

*Sustainable Development through Innovative Corporate Social Responsibility – A Multi Discipline Approach**

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Abstract

The idea that the manager should run the firm solely in the interest of shareholders has dominated the business during past two centuries and thereby the economic objective i.e. profit maximization had become the sole objective of the business firms. But, there is a growing awareness that firms should behave in socially responsible ways. This gave rise to think in the interest of other stakeholders like employees, customers, government and society at large. If the social role of business is to make positive profits, there is nothing to prevent CSR actions at firm level, as entrepreneurs will voluntarily decide to share some of their profit with society in which their business is carried out. But the question here is –whether firms can use CSR to achieve sustainable

competitive advantage. It is important to recognize that successful CSR stems from social innovation that requires a range of actors. The originality of this partnership is built around the innovative relationship developed among all the stakeholders involved. The challenge and opportunity of social enterprise is to contribute more widely to these outcomes, in more sustainable ways. As already mentioned, firms implemented what we would define as CSR actions well before the concept reached the management and economics literature. In this perspective, there is imminent need to align the entrepreneurial values with those of the lawmakers, sociologists, psychologists, marketing, operations and finance experts and political scientists as well. The absorption of knowledge from multiple social sciences will help broaden the scope of the

field of CSR and thereby lead to sustainable development of the society at large. The paper will focus multidiscipline influences on CSR, which may help enhance the sustainable development of the firms and the society as well.

Keywords: CSR, Sustainable Development, CSE, Social Innovation, Social Sciences.

I. INTRODUCTION

The idea that the manager should run the firm solely in the interest of shareholders dominated the US legal approach to the corporation in the 19th and early 20th century (Blair 1995). However, this view was later challenged because shareholders do not exert ownership rights in the same way as a sole owner of his enterprise (Brown 1992). A new perspective on corporate goals and action would build on an entrepreneurship theory of the firm, in which the key requirement for the long-run success of the firm is its internal entrepreneurs, i.e. employees.

The case that helped redefine the purpose of corporations was the famous *A.P. Smith Manufacturing Co. vs. Barlow*, New Jersey Supreme Court, 1953 (Hood,1998). In 1951, the board of directors of A.P. Smith, a manufacturer of valves and fire hydrants, adopted a resolution to donate

\$1,500 to Princeton University. Corporate shareholders challenged the donation as being outside the proper scope of corporate expenditure as defined by the 1930 law. The court disagreed. Such legal practice and open criticism cleared the way for an alternative theory of the firm. After 1984, social scientists acquired the habit of referring to the distinct groups of people affected by the corporation in the pursuit of its activity as stakeholders. In general, the literature designates employees, customers, government and the community as the main stakeholders; some researchers include shareholders as well. Many scholars have argued that a firm's goal should not be profit maximization, but a much wider objective such as to create "value for society" (Blair (1995).

There is a growing awareness that firms have some duty toward society at large, and should behave in so-called "socially responsible" ways. Such calls for "decentralized correction of externalities and inequalities" are motivated either by government's failures, or simply because citizens may want to promote values that are not shared by lawmakers (Bénabou and Tirole 2010: 15). It is not easy to arrive at a clear definition of the Corporate Social Responsibility (CSR) concept, since both in practice and theory there are many competing paradigms (Garriga and Melé 2004, Berger et al. 2007, Snider et al.

2003). In a general perspective, Kok et al. (2011: 288) define CSR as “the obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large and improving society at large independent of direct gains of the company.”

II. CORPORATE SOCIAL ENTREPRENEURSHIP (CSE)

Corporate Social Entrepreneurship (CSE) is a process aimed at enabling business to develop more advanced and powerful forms of Corporate Social Responsibility (CSR). CSE aims at producing a significant and comprehensive transformation of the way a company operates. The ownership theory of the firm claims to provide foundations for understanding the real-life corporation, considering shareholders as the ultimate owners of the firm. The stated goal of maximizing shareholder value builds on an implicit requirement that the firm should make durable positive economic profits. The Austrian school of economics offers a subtler description of the ongoing adjustment of the economy, and the permanent corporate quest to outperform rivals. Competition is a process, not an outcome of the process; in this context, positive economic profits signal that firms are moving in the right direction, and

fulfilling their social mission. The Entrepreneurship theory of the firm would extend this analysis by suggesting that these profits should primarily go to the people who created them, the internal entrepreneurs.

