issues ranging from the quality of life within the firm to international cooperation and understanding. He was concerned about the welfare of society and human betterment. He was the only author in the group to provide a criterion -- specific enough for its utility and general enough for its wider applicability, to choose social concerns for corporate action. The criterion was the strategy of the organisation, which in the first place was a creative, synthesized, situational fit among

the environmental opportunities and threats; internal strengths and weaknesses; and personal values and aspirations of the people concerned in general and the leader in particular. Conflicting demands from divergent interest groups bothered him, but the "strategic consistency test" enabled him to sort out the organisational dilemmas in such complex situations. Explicit recognition of the social responsibility as part of the well-publicized strategy would also, according to him, enable the corporation to percolate the concern to lower levels for its successful implementation. (In his 1973 article, he has, in addition, emphasized the unintended consequences of the performance measurements and control systems which might stand in the way of successful implementation of the corporate social responsibility, despite top management's commitment).

Bower (1970, and 1973) while implicitly agreeing with Andrews' concept of corporate social responsibility, found the organisations to be basically "amoral". By shifting from Andrews' ~~ideally~~ normative mode to a descriptive mode, Bower found the corporate recognition of social responsibility **at both** formulation and implementation levels to be riddled with "contextual" (internal organisational) resistance; resistance arising out of the structure, control systems, and **divergent goals of people in** various divisions and departments and at various levels. Increasing trends in diversification and divisionalization have found the

"career-ladder-climbing" executives in the middle of the organisational hierarchies to be excessively preoccupied with the short term economic results, to seriously consider societal concerns. With one leg in economic theory, Bower also pointed an accusing finger at the "concept of limited liability", the well intended mascot of yesteryears to protect businessmen from excessive risk. The sociologist in him found the lingering sense of "protestant ethic" (a la Sutton) constricting the personal values from adopting the modern day's social concerns.

Though he identified internal contextual problems, his recommendations were primarily external/^{such as} breaking the limited liability law, providing better information (quantity and quality) to the consumers and voters, education to change values, etc.

Ackerman (1973) took off from where Bower left, and specifically attacked the problems created by the contextual resistances. He analysed the painful response process that started with futile attempts from the top (the top was already socially responsible, which would be questioned by the "externalists") to accomplish change, and ended with the institutionalization of the new corporate policy at the operating levels. For the socially conscious corporate leadership, Ackerman's work provided some solace, as they found that the Bowerian contextual resistances could ultimately be managed by managing the elements of the context.

Bauer and Fonn (1972) did not think that attacking the social responsibility issue was shooting a sitting duck. One of the primary concerns centered around the fact that the dynamic nature of the societal concerns provided the well meaning businessman with a set of moving targets -- the flying ducks. To make matters worse, the hunter did not quite know which flying duck to shoot at and what kind of a gund to use. Lack of methodology for identifying, evaluating, and implementing issues of social concerns provoked the authors to **press** for periodic social audit, the concepts and tools of which are still far from any degree of perfection. But they strongly advised against waiting for the methodology to come out in its finery and bridal gown. The rising tide of societal protest would sweep the lethargic grooms off their feet. "Make a move!" is their slogan.

As could be seen, the managerialists' efforts are mutually complementary, and some sort of coordinated design - though still very vague - for managerial action is gradually emerging. However, in the preoccupation with helping the insider - the manager - in managing the social concerns, have they adequately tracked the trends in the societal and political environment? It is an open question.

Views of the Externalists

Though the writings of six authors were reviewed, as could be seen from Exhibit 2, three of them - Mason, Chayes, and Kayson - were very

similar in their concepts, views and recommendations. As such they would be reviewed together.

Mason, Chayes, and Kayson (reproduced in Mason, 1959) were concerned about the "illegitimate" private power in the hands of a few men who directly decided the destiny of the corporate sector and indirectly controlled the society at large. Their power was considered illegitimate because, according to Mason, they selected themselves and were answerable to no one except themselves. These authors unanimously, though independently, agreed with Berle's characterization of corporate managerial power as an "automatic self-perpetuating oligarchy". (Of course, Berle felt that they were benign). They even noticed an inter-locking corporate control over society: market control through managerial power and managerial control through market power. They were petrified at the possibilities of the absolute size, the relative size, and the range of choice of giant firms.

