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The Discourse of Corporate Social Responsibility: A Holistic Approach

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Abstract:

It is a radical discourse through which the concept of CSR has presented itself over time. As it stands today, there are different views on CSR and regarding its use by a business entity. This paper sees CSR from different perspectives abstaining from criticizing different school of thoughts regarding the issue. CSR as an action is understood from a philosophical perspective by seeing it in the lights of Aristotelian Praxis on one hand and from the viewpoint of Post Structuralist philosophy on the other. The main purpose of going in to such a philosophical discourse is to get an understanding regarding differences in the impact of the action of CSR with changing theories. Its importance in the society has been shown using Althusserian over determination. Finally, the paper deals with a mathematical difference equation model to derive certain theorems and corollaries for understanding importance of CSR with respect to an individual firm.

Keywords: Corporate social responsibility, Aristotelian praxis, over determination, society, difference equation, firm.

1. Introduction

The concept of Corporate Social Responsibility stands debated in the present scenario. The discourse of the subject over time has created a path which in itself has issues of oppositions. The contradictory views regarding the subject have posed CSR in the space of a heterogeneous dialect changing its form from one to the other. The emergence of Corporate Social Responsibility as a concept can be described as an offshoot of Bowel's works which came in to being in the late 1950's. During this period CSR was viewed as an obligation towards the society. The view gained particular importance with the adaptation of the Stakeholder's Theory which defined business as an entity residing simultaneously with and affecting multiple groups known as the Stakeholders.

This business model was however highly criticized by Milton Friedman. He and many other proponents argued that the primary reason for the existence of a business is shareholders' value maximization and any purpose of philanthropy or social responsibility diverts its focus from the primary objective. The main social objective of a firm according to them was Shareholders value maximization. The latter part of the development of CSR has linked the process with Creating Shared Value (CSV) which was primarily the idea of Michael. E. Porter a leading authority of competitive strategy. This concept defined CSR as a process of creating competitive advantage for a firm. The view was further expanded with the publication of an article named "Creating Shared Value: Redefining Capitalism and the Role of Corporation in a Society" in January, 2011.

There have been infinite views which have viewed CSR from different perspectives and mapped it upon different sets. The basic point which has to be understood is that though the changing discourse has led to the acceptance of CSR as a necessity for a firm but the opposition has now taken a different face. The point of reference of the opposing forces has changed over time. Formerly the opposition against the CSR viewed it as an activity unnecessary and unprofitable, but as it stands in the present form as a necessary activity, it is posed with differences in opinions and oppositions against its usage. It can be said that the point of reference of the opposition against CSR has changed from exogenous to endogenous ones. The contradiction is now from within the system with regards to its usage. So, will the internal contradiction lead to a better model in the context of the space in to which it is mapped? Is CSR another vow of Capitalism to subside voices against this social process?

This paper unfolds various perspectives relating to the understanding of the dialect of CSR. CSR in this paper is seen from a wide range of perspectives which include:

1. Social Perspective.
2. Philosophical Perspectives.
3. Business Oriented Perspective.

The purpose is to unveil the multifaceted character of CSR through the dynamics of philosophy, sociology, economics and management. Through time changes in *the theory of firm*¹ has affected the action of CSR and the new theories have been developed as per the requirements of dynamic market structure. Still there are controversies regarding usage of CSR by firms. Without delving in to

¹The emergence of new theories such as stakeholder's theory, can be viewed as a manifestation of changing theory of the firm in terms of how a firm may succeed- "Corporate Social Responsibility and the Theory of the Firm", Kristoferssen, Gerrans, Murphy (2005).

the controversies this paper is an attempt to view CSR from some chosen perspectives and as said to throw light on the multifaceted issue. The perspectives through which CSR is shown follows a chronology starting with the philosophical base transcending to the Social perspective and finally CSR is seen from the micro level of a firm.

Structural and Post-Structural philosophical base has been used to view CSR from the perspective of philosophy and understand the relevance.

The concept of over determination has been applied to understand CSR from the social perspective.

Mathematical model of difference equation has been used to identify how an effective CSR activity can be beneficial for a firm.

2. Review of Literature

The constant ideological shifts regarding the concept of CSR has presented the corpus on a differentiated dialectical platform. Such differences become important while analyzing the issue from different perspectives. In this sense it becomes highly important to know the base of such differences through a proper analysis of the subject over time. CSR in this respect has to be viewed with reference to changing platforms presented with respect to different school of thoughts. Without going in to the general common literature of CSR which have been dealt innumerable number of times, this section discusses about viewpoints on CSR from a different perspective.

