

## **CHAPTER TWO**

### **2.0 Literature review**

#### **2.1 Conceptual framework**

Social responsibility as the conceptual review, has received attention of different authors who described it in numbers of ways. It is a concept that has no precise definition. Social responsibility is a concept that seek to promote the overall welfare of the society by focusing the attention of the business firm and societal obligations and social objectives.

Davids and Blanstoon (1975) describe social responsibility as the obligation of decision makers to takes actions which protects and improves the welfare's of the society as a whole along with their own interest.

The conceptual review of firms in the world have continued to change over the years. The changes have always been necessitated firms environment.

Social responsibility dated back on the late 1800's and early 1900's when business activity focused on building the industrial strength of the united state and developing the country natures (Mocker, 1995) he note that no fulfill this economics roles business however, recommend essentially and economic one even within the news and growing regulate the firms work.

#### **Concept of social responsibility**

Social responsibility of business deals with taking those decisions and performing those actions that benefit the society. Bu assuming social responsibility, the business enterprise not only respects the aspirations of the society but also helps in implementing these aspirations along with their profit interest. This is in contrast to the common notion in the society that business exists only for profit maximization and not for the welfare of the public. It follows that a responsible business must ace with due concern for the effects on the lives of other people. Accordingly we can say that social responsibility is broader than legal responsibility of business, legal

responsibility is fulfilled by mere compliance with the law. But social responsibility follows obligations laid down by law along with part of business which benefits the study.

### **Approach to social responsibilities**

**Proactive:** like an accommodating company, a proactive company makes social responsibility a priority, even if doing so cuts into their profits. Instead of reacting to criticism, a proactive firm attempts to remain ahead of the curve when it comes to social responsibility. It may make ethics part of its mission statement and attempt to avoid any harm to the environment or its employees. A proactive company or firms gives all of its employees a hiring wage and benefits and donate a portion of its profit to charity.

**Accommodating:** An accommodating stance signifies that a firm believes social responsibility is important and perhaps as important as making a profit. These companies or firm satisfy all legal requirements and attempt to meet ethical standards.

**Defensive:** In most cases, firms that take a defensive stance towards social responsibility are not particularly responsible. These fir, may consider themselves neutral, and they make profits a more important motive than performing actions in a social responsibility way.

**Obstructive:** A firm that takes an obstructive stance towards social responsibility attempts to depend it`s economic priorities by blocking any attempts to point out the company`s or firms lack of social responsibility.

### **Social responsibility schools of thought**

There has been controversy among the management writers on whether business should be socially responsible or not. Although, there are major schools that viewed social responsibility from different perspectives. The traditional school and expansionist school (Akanji, 2003).

The traditional view maintained that the primary goal of business is profit maximization and the role of executive is to ensure that the business of the religion is religion.

The business of the state is government, while the business of business is business. Writers like Milton Friedman considered profit maximization as the only valid purpose of business, which should not be surrendered for any purpose because only individual can be said to be socially responsible. To him the cost of social responsibility may be high and overloading business organization with additional responsibilities and may also dilute the purpose of the business, Friedman even equates social responsibility with stealing from the shareholders dividend.

Drucker, (1994) echoes that the first responsibility of a manager is to make profit and that such responsibility cannot be abdicated for other responsibility.

The second school of thought known as expansionist or socialist who believes that a business organization must be socially responsible. These writers were of the opinion that the problems of the society are created by business organization. Hence they must be responsible to the society who bears the brunt of these problems.

### **To whom should business be socially responsible**

A business should be responsible to a number of interest groups such as:

#### **Responsibility to customers**

Drucker (1994) said that there is only one valid definition for the purpose of business, "Create a customer in a large society". The most important single objective of business is to create customers. It is customer who determines what the business is and it is their willingness to pay for goods

or services that convert economic resources into revenue. The responsibility a business owes to the customers includes:

- ◆ Provision of required goods and services
- ◆ Refraining from unfair trading practices
- ◆ Abstracting from exaggeration and misrepresentation in advertisement

### **Responsibility to employees**

A business organization is expected to be a better place for work by providing appropriate and adequate working environment such as compensation package, safety insurance, well fare and health facilities in order to develop the potentials of employees, a critical look at the compensation package of most Nigeria Plc revealed tat they offer higher compensation packages than government establishment.

### **Responsibility to society**

According to socialist or expansionist school of thought, societal problems are created by business organizations, hence should be responsible for their externalities. Business firm explore the environment for production input, transforms this input to output which they sold to the environment, they must be ready to get the people and society compensated by embarking on social responsibility activities that benefit the society at large. Business firm should be responsible to the society in such activities as environment beautification, eradicate pollution, contribute to charitable courses, provide educational facilities thorough provision of classroom equipment, award of scholarships to deserving student, sponsor, sport, art or cultural events etc.

### **Responsibility to shareholder**

A business organization is expected to be socially responsible to shareholders by the provision of information declaration of dividend and growth of the organization.

### **Responsibility to the creditor**

Business firm should be responsible to the creditors in the area of prompt payment of interest and retirement of principal at appropriate time.

### **Responsibility to the government**

Business must obey the laws and regulations of the government so that others can cultivate respect from them. Government must guarantee the welfare of the society and to achieve this, this must serve as a facilitator to economic development, as a regulator of industrial activities and as a participant in business activities.

### **Responsibility to competitors**

The responsibility of business organization is to perceive their competitors as co-productions rather than enemies. Business firm should use defensive management and marketing strategies rather than “destructive” strategies.

## **2.2 Theoretical framework**

### **Instrumental theories:**

In this group of theories CRS is seen only as a strategic to achieve economic objectives and, ultimately, wealth creation. Representative of this approach is well-known Friedman view that “the only responsibility of business towards society is the maximization of profit to the shareholders within the legal framework and the ethical custom of the country”

Instrumental theories have a long tradition and have enjoyed a wide acceptance in business so far. As Windsor (2001) has pointed out recently,

“A leitmotiv of wealth creation progressively dominates the managerial conception of responsibility.

Concern for profits does not exclude taking into account the interest of all who have a stake in the firm (stakeholders). It has been argued that in certain conditions the satisfaction of these interests can contribute to maximizing the shareholder values (Mitchell et al, 1999; Odgin and Watson, 1999). An adequate level of investment in philanthropy and social activities is also acceptable for the sake of profit.

### **Integrative theories**

This group of theories looks at how business integrates social demands, arguing that business depends on social for its existence, continuity and growth, social demands are generally considered to be the way in which society interacts with business and give it a certain legitimacy and prestige. As a consequence, corporate management should take into account social demands, and integrate them in such a way the business operates in accordance with social values.

So, the content of business responsibility is limited to the space and time of each situation depending on the value of society at that moment, and comes through the company's functional roles (Preston and Post, 1975). In other words, there is no specific action that management is responsible for performing through time and in each industry. Basically, the theories of this group are focused on the detection and scanning of and response to the social demands that achieve social legitimacy, greater social acceptance and prestige.

### **Ethical theories**

There is a fourth group of theories or approaches focus on the ethical requirements that comment the relationship between business and society. They are based on principles that express the right thing to do or the

necessity to achieve a good society. As main approaches we can distinguish the following:

Stakeholder normative theory: Considers fiduciary duties towards stakeholders of the firm, its application requires reference to some moral theories.

Universal rights: frameworks based on human rights, labour rights and respect for the environment.

Sustainable development: Aimed at achieving human development considering present and future generations.

The common good: Oriented towards the common goods of society.

Due to the nature of the study the researcher adopt instrumental theory because these theory is the most suitable for the research work.