The list of accusations was long. Not only the blame for spiralling price levels, high wage levels, price-cost relationship, poor quality of the products, pegging of R&D efforts, wasteful and misleading ads, and societally inefficient investment and location decisions were placed at the doors of this supposedly villainous oligarchy, but also such issues ranging from the quality and tone of American life (Chayes) to business-Government collusion in foreign policies (Kayson).

But for the revelations from the Watergate hearings and ITT investigations, the skeptic would have tempted to dismiss most of these accusations as screams of the paranoid. But, the facts, however rare they are, are too chilling to dismiss those accusations summarily.

Let us look at their recommendations. Mason had nothing specific, Chayes stressed the need to submit to "the rule of law" (though he himself was skeptic about the positive powers of law) and Kayser provided three alternate routes to a possible solution: (1) promoting competitive markets; (2) increasing the external control through legislative action (he is skeptic of the executive wing); and (3) institutionalisation of appropriate values. But, the "who" and "how" of the recommendations were left to the reader's imagination.

Rostow (1970) ~~is~~ the only author reviewed in this group who belongs to the Friedman creed. He, also happened to be the most inconsistent of the lot. In one breath he lamented the plight of the poor stockholder whose money was being squandered away by the irresponsible "non-owning" management; and in the next, he blamed the "apathy of the average stockholder in endocratic corporations." He considered most of the social responsibility moves as societal fads and considered organisations which spent money for those "fads" as "overreaching" their trust. In consistence with his inconsistency, he argued for "the rule of law" while expressing skepticism against the positive powers of law, as Chayes did.

Vanek is not an American, though he was one of the most talked about Yugoslavian economist in American Universities in the early seventies, owing to the apparent success of the Yugoslavian economy and Vanek's expositions as to the causes for the success. Vanek (1971) found the "participative economy" of the Yugoslav model to be superior to either the Western capitalism or communism. In a capitalistic society, power came from ownership, and the rich used their power to their own advantage resulting in the asymmetrical economic power distribution. He also found fault with capitalistic system for such ills as (1) the immorality of the corporation, (2) conflicts between labour and management, (3) collusion between economic and political power, and (4) ultimately the declining quality in the "integrality of the person" - human happiness!

Almost in a propagandist fashion he recommended the adoption of the Yugoslav model with some refinements. His "refined" model included (1) participation in management, (2) income sharing, (3) usufructus (enjoying fruits without owning trees), (4) market economy, and (5) freedom of employment. More than logic, faith was needed to believe the totality of his theory and recommendations. We see Japan and Israel on a par with Yugoslavia (or even better) on the same set of economic criteria he chose to prove the unique success of the participative economy, though neither adopted Vanek's participative model at any time in their history. However, it would be foolish to throw the baby with

the bath water -- problems in job enrichment, apathy and antipathy of labour towards their organisations etc., might probably be ameliorated by an increasing dose of labour participation in management.

Galbraith, the ever-ebullient and prolific writer of economic thought (not exactly theory!) also had his say in the matter. In 1967, with the primary purpose of exploding the neoclassical economic myth of the self-correcting market structure, he painted almost a gory picture of the "new industrial state". This "industrial system" (as he called it then, and now renamed as the "planning system"), is said to have developed almost a stranglehold over the rest of the society by controlling the sources of capital and raw materials; buying off labour (which is very different from Vanek's view) in collusion with powerful unions; limiting customer choice through advertising and pegging R&D; and influencing the government for favourable legislation, tariff protection, etc. The 'technocracy' who ran this industrial system strengthened their hands even further through self-selection. And their personal motives replaced both corporate motives and motives of the larger economy.