Broomhill (2007) draws a clear distinction between the three different schools of thoughts in the field of CSR in his paper “*Corporate Social Responsibility: Key Issues & Debates*”. He defines the neo liberal school as “the adaptation of the set of voluntary policies, codes or guidelines, initiated and driven by corporations”. The Neo-Keynesian discourse he says differs from the neo-classical school in the sense that Neo- Keynesianism identifies the negativity of CSR leading to market-failure and hence focuses on the positive role of the state in the regulation of CSR activities to avoid “unfettered corporate behaviours”. On the other hand, the radical political economy approach according to him relies more on the negativity of CSR regarding the hegemonic impact and sees CSR as a tool by Multinational Corporations and Transnational Corporations for diverting issues which are destructive for social structure. In this respect *Ronen Shamir* in his book “*Law and Globalization from Below: Towards a Cosmopolitan Legality*” explains how MNC’s & TNC’s through activities like CSR create a political power in a country and even shape public policies, and have considerable influence on group behaviour.

According to *Beck, Giddens, Lash (1994)*, “We are back to the independent realm of economic action as a major locus of political power”. In the 2009, *EUCAM (European Centre for Monitoring Alcohol Marketing)* has clearly pointed out how misleading CSR activities through awareness in the form of advertisements by alcohol and tobacco companies have been. *Utting & Eves (2006)*, in “*Politics of Corporate Social Responsibility and the Oil Industry*” points how North American and European companies used CSR and Public Relations to form friendly collusions during 1980’s. Paper titled “*CSR in the Times of Neoliberal Hegemony*”, by *Constantijn Van Artsen (2013)* has defined the development of CSR as “the metaphorical beacon of light to tackle the dark side of Capitalism”. In the paper “*The Hollowing Out of Corporate Social Responsibility Abandoning a Tradition in an Age of Declining Hegemony*”, *Richard Merrens (2008)*, define the other side of CSR apart from financial hegemony which include labor Management and Industrial Relations.

Poles apart are certain views which include the concept of “*Creating Shared Value*” by *Michael. E. Porter and Mark. R. Kramer* which talks about creating a valuethrough activities like CSR for coming out of the vicious cycle which capitalism has posed for firms. In this realm *Prahalad and Hart (2002)* proposed the concept of firms to prioritize or focus on “the bottom of the pyramid” which will lead to a simultaneous better off condition for both firms and the impoverished poor people. The very early proponents of CSR, *Davis & Bloomstrom (1975)* pointed CSR as an obligation of a firm towards the society which was later on expanded by *Carrol (1979)* by defining CSR as a “discretionary expectations that society has on organizations”. *Thomas. M. Jones (2005)* in his paper “*Instrumental Stakeholder’s Theory: A Synthesis of Ethics and Economics*” elegantly develops a model of integrating behavior of business entities and society. *Donaldson & Preston (1995)* compliments CSR for positively affecting the bottom line of a firm through exerting relationship with stakeholders. *Hartman, Rubin & Dhanda (2007)* has pointed out a clear distinction of CSR in a differentiated cross-cultural framework of European Union and U.S. firms. According to them CSR activities of U.S. firms are justified using economic and bottom-line terms, however the firms of European Union rely more on theories of citizenship, corporate accountability and moral commitment.

Thus it becomes very clear how CSR is perceived in a differentiated dialectical base. Despite of such differences in thoughts the fact about the importance of CSR in the present scenario cannot be denied.

3. Corporate Social Responsibility as a Philosophy

At the very onset in the introduction part CSR has been defined in a discursive field. So why has it been defined as a *discourse*? The basic point is to understand the ontological context. *Discourse*² can be defined as a set of languages which generally define the context of a particular field. In this sense CSR is a discourse which has its own legal, economic and political domain. According to *Michel Foucault* a discourse is a set of *enouncements*³. *Enouncements* are a set of constructs which define signs to communicate through a

²“Discourse are ways of constituting knowledge, together with the social practices, forms of subjectivity and power relations which inhere in such knowledge and relations between them. Discourses are more than ways of thinking and producing meaning. They constitute the 'nature' of the body, unconscious and conscious mind and emotional life of the subjects they seek to govern” (Weedon, 1987, p. 108).