III. SOCIAL INNOVATION & SOCIAL ENTREPRENEURSHIP

The most urgent challenge for national governments, local authorities, policy makers and economic stakeholders is therefore to help the less well-off adapt to new and changing situations and – more importantly and more generally – to promote sustainable economic and social development so that once the economy has recovered the benefits can be widely diffused. Social entrepreneurship and social innovation are part of the solution, as they both explicitly aim to provide innovative solutions to unsolved social problems, putting social value creation at the heart of their mission in order to improve individuals’ and communities’ lives and increase their well-being. Corporate social responsibility (CSR) is a concept distinct from that of social entrepreneurship; the two ideas do not overlap. Still, some commercial business can have significant CSR initiatives in the social entrepreneurship field most especially if they support the development

of this sector. Social entrepreneurship can be defined as entrepreneurship that aims to provide innovative solutions to unsolved social problems. Therefore it often goes hand in hand with social innovation processes, aimed at improving people's lives by promoting social changes. This innovative corporate social responsibility is not a single discipline but is developed by synthesizing various other disciplines.

IV. GROWTH OF CORPORATE SOCIAL ENTREPRENEURSHIP

Corporate Social Entrepreneurship (SE) as an emerging research field has been well received by authors from a variety of disciplines such as: sociology (Hockerts et al., 2010), entrepreneurship (Chell et al., 2010), management (Bagnoli and Megali, 2009), ethics (Cornelius et al., 2008), finance (Austin et al., 2006), politics and institutions (Dey and Steyaert, 2010), psychology and education (Chand and Misra, 2009). Academic journals have embraced this topic with an increasing number of special issues, and in addition, several newly emerged journals and conferences, focusing especially on social entrepreneurship, have paved the way for an ever-increasing body of social entrepreneurship research. While many disciplines and theories can be identified as contributing to the field, even

sometimes competing with each other, the ultimate underpinnings in form of “a philosophy of science and a theory of society” (Burrell and Morgan, 1979: 1) are still of relevance.

V. CSR AND SUSTAINABLE GROWTH

Corporate responsibility or sustainability is a prominent feature of the business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management. Ongoing research reveals that a variety of strategies, alliances and partnerships, and approaches are being used around the globe. The literature also reveals that although the aspiration of many corporations to contribute to a better world is great, translating that aspiration into reality proves to be somewhat of a challenge. Corporate Social Responsibility is the way companies manage their businesses to produce an overall positive impact on society through economic, environmental and social actions. A growing body of evidence asserts that corporations can do well by doing good. Well-known companies have already proven that they can differentiate their brands and reputations, as well as their products and services, if they take responsibility for the

well being of the societies and environments in which they operate. These companies are practicing Corporate Social Responsibility (CSR) in a manner that generates significant returns to their businesses.

VI. CONCLUSION

There is a growing awareness that business needs to manage its relationship with the wider society. Corporate leaders are responsible for their corporations' impact on society and the natural environment beyond legal compliance and the liability of individuals. More experienced leaders can gain new perspectives on how to grow in their approach to sustainability and how to develop innovative business models. The history of CSR is strongly intertwined with the emergence over the past forty years of the environment as a worldwide concern and the eventual transformation of the term into "sustainable development" which incorporates social issues alongside environmental and development ones. Corporate responsibility or sustainability is therefore a prominent feature of the business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management. Management education can be an important source of new ideas about

shifting toward an integrated rather than fractured knowledge economy.

Author's Profile

Dr. Vijetha Mukkelli has twenty years of experience in teaching and research. Presently, she is working as Professor and Dean, School of Management Sciences, Nalla Narasimha Reddy Group of Institutions, Hyderabad, India.

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