In 1973, he divided the economy into two camps - the "planning system" and the "market system". This dichotomy separated "the twelve million small firms" of the market system consisting of doctors to pornographers from the "one thousand giants". The market system had become Galbraith's new underdog and asymmetry of the two systems the

running theme in his latest exposition. In 1973, he had come up with six chapters full of recommendations ranging through (1) emancipation of belief, (2) emancipation of the state, (3) improving the health of the market system, (4) equality within the planning system, (5) equitable household, and (6) preference for fiscal policies over monetary policies. His major aim was to reduce the assymetry as much as possible.

It would not be a hard task to locate inconsistencies in the argument of most of these authors. Inconsistencies in Chayes and Rostow were spelled out earlier. Galbraith's antipathy towards government and unions when viewing the planning system and reliance on both (government and unions), in his efforts to strengthen the market system are only two of the several examples one could cite. Lack of specific recommendations (Mason, Chayes) and gaps in logic (Vanek) are also not difficult to locate. Instead of pursuing a line of enquiry into the details, let us look at their efforts in totality.

Appreciation of the two groups of literature was greatly facilitated by the early identification that they were, in fact, propounding two different sets of theories - theories of POWER on the one hand and theories of RESPONSIBILITY on the other. But what are the lessons we can learn from these, before we start applying our minds to similar problems with our corporations in our country?

A Contrast

The distinctions between the two approaches are more than differences in emphasis, as could be seen from the following comparison.

Managerialists Vs. Externalists

	MANAGERIALISTS	EXTERNALISTS
*Authors chosen in the sample	Andrews Ackerman Bauer Bower Fenn	Chayes Galbraith Kaysen Mason Rostow Vanek
*Background of the thinkers	Business Administration Sociology	Law Economics Political Science
*View of the firm	Internal	External
*Analysis	Micro	Macro
* <u>Problem Perception and major themes</u>	<p><u>Situational (contingent)</u></p> <p>Each firm has affected the environment in different ways.</p> <p>Environment is making "situational" demands on firms.</p> <p>Each firm has the RESPONSIBILITY to meet the environmental demands, prevent recurrence of past mistakes and perform positive contributions in their own unique ways.</p>	<p><u>Blanket (General)</u></p> <p>Separation of ownership and management.</p> <p>Ascendancy of Managerialism.</p> <p>Assymetrical economic growth.</p> <p>"Illegitimate" POWER to do, and POWER over society.</p> <p>Societal equilibrium is being upset.</p> <p>Use the macro-levers to redeem the equilibrium.</p>
*Primary Audience	Corporate Executives	Public policy makers.

It was obvious that what the authors saw depended on their locus of observation. Economists, lawyers, and political thinkers looking at the firm mostly from outside saw it as a reservoir of power. Power corrupts, it was believed, ^{and} gigantic power corrupts gigantically, they thought. So, the thinkers appealed to the superpower government to adjust the macro levers to bring back the equilibrium from the disequilibrating forces of corporate power.

On the other hand, the teachers, trainers and counsellors to the corporate sector had a closer look at the firm from within. They found some responsible, some not. They also saw the evil effects of the irresponsible, triggering both the dormant and the seething discontentment in the environment into moods ranging from mild criticisms to angry protests. The responsible corporations and most managerialists saw the need to be good. Those in the corporate sector who saw that it was just economically good to be good also joined the group in the collective search for positive actions which can be taken by corporations to be responsive and responsible to the society.

We have not only two sets of thoughts, but also two independent streams of dialogues going on. The four sets of major actors involved in these dialogues are: (1) Managerialists (M); (2) Corporate sector (C); (3) Externalist (E); and (4) Government (G). The dialogue is going on only in the following directions. This is true in most countries.



Managerialists kept their frequent interaction with the corporate sector, and externalists (to repeat, economists, lawyers, and political thinkers) influenced government. Managerialists' dialogue with the corporate sector does not need any elaboration. However, it is important to explicitly recognize the significance of the E - G dialogue, and its impact on the environmental opportunities and risks as faced by the corporate sector.