³ *Foucault on Enouncement*: “Enouncement, often translated is an abstract matter that enable allows particular repeatable relations to subjects, objects and other enouncements”.

recursive and repetitive relation between and among objects, subjects and statements. CSR in this context can be defined as a set of modalities and actions through which a business entity tries to create a construct which indicates a recursive and repetitive relation between and among the social structure defined in terms of stakeholders. The basic point is that CSR is multifaceted and has different philosophical perspectives. The following section views CSR from two opposite philosophical bases.

- a) Modern Western Philosophical base/ Structural base.
- b) Post-structural/ Postmodern Base.

3.1. CSR as A Praxis Philosophy

It cannot be denied that every model has an underlying philosophy which drives it. CSR can be explained in terms of Aristotelian Praxis. Praxis according to Aristotle is the action of employing a theory or a practice. The action of CSR to attain objectives through time has depended upon different theories. It has to be understood that though virtually action has been uniform but the rationale of the action or we can say the reference of action has varied with changing objectives depending upon different theories of CSR e.g. the reference of action of a firm viewing CSR from a social perspective will be different from a firm viewing CSR from a strategic (may be marketing) point of view. Actually since every CSR activity is mapped upon the same superstructure that is the social space so virtually the actions seem to be homogeneous, but actually they are not. Thus the reference of action highly depends upon the underlying theory of operation of a particular firm. CSR can be viewed as a form of Praxis as defined by Aristotle. The objective is defense from occurrence of a dyspraxia state. The sense of dyspraxia can be wide as well as narrow. By saying narrow and wide it means the social depth of the prism through which the concept is looked upon.

The question remains what is the usage of such a philosophical theory of CSR?

Actually this is important because many theorists have seen CSR as an act of philanthropy and charity. Altruism is a form of philanthropy which involves sacrifice for future. In one of his works named "An Economic Analysis of Altruism: Who Benefits from Altruistic Acts?" Klaus Jaffe defines the point of difference between philanthropy, mutual dependence and investment. According to him if return from a sacrifice is more than the amount sacrificed then it is an investment and not philanthropy. When the return is less it can be called a sacrifice. Thus in order to understand whether a firm's activity is to be termed as philanthropy or an investment will depend upon the intent or point of reference of the action. Also in case of philanthropy the intent of action is one sided, however in case of an investment it has a two sided impact. In this sense it becomes important to judge the "praxis" of CSR depending upon the underlying "theory". Thus what happens is that by defining CSR in such a manner all ambiguities regarding action are removed by understanding its interdependence with theory.

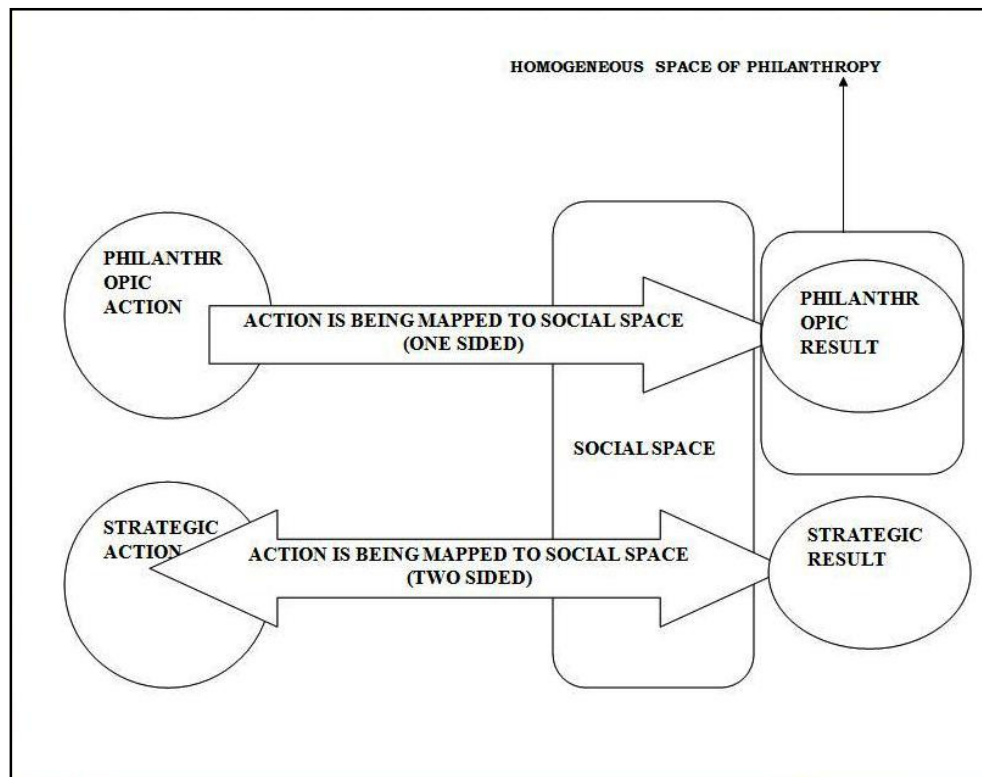


Figure 1: Figure showing the difference of space of actions based on heterogeneous result space.