Managerialists might argue with the externalists about the "gross" nature of the latter's analyses, conclusions, and recommendations. But the fact remains that the externalists have a greater influence over the policymakers in the government. And, the public policy actions of the government do affect a significant part of the environment in which the corporate sector operates. As such the political segments of the environment, how they think, and how they are influenced should become active concerns for the corporate sector and their brain trust -- the managerialists. The extent to which the political system of a country is influenced by the externalists, seems to be in direct proportion to the extent of scarcities in that country's economy.

Scarcities, whether sectoral, regional, national, or global, had historically been the breeding grounds for "statism" in all world economies, and there is every evidence to indicate that even the capitalistic America -- the land of plenty, as they used to call

it — would not turn out to be an exception. The unexpected first oil crisis proved it to the hilt. Corporate sector with its better access to scarce resources is likely to be the immediate, convenient, and politically expedient target for statism to be tapped in moments of acute scarcity and crisis, and when that time comes, the externalists' ~~sway~~ over public policy would become more and more evident.

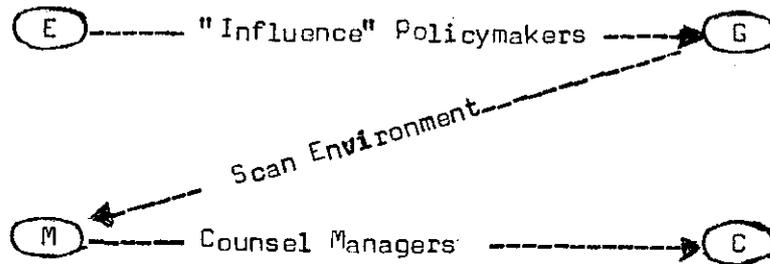
In this context, one could see several inadequacies in the communication flows. For example, in our model, the vertical relationships are characterized by their confrontations or subtle power games under a facade of occasional congeniality. Managerialists and externalists chide at each other, and corporate sector and government sector confront or "play games" at each other many a time! Meaningful dialogue need to be established in both cases.



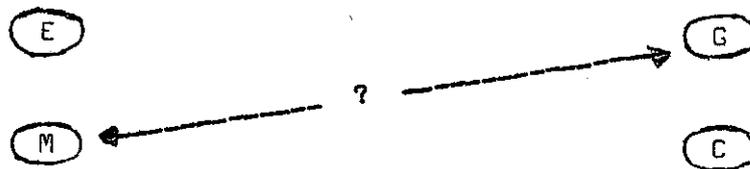
Managerialists in advanced countries, particularly in America, have stepped in to work with the corporate sector actively to sort out the newly emerging issues of social responsibility; but not in our country. Of course, even in advanced countries these efforts had been in a reactive mode. In anticipating the impending changes, they had not exhibited a particularly good track record. For example, when Nixon

introduced price and wage controls in the seventies, it was our "externalist" Galbraith who had the last laugh, as he had been advising these measures since sixties.

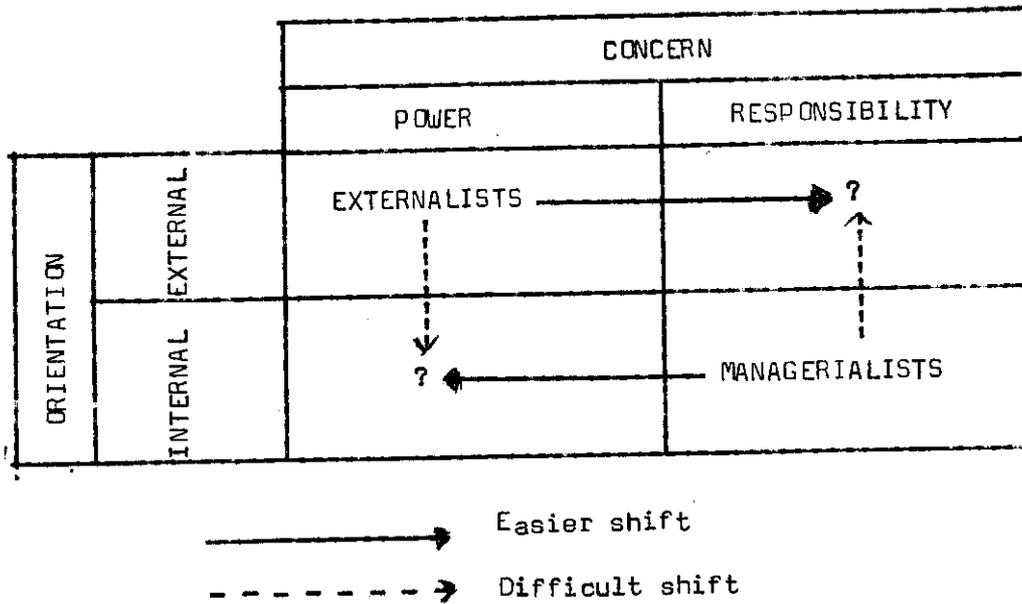
The necessity, for the managerialists to constantly scan the political environment, whether influenced by the externalists or not, and preparing themselves to provide timely and adequate training and advice to the corporate sector could be diagrammatically represented as below.



Many more such lines of thought could be explored. For example, what had the managerialists done to influence the public policy? Next to nothing; though some of us had been expressing our intentions to work towards that.



As a first step, the need is felt for pursuing more collaborative research between the managerialists and the externalists. The missing links in their dialogue could be shown by the following scheme.



The "internal" oriented managerialists (even in those countries where they had done maximum work) confined themselves in the fourth quadrant, researching, teaching, and counselling on RESPONSIBILITY, without moving much into the third quadrant to take an "internal" look at POWER. Similarly the "external" oriented economists, lawyers, and political scientists remained mainly in the second quadrant dealing with POWER without moving much into the first.

Alternatively the managerialists could look at SOCIAL RESPONSIBILITY with an external orientation (changing basic orientation built on several years of training and experience would be much harder, though) and the externalists could study CORPORATE POWER from within the corporations. For example, it might not be sufficient if the managerialists study the

role of Board of Directors from the point of view of the relationship between the Board and the Chief Executive (as Mace did); it might be necessary to examine the role of Boards in effectively dealing the views of "external" constituents. It is in such areas that collaborative efforts would be found very productive.

Let me conclude this note with some thoughts on developing a "doctrine" of social responsibility or at least an approach towards it. The development would require at least three distinct inquiries: a) Who is responsible? b) What is "he" responsible for? and (c) How should each party go about meeting his part of the responsibility?

Ackerman's work primarily dealt with the third step, and Bauer and Fenn's work on social audit focussed on the second. However, the development of a doctrine would be delayed unless and until we tackle the first-order problem. Most of the controversy is at this level. Even Friedman and Levitt would argue that society as a whole should tackle its problems; but they dispute with others on the question of "Who" in society is responsible for "What"? The readers' responses to Andrews' 1973 article reflected the debate beyond any doubt. For example, Xerox's scheme of releasing its executives for independent social work showed "the lack of clarity in this area", according to some of the readers, who were senior managers from industry. I wonder, what they would

think of some of our corporate schemes in the area of social responsibility.

I concede the fact that the question "Who is responsible?" is a philosophical one bordering ideology and might probably defy pragmatic resolution. However, one wonders whether research might throw some light where rhetoric failed. Let me try to provide an example. To keep the issue at a purely conceptual level and to avoid unnecessary controversy on just an example, let me pick one from the advanced countries' environment.

Societal issues concerning auto industry is a case in point (pollution, response to oil crisis, etc.). For example, we could think of four distinct levels at which responsibility for tackling societal problems concerning auto industry could be placed; government, industry, firms, and consumer.

On the basis of social cost/benefit analysis the order of issues to be tackled at the four levels could be very different from the order of issues based on power, or based on law. Optimal solutions based on cost/benefit analysis might remain blue sky ideas in the face of contextual resistances. These contextual resistances at the firm level and the organisational processes of managing them have been researched by Bower, Ackerman, and others. Fruitful research avenues seem to lie ahead in extending these to the other levels.