The figure represents the difference between a philanthropic action and strategic action based on results though both have been mapped in to same social space, which in turn depends upon objectives. Clearly firm viewing CSR as a philanthropic action will yield

a result which is one sided in the sense that there is no obligation of reciprocation (shown by the one sided arrow), whereas a firm viewing CSR as strategic intent will yield strategic results which involves act of reciprocation (shown by the two sided arrow). The space of philanthropy is homogeneous but the space of strategy is not because strategy may involve different intents which may be in the form of Brand Recognition or Cost Reduction or any other form which are heterogeneous.

3.2. CSR as A Post-Structural Concept

Before deciphering the underlying explanation of viewing CSR from a post structural viewpoint one has to understand what is post structural philosophy and how is it different from the structural philosophy. Structural philosophy is the form of the modern Western philosophy and is opposed by the postmodern thought. Many *post-structuralist/ postmodern*⁴ philosophers like Jacques Derrida, Jacques Lacan and Michel Foucault have differentiated themselves from structuralists seeing modern western philosophy (structuralists) as highly dependent upon structures and binary oppositions. Binary oppositions are a set of opposite terms or subjects e.g. male/ female, black/ white, profit/ loss etc.

CSR over time has been seen as a concept which simultaneously spans society and business. Starting from the "Stakeholders" view to "Triple Bottom-line Approach"⁵, society and business have been seen to be dependent and their coexistence has been focused upon. Though economists like Milton Friedman has viewed social philanthropy and shareholder's value as antagonistic to each other but still the view of CSR which has dominated has pointed this antagonism to be false. Triple Bottom-line Approach to CSR has interwoven elegantly the peaceful and dependent coexistence of People, Planet and Profit. Same is the case with the Stakeholders View which talks about the importance of the stakeholder group for a definite coexistence of business and stakeholders. It has to be noted that both the views have aimed at overthrowing all antagonisms which existed within the definitional realms of business. The antagonism between profit maximization and social value is thus eliminated by CSR.

French philosopher Jacques Derrida through his concept of "deconstruction" defies all sorts of antagonisms within the realms of modern philosophy. CSR as a philosophy has also overthrown the possible binary oppositions within. Thus in post structuralism sense CSR can be viewed as process which aims at overthrowing all binary oppositions and misconception regarding these opposites and creating a homogeneous space for peaceful coexistence.