Research, in this case, has both descriptive and prescriptive connotations. Prescriptive measures could even entail change of law to synchronize with the optimality of the societal costs; and change of law could be one of the ways of managing the "contextual resistances" in society. For example, if industry collaboration is vital in, say, developing a new engine which would handle both the environmental pollution problem and the energy crisis within a reasonable incidence of cost to the consumer, would anti-trust laws come in the way of such collusion? (Of course, whether collective efforts by the participants in an industry will be viewed as 'collaboration' or 'collusion' itself depends upon whether the government wants it or not.) Even more positively, what mechanisms — fiscal or otherwise — need to be devised to motivate firms to collaborate on such research? What are the issues which could not be handled even at the industry level? Would it not need efforts at the governmental level to engineer a massive shift to mass transit? What are the social economics of such a massive shift? Research on these lines would throw definite light on all the three basic questions raised earlier: (a) Who is responsible? (b) What is he responsible for? and (c) How could we motivate each party to perform his part of the responsibility (a slightly modified question from the earlier one)?

If we have to conduct meaningful research on these issues, active collaboration between the managerialists, the externalists, government,

and corporate sector is urgently called for. More importantly, they should have a unity of purpose, namely, welfare of the nation and its citizens.

As far as the business community is concerned, they should be sensitive to environmental needs while hotly pursuing profits and demonstrate it through positive actions. A socially sensitive entrepreneur or technocrat can always find appropriate corporate actions within the rubric of his organisational goals and strategy. In the coming decades, whether business will be locking horns or shaking hands with society will mostly depend upon what the businessmen, industrialists, and their managerial cadre think and do now and as to how they think and work in unison with those who formulate public policy and those who advise the policy formulators.

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SOCIAL RESPONSIBILITY AS A CONCERN OF "MANAGERIALISTS"

	ANDREWS	BOWER	ACKERMAN	BAUER & FENN
Major Theme	Strategic Element	Individual Values	Implementation	Evaluation of Efficiency (& Effectiveness?)
(1) Concept of Social Responsibility	<ul style="list-style-type: none"> -Intelligent & Objective Concern for Welfare of Society & Human Betterment. -Pursuit of Positive Contributions & Restraining Negative Actions. -Part of Strategy. -Part of Societal Concern. -Part of Leader's Values. -What the Organization <u>ought</u> to do. 	<ul style="list-style-type: none"> -No Direct Definition. -Indirectly talks about Excessive Pre-occupation with Short-term Economic Results and its Impact on Individuals. 	<ul style="list-style-type: none"> -Implicitly Assumes Andrews' Concept. -Dilemmas of Mgmt. in Responding to Societal & Political Concerns. 	<ul style="list-style-type: none"> -Social Impact of Organizational Activity. -Positive Contributions & Correcting Adverse Effects of Negative Action.
(2) Areas of Primary Concern	<ul style="list-style-type: none"> -Widest Possible Range <ul style="list-style-type: none"> -World -National -City -Industry -Quality of Life within the firm. -As long as Consistent with a 'Strategy.' 	<ul style="list-style-type: none"> -Lack of Social Concerns due to <ul style="list-style-type: none"> -Protestant Ethics' -Limited Liability. -Organizational Presures. -Individual Values. 	<ul style="list-style-type: none"> -Problems already picked up by industry (e.g: Pollution, Minority Employment) -Broadly Categorized under <ul style="list-style-type: none"> -Product -Process -Employment -Marketing. 	<ul style="list-style-type: none"> -To Provide a Methodology to tackle the Non-economic Aspects of Social Responsibility.