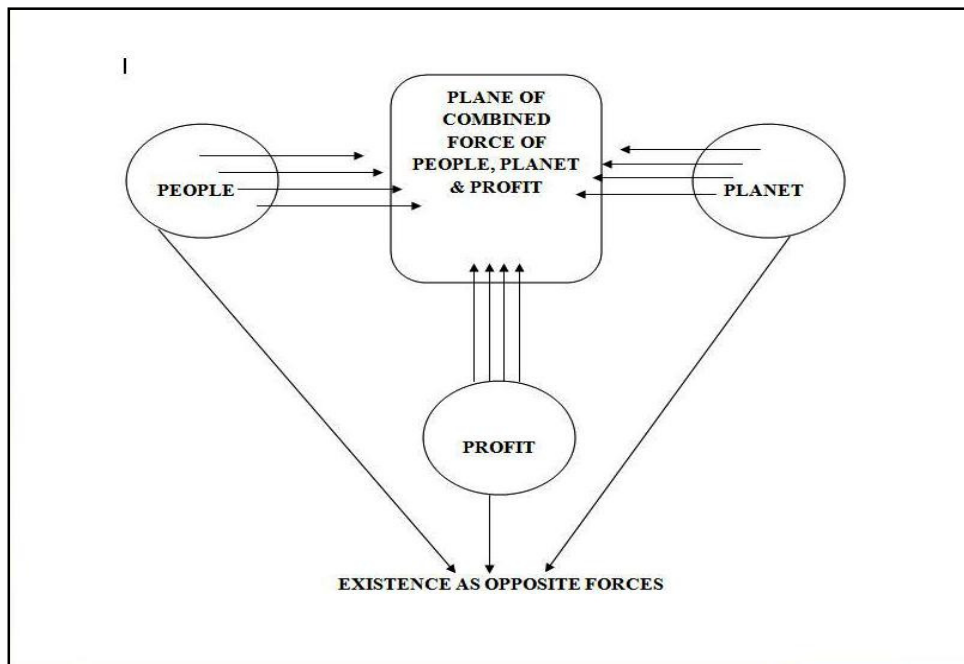


Figure 2: Figure showing transformation of binary opposition/antagonism in to a homogeneous space devoid of any opposition in TBL. Source: Compiled from concepts in "Enter the Triple Bottom Line", John Elkington

The figure above shows how the opposite and antagonist forces are combined in to into one single plane devoid of any opposition (peaceful coexistence) by TBL approach.

⁴ Post structuralism Vs Structuralism (Wikipedia): Post-structuralist authors all present different critiques of structuralism, but common themes include the rejection of the self-sufficiency of the structures that structuralism posits and an interrogation of the binary oppositions that constitute those structures.

⁵ "Enter the Triple Bottom Line", John Elkington: "In the simplest terms, the TBL agenda focuses corporations not just on the economic value that they add, but also on the environmental and social value that they add – or destroy. With its dependence on seven closely linked revolutions, the sustainable capitalism transition will be one of the most complex our species has ever had to negotiate (Elkington, 1997). As we move into the third millennium, we are embarking on a global cultural revolution."

4. Social Aspect of CSR

Corporate Social Responsibility as the name suggests, primarily has direct impact on the society. This section deals with social perspective of CSR, what is the need for CSR in the context of society and a business entity and how does it act in this respect. To understand the diabolical process one has to have a clear understanding of the social structure. Social structure may be defined as a well-knit complex network consisting of several interdependent *over determined* systems. *Over determination*⁶ in this sense implies an ontology which explains the cause and effect relationship in a social structure. This theory argues about the significance of all social and natural processes in the determination of all other social and natural processes. Social structure is constituted by legal, political, and economic systems which in turn are over determined. *Zingales*⁷ defines a firm in a complex relationship plane. Though he does not directly indicate over determination, but in such a complex framework a firm is bound to be over determined.

Over determination was first used by *Sigmund Freud* in the context of psychological studies. According to him, human consciousness is over determined. However, the consequent development of the theory has found its application in the context of social structure. French philosopher *Louis Althusser* introduced over determination in his analysis of social formation. Here I use this concept to get an understanding of why is CSR so important for society and a firm.

But before going into the depth we need to understand the position of a business entity with respect to society and how it is an over determined system. To get a proper sense about a business entity we thrive upon the *Stakeholders Theory* which suggests that a business entity is a component of the social system which affects different components of it, namely the stakeholders in a different manner through its activities and vice versa. Thus clearly a business entity is a part of the over determined system which itself is over determined by several other factors of the society. Now we focus on the effect of the activities of a business entity and its affects for understanding its sustainability in the society. Here I define CSR as an activity of the firm to keep a balance among all the social determinants for its sustainability. Since a business entity is an over determined system consisting of factors which are themselves over determined, it is very important to keep a positive balance between all the social factors namely the stakeholders. In the context of a single firm a negative response will affect the operation of the firm within the society by creating a negative impact on the over determined stakeholders. However, if the negative impact is seen from the aggregate level of all firms taken together it can be seen to affect the whole society by creating a misbalance within the over determined social system. So CSR in this respect creates a positive balance within the system by reducing chances of misbalance. This is the reason why CSR is seen in different realms of society in different forms:

1. It has a legal impact.
2. It has a political impact.
3. It has an economic impact.

The reason for the following is the concept of over determination.

The legal impact maps the territory of the legal perspective of CSR in a particular society. The basic law relating to the CSR activities is mapped in this space. There are also regulations related to CSR which gives a clear mandate about the allocation and operation of a CSR activity.

As a political, entity firms can be seen as corporate constitutions incorporated in accordance with state law and certificate of incorporation. This concept of corporate constitutionalism can be seen extensively among Multinational and Transnational Corporations. Also it can be seen as an alternate and sometimes complementary entity to the Government for the purpose of social welfare and augmentation of public goods. Through CSR sometimes large MNC's and TNC's are said to affect the operation of the government and public policies too. The context of social welfare is different though from the view of governmental activities and activities of a firm or business entity.