Exhibit 1 (cont'd)

SOCIAL RESPONSIBILITY AS A CONCERN OF "MANAGERIALISTS"

	ANDREWS	BOWER	ACKERMAN	EAUER & PENN
(3) Sources of Motivation/ Pressures to Consider Social Issues.	<p>Page: 161</p> <ul style="list-style-type: none"> -Professional Concerns. -Humane Concerns. -Threats & Potential Threats. <p>Page: 149</p> <ul style="list-style-type: none"> -Causes & Consequences of Technological Advancement & Industrial Growth. -Impetus from Environmental Faddism. 	<ul style="list-style-type: none"> -Not Specified. -Presumably Negative Results on Society. -Author's own Motivation seems to be Intellectual. 	<ul style="list-style-type: none"> -External Influence Presumably. -Reactive Mode. -Could be top Managements' Value Orientation. 	<ul style="list-style-type: none"> -Changes in the Mores & Priorities of Societies. -Need felt by Corp. (& its Execs.?) for a Social Change. -Commercial Motive of Consultants. -Potential Attack -Governmental & Social Activists. -Urged by Constituents. -Some good Financial Sense too!
(4) Sources of Resistance/ Problems.	<ul style="list-style-type: none"> -Apathy of Corporate citizenry (which is changing fast for the better). -Economic (costs). -Conflicting Demands. -Lack of Strategic thinking. -Dysfunctional Control Systems (added in the '73 article). 	<ul style="list-style-type: none"> -Structure (Context). -Excessive Economic orientation, particularly in large complex and/or diversified co's. which are on the Ascendancy. -Limited Liabilities. -Lack of Adequate Information, Education Training. 	<ul style="list-style-type: none"> -Three Aspects of Structural Context. -Corporate-Divisional Responsibility & Resultant Conflicts of Interests. -Financial Reporting Systems. -Management Control Systems. (Executive Evaluation, etc.) 	<ul style="list-style-type: none"> -Moving Target!! -Lack of Definition. -Lack of Criteria for Choice. -Lack of Methodology for Evaluation, Implementation and Review.

Exhibit 1 (cont'd)

SOCIAL RESPONSIBILITY AS A CONCERN OF "MANAGERIALISTS"

	ANDREWS	BOWER	ACKERMAN	BAUER & FENN
(5) Suggestions and Recommendations.	<p>-Explicit Attention in the Corporate Strategy both at Formulation and Implementation Level.</p> <p>-Suggested Criterion for Action - Strategic Test - (All other authors ignore this from explicit mention.)</p>	<p>-Increased Personalization (No Limited Liability.)</p> <p>-Improve the Quality of Information to Consumer/Voter.</p> <p>Provide <u>More Choice</u>.</p> <p>-Education to Change Values (within the corporation and without). Improved <u>Quality of Choice</u>.</p>	<p>-Change/Adapt Management Control Systems.</p> <p>-Understand the Processes.</p> <p>-Help Managers to Manage the Context Better.</p>	<p>-Periodical Social Audit.</p> <p>-Don't wait for Refinement in Methodology.</p> <p>-"Make-a-Move!"</p>

Exhibit 2

CORPORATE POWER AS A CONCERN OF "EXTERNALISTS"

	MASON	CHAYES	KAYSEN	ROSTON	VANEK	GALBRAITH
1) Concept of Power	<ul style="list-style-type: none"> -Power to do. -Power over -Managerialism -Illegitimate Private Power. -Assymetrical Power. 	<ul style="list-style-type: none"> -Ability to Control. -Corporate Sovereignty. -Managerialism. 	<ul style="list-style-type: none"> -Power of Choice. -Economic Power. -Political Power. -Social Power. 	<ul style="list-style-type: none"> -Managerial Power to Overreach. -Self-interest. 	<ul style="list-style-type: none"> -Participation is Power. -Ownership was Power, since ownership alone could participate. 	<ul style="list-style-type: none"> -Technocracy. -Assymetrical Power of planning System over Market System.
2) Sources of Power.	<ul style="list-style-type: none"> -Absolute Size. -Concentration. -Managerial Ascendancy. -Ineffective Shareholder. -Ineffective Boards. 	<ul style="list-style-type: none"> -Bigness. -Corporate Form (Bureaucracy) -Concentration. 	<ul style="list-style-type: none"> -Multiplicative Function: Disproportionate Size X Range of Choice. 	<ul style="list-style-type: none"> -Apathy of Average Stockholder in Endocratic Corporations. -Societal Fads. 	<ul style="list-style-type: none"> -Old Power was from Economic Power. -New Power: -Political self-determination. -Economic Self-determination. -Economic Efficiency. 	<ul style="list-style-type: none"> -Giant Size. -Bureaucracy. -Technostructure. -Uncertainty Avoidance. -Manipulation/Managing other Sectors. -Self-Interest.