Economics in a broader sense can be defined as a science which deals with the optimum allocation and utilization of resources. Economic impact of CSR can be viewed from the view of optimum resource allocation and utilization by firms. CSR obviously affects the allocation and utilization of available resources in a positive way. Thus CSR is bound to have an economic impact upon the society. In this sense, the context of resource allocation has to be understood especially from the view of natural resources. Natural resources can be said to be goods or virtual commodities which are consumed by everybody for the purpose of sustainability. However, with the growing advent of capitalism leading towards high industrialization, the allocation of these natural resources also becomes important. For example, a firm in the complex economic structure depends upon the natural resources like water; air etc. for their operations too. In this process the firms pollute the structure and the other players in the society are devoid of the basic resources. Thus the concept of optimum allocation is hampered. CSR in this case can serve as a mechanism for retaining the optimum resource allocation. Thus CSR has an economic impact too.

⁶*Louis Althusser on Over determination*: The unity they [independent instances of contradiction – GL] constitute in this 'fusion' into a revolutionary rupture is constituted by their own essence and effectiveness, by what they are, and according to the specific modalities of their action. In constituting this unity, they reconstitute and complete their basic animating unity, but at the same time they also bring out its nature: the 'contradiction' is inseparable from the total structure of the social body in which it is found, inseparable from its formal conditions of existence, and even from the instances it governs; it is radically affected by them, determining, but also determined in one and the same movement, and determined by the various levels and instances of the social formation it animates; it might be called overdetermined in its principle. (1969: 100-101).

⁷*Zingales (2000)*: Recent theories suggest that a firm is defined as more than just a facility where resources are combined to produce wealth, instead defining firms as a complex system of relationships between constituents where success of the firms depends upon quality of these relationships and how they are managed by the firm.

According to Althusser there is always some form of contradiction present in a society which is overdetermined. The basic fundamental issue in this respect remains minimizing the contradiction so that the system does not break down. CSR can be viewed as a mechanism which reduces or minimizes the contradictions thereby creating a homogeneous space for peaceful coexistence of different social entities which also include business entities. The importance of CSR in this sociological context is thus strongly agreed upon. In a sense the stakeholders defined are nothing but the overdetermined systems within the network of social structure. It is therefore important to keep a balance and the importance of CSR in this respect cannot be denied.

5. Micro Analysis of CSR: A Firm's Perspective

In the previous parts CSR has been defined on a philosophical and social base. The process however remains incomplete without analysis from the point of view of a firm. It is the firms who are the primary focus of the aspect of CSR, they are the catalysts of the process. So the most important part is analyzing the process from their viewpoint. Milton Friedman had suggested that the most important social responsibility of a firm is Shareholders Value Maximization.

Carol & Shabana⁸ (2010) through their work "*The Business Case for Corporate Social Responsibility*" have commented without going into the underlying mathematics how CSR can be beneficial for reducing costs and risks. The model has been established based on certain assumptions which are stated in the formulation below. The basic statement is that effective CSR can help in Shareholders Value maximization process by reducing the social cost associated with production over time thereby increasing profit of a firm over a period of time. This section clarifies how effective CSR can be beneficial for a firm operating in a business environment where cost has different aspects, social cost (here I define as negative externality cost) being one of them. The model drawn in this section also differentiates an efficient CSR activity from an inefficient one in terms of differences in cost *time paths*⁹ which they separately produce. The concept of linear difference equation has been used to identify the differences in the corresponding time paths and draw inference.

5.1. The Model

5.1.1. Assumptions

1. CSR cost is taken as a multiple of the negative externality cost of the current year since CSR is assumed to be an activity to reduce such costs.
2. CSR activities yield return in the next time period by reducing the externality cost associated with production.
3. Actual externality cost in t+1 is approximately equal to the budgeted externality cost of the period.
4. Applicable only for CSR models which can yield returns within a period of one year.
5. The reduction in cost in the next time period is not more than the amount invested for CSR in the previous period.
6. The firm exists for infinite period of time (going concern assumption).

5.1.2. Mathematical Formulation

A CSR cost incurred today will give returns tomorrow, based on the following proposition we build our model. Return here is calculated as the decrease in negative externality costs expressed as a percentage of the cost incurred in setting up of the activity.

Since a company views CSR as a tool to minimize the negative externality cost over time, so it is also expressed as a multiple of the externality cost. The basic motive of the model is to identify how an effective CSR can be beneficial for a firm in the micro level on one hand and how an ineffective CSR activity hampers a firm's objective. The return is assumed to be fixed in the sense that a CSR project will give a fixed return and it is uncontrollable to the management policy, however management can control how much to be invested as the set up cost of a CSR activity depending upon a pre-determined rate of return expressed as the decrease in negative externality costs as a percentage of the cost incurred in setting up of the activity. It has to be understood that the return is given.

Let,

C_t = Externality cost incurred in time period t.

(α) = Multiple of externality incurred in setting up of a CSR activity.

C_{t+1} = Budgeted/ forecasted externality cost to be incurred at t+1.

Δ = Return generated from setting up of a CSR activity.

$$\Delta = (C_t - C_{t+1}) / \alpha * C_t \quad (\alpha > 0, 0 < \Delta < 1, C_t > C_{t+1}).$$

$$\text{Or, } (\alpha * C_t) * \Delta = C_t - C_{t+1}$$

$$\text{Or, } C_t * (1 - \alpha * \Delta) = C_{t+1} \dots \dots \dots (1)$$

Rearranging (1) we get.

⁸ Carol & Shabana (2010), "*The Business Case for Corporate Social Responsibility*", *e International Journal of Management Reviews*: Cost and risk reduction may also be achieved through CSR activities directed at the natural environment. Empirical research has shown that being environmentally proactive results in cost and risk reduction. Specifically, data shows that "being proactive on environmental issues can lower the costs of complying with present and future environmental regulations ... [and] ... enhance firm efficiencies and drive down operating costs."

⁹ Time Path: A mathematical equation generally derived from solving a difference or differential equation as a complementary solution used to convey information about a particular form over time. It conveys the information whether the form increases or decreases over time. When time is continuous differential equation is used while when time is discrete the concept of difference equation is used.

$$C_{t+1} - C_t * (1 - \alpha * \Delta) = 0 \dots\dots\dots(2)$$

Clearly equation (2) is a homogeneous first order difference equation.

Now putting $C_t = A\lambda^t$ in (2) we get

$$A\lambda^{t+1} - A\lambda^t * (1 - \alpha * \Delta) = 0.$$

$$A\lambda^t * [\lambda - (1 - \alpha * \Delta)] = 0.$$

Since $A\lambda^t \neq 0$

$$\lambda - (1 - \alpha * \Delta) = 0$$

$$\text{or, } \lambda = (1 - \alpha * \Delta).$$

The complementary function is thus given by

$$C_t = A * (1 - \alpha * \Delta)^t$$

Since the objective of the firm is to minimize the externality cost in the successive periods, so the condition of $C_t \rightarrow 0$ as $t \rightarrow \infty$ has to hold.

So once defined the first step of determining the time path of the externality cost function of a firm, the first proposition can be established.

- Theorem 1: The time path of the externality cost function should converge to minimize costs in successive time periods.

Now, in order to hold the proposition to be true $(1 - \alpha * \Delta) < 1$.

Thus, $\alpha * \Delta > 0$

$$\text{Also } \alpha * \Delta < 1 \dots\dots\dots(3)$$

From (3) we can say

$$\alpha < 1/\Delta \dots\dots\dots(4)$$

- Theorem 2: Thus the multiple of the externality cost to be taken as the set up cost for a CSR activity should be less than the reciprocal of the return generated from it, where return represents the decrease in negative externality cost as a percentage of set up cost.
- Theorem 3: Now mathematically in (2) α will always be less than $1/\Delta$ in R.

Since from (2) $\Delta * \alpha = (C_t - C_{t+1}) / C_t$

Clearly since $(C_t - C_{t+1}) / C_t < 1$ (Because $C_t > C_{t+1}$), $\Delta * \alpha < 1$.

- Corollary to Theorem 3: An attempt to effective CSR activities will always yield a convergent diminishing externality time path.

Now we check what will be the condition of the time path of externality cost for inefficient CSR. Since we have assumed that the only way to reduce the externality cost is through CSR. So if a firm does not engage itself in the activity its externality cost will increase in the time period to come. Same will be the case for ineffective or non-profitable CSR.

Therefore, here

$$\Delta = (C_{t+1} - C_t) / \alpha * C_t \text{ (Since in this case } C_{t+1} > C_t).$$

$$\text{Or, } (C_{t+1} - C_t) = \Delta * \alpha * C_t \dots\dots\dots(5)$$

Rearranging equation (5) we get.

$$C_{t+1} - C_t * (1 + \Delta * \alpha) = 0$$

(5) is a homogeneous first order difference equation.