Exhibit 2 (cont'd)

CONFIRMATE POWER AS A CONCERN OF "EXTERNALISTS"

	MASON	CHAVES	KAYSEN	ROSTOW	VANEK	GALBRAITH
3) Uses of Power (or) Consequences.	<ul style="list-style-type: none"> -Price Levels. -Wage Levels. -Political Influence. -Business-Government Collusion, particularly in foreign policy. 	<ul style="list-style-type: none"> -Control Price & Quality. -Affecting the Quality & Tone of American Life (R & D, Edn., Media, Govt., etc.) -Institutional Community Re-placing Geographical Community. 	<ul style="list-style-type: none"> -Mainly Economic Prices, Price-Relations, Investment, R & D, Product character, Selling effort, Price-Wage relations, etc. -Political Local, National, & International manipulation. Social False Trend-setting. (tastes & styles) 	<ul style="list-style-type: none"> -Over-reaching -Wrongful use of Corporate Opportunity. -Excessive Managerial Compensation. -Trading on inside information, etc. (Primacy of shareholder interest gets diluted). 	<ul style="list-style-type: none"> -Conflict between Mgmt. & Labor. -Quality of the person (human happiness) -Immorality of the Corporation. -Interaction of Economic and Political Power. 	<ul style="list-style-type: none"> -Control of Capital; raw material; labor, limiting customer choice thru ads & limiting R & D. influence Govt. for favorable legislation, tariff protection, etc. -Goods over Service. -Planning System dominates Market System.
4) Accountability	<ul style="list-style-type: none"> Self-Selection using Managerial Power. 	<ul style="list-style-type: none"> Management (Partially tempered by rule of law; which historically lagged the needs. 	<ul style="list-style-type: none"> Mgmt. = Corpn. Answerable to oneself; self-selection. 	<ul style="list-style-type: none"> Directors normally Control the electoral process. 	<ul style="list-style-type: none"> -To Ownership of Capital. -Self-selection accentuates disparities. 	<ul style="list-style-type: none"> -To Technocracy.

CORPORATE POWER AS A CONCERN OF "EXTERNALISTS"

MASON	CHAYES	KAYSER	ROSTOW	VANEK	GALBRAITH
<p>Nothing specific. Poses Questions. Self-selection does not assume good government. Would self-govt. assure? If Democracy is the answer, who are the constituents? How to take care of syndicalism of the constituents?</p>	<p>Can't rely solely on conscience & benevolence. Need to submit to rule of law. Some (shareholders, unions) got protection from law; but what about others? However skeptical of the positive power of law. (Law is primarily "Nay saying"!)</p>	<p>3 <u>Alternate Routes</u> (1) <u>Promote Competitive Markets</u> (but skeptical) (2) <u>External Control</u> -Congressional -Public criticism. (3) <u>Institutionalization of Values</u> Prefers a mixture of (2) & (3).</p>	<p>Primary Responsibility to Shareholder (A J Friedman) Use long-term Economic interest of the shareholder as the "touchstone" for all action. -In favor of (a) Stockholders Suit. (b) Independent Trustees. (c) Manning's Second Chamber.</p>	<p><u>Adopt Participatory Economy</u> (1) Participation in Management. (2) Income sharing. (3) "Usufructus" (Enjoy fruits without owning trees!) (4) Market Economy. (5) Freedom of Employment. <u>Overall Objective:</u> Maximize Income of every member.</p>	<p>5 <u>Chapter of Recommendations</u> (1) Emancipation of Belief (2) Improve Health Market System. (3) Emancipation of the State. (4) Equality within the Planning System. (5) Fiscal Policy vs. Monetary Policy.</p>
<p>5) Recommendations.</p>	<p>Both these authors end up with a series of questions rather than any specific answers.</p>				