Now putting $C_t = A\lambda^t$ in (2) we get

$$A\lambda^{t+1} * [\lambda - (1 + \Delta * \alpha)] = 0$$

Since $A\lambda^t \neq 0$, $\lambda - (1 + \Delta * \alpha) = 0$

$$\text{Clearly } \lambda = (1 + \Delta * \alpha).$$

Thus the complementary function is given by:

$$C_t = A * (1 + \alpha * \Delta)^t$$

$$\text{Now clearly since } (1 + \alpha * \Delta)^t > 0 \text{ for all } \alpha > 0 \text{ \& } \Delta > 0 \dots\dots\dots(6)$$

- Theorem 4: For all $\alpha > 0$ & $\Delta > 0$, (6) will yield a divergent increasing externality cost time path.
- Corollary to Theorem (4): An ineffective CSR activity will always yield a divergent increasing externality cost time path.
- Other Corollaries Which Follow From The Results Obtained Are:
 - Corollary 1: Not all CSR activity is beneficial for a firm.
 - Corollary 2: A firm should identify the difference between an effective and ineffective CSR by comparing the time paths of the respective ones.

Corollary 1 and 2 are extremely important result in the context of business policy.

- CSR as an Altruist Action and Validity of Assumption 5

The concept of altruism has been widely merged with Corporate Social Responsibility to explain the purpose of the latter. The views on such issues have given rise to very polar groups. Neo Classical school of thought has continuously criticized the concept as an opposition towards shareholders' value maximization. However, the stakeholders view has seen the business from the same perspective but has provided a different view of CSR. Stress has been laid on them in the previous parts.

Going out of the sphere of selflessness altruism can also be seen from the perspective of losing a part of the pie today to gain something in the future period. However, if the return from the future is greater than the cost incurred it cannot be termed as altruism and it takes the form of an investment.

In the model above CSR has been viewed as an altruist action. The two basic properties of altruism in this sense thus are:

- a. The future should depend on the past action.
- b. Return should not be greater than the cost.

From equation (1) we get:

$$C_{t+1} = C_t * (1 - \alpha * \Delta)$$

Thus $C_{t+1} = f(C_t)$.

Clearly the first property is verified.

The assumption 5 of the model which states that “*the reduction in cost in the next time period is not more than the amount invested for CSR in the previous period*” can be viewed as an analogy to the second property.

In other words, assumption 5 suggests that the action is not investment but is altruism.

6. Conclusion

If CSR is treated as a business model, it remains our primary duty to check the validity and consequences of the model. If it is treated as an obligation on the part of the firms, it becomes important to identify how respectfully this obligation is being delivered to the society. The thorough analysis done in the paper has dealt with the concepts that have guided us towards forming a judgment about CSR through a philosophical viewpoint, a social viewpoint and a business viewpoint.

The social perspective shows that CSR is important for minimizing the contradictions occurring within the overdetermined social structure. The business viewpoint has shown how the concept is important with respect to an individual firm. So at the end can we say that the concept of CSR yields optimum result with respect to a society as well as a firm? Is there any contradiction between the two?

The answer to the latter question is, absolutely there is no contradiction between a society and a business entity which has been proved by using a social and philosophical prism. It has been clearly shown that even if it exists how CSR calls for a peaceful coexistence of the both without any contradictions. However, the most important results that have been obtained are:

1. With respect to a society CSR is necessary but not sufficient for a peaceful coexistence. The sufficiency is determined by the intent and reference of action of the CSR activity.
2. Same is the case with respect to a firm. The sufficiency is determined by the effectiveness of the CSR, the one which yields a diminishing time path.

Optimum result is the point where both society and a firm are simultaneously better off and neither of the two have a tendency to deviate. Thus it can be said that an effective CSR (as defined with respect to a firm) which does not yield a character of investment activity (as defined by Klauff with respect to a society) is the solution. The fact that CSR is necessary in the present scenario cannot be denied. CSR has also been made mandatory for a firm. The only conclusion which needs to be drawn in this respect is that even in the absence of such a mandate the companies have to identify the importance of CSR. A point has to be reached where CSR will not be seen as a compulsion, duty or mandate rather it will be seen as a necessity for peaceful coexistence and for retaining optimal results within a dynamic social system which not only include people and profit but also includes another third entity known as planet.

7. References

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