Corporate Social Contract: An Analysis of Corporate Perspectives on the Concept

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Abstract

The purpose of our thesis was to comprehend how organizations approach the Corporate Social Contract that exists between them and society. The empirical data was gathered to reflect a comprehension of the Corporate Social Contract as a whole and as the product of its components, i.e.: Corporate Social Responsibility and Reciprocity. Other concepts interconnected with our main topic were also used in order to better comprehend the concept of Corporate Social Contract as well as our interpretations of the collected empirical data. These interconnected concepts were Corporate Sustainability, Corporate Citizenship, Shared Value, and Willingness to Pay.

The research work was approached from the qualitative standpoint. Considering that the perspective of our thesis was an organizational one, we approached 5 organizations within which to conduct interviews on the stated topic. Our aim was merely to understand the organizational perspective and approach to the concept of Corporate Social Contract, not to compare these perspectives and approaches.

Each of the chosen organizations met certain basic criteria mentioned in our work that permitted us to include them in our sample. The thesis’ conclusion reflected various organizational approaches towards Corporate Social Contract from the angle of Corporate Social Responsibility as well as varying perspectives on, and expectations of, society’s reciprocity. The study has shown that our view of the equal importance of the concepts of CSR and Reciprocity, within the framework of CSC fulfillment, is an under investigated area in both academics and in the practical business world. This has also been supported by our interviewees’ view on expectations, placed on society, as an implicit area in their organizations’ policies. Through our study we have uncovered practical reasons as to why CSC cannot be fulfilled all the time, how expectations between both organizations and society differ from project to project, and the importance of societal reciprocity in the aim of CSC fulfillment. And thus, through our study, we endeavor to comprehend how organizations fulfill the CSC and how they view society’s attempts to fulfill its end of the contract.

As a result of our work, future students and researchers stand to gain insights into the mentalities of organizations that hail from different industries and are based in different parts of the world. Future students and researchers could also derive their own interpretations of our respondents words based on the culture prevalent in the country in which the respondents are based. Apart from this, one can note that the respondents were also from a range of departments and their professionally skewed perspective on our topic makes for an interesting contribution to those seeking insights into our topic and those interlinked.

**Key Words:** Corporate Social Contract, Corporate Social Responsibility, Reciprocity, Corporate Sustainability, Corporate Citizenship, Shared Value, and Willingness to Pay.
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1. Introduction

This chapter presents to the reader a background to the research problem, a research question, the purpose of our thesis, and the area of our thesis’ contribution. It defines major theoretical concepts, informs the reader about limitations, and puts forth the sequential disposition of our thesis. The aim of this chapter is to discuss the relevance and topicality of the issue under investigation.

Our thesis views the concept of corporate social contract (CSC) as the product of two concepts namely corporate social responsibility (CSR) and reciprocity. We combine an evaluation of CSR, and reciprocity within the framework of CSC, in order to develop a better understanding of the latter. Corporate social contract is a concept that is relatively new to the mentality of organizations. It is also a lesser researched concept in academia compared to the concept of corporate social responsibility. An empirical evaluation of the CSC concept is necessary in order to make significant progress within both academia and the business world as it helps to develop a better understanding of the mentality of organizations with regard to the fulfillment of CSC and the benefits that result from this fulfillment.

Our thesis is also an initiative to develop an interest in this topic as we believe that the fulfillment of CSC, in an attempt to achieve cooperation between society and business, possesses immense potential in revolutionizing the manner in which business is conducted today. To evaluate this potential, we feel, is of paramount importance because with the fulfillment of CSC comes co-operation between organizations and society, and the closer to co-operation that the two inch, the greater the change in the game of achieving organizational successes and the factors that affect it.

1.1. Background

The issue of the socially responsible behavior of businesses has been actively discussed for a period of between 6 decades to almost a century till date, depending on scholars’ views on corporate social responsibility as a first reference or formulated concept. The concept of corporate social responsibility composes one part of a notion of corporate social contract. The latter part is a reciprocal stream of responsibilities and rights between business and society. The CSR concept explains the part where business has duties toward society while the concept of reciprocity supposes the backward stream of duties from society to business.

As organizations grew in power and financial capability scholars have expressed concerns with regards to how much power may be wielded (Banerjee, 2008; Thomas & Nowak, 2006; Garriga & Mele, 2004; Brooks, 2010; Lantos, 2001; Bowie, 1991) According to the World Investment Report (UNCTAD, 2011, p. viii) multinational companies’ (MNC) production accounted for a quarter of global GDP ($16 trillion) in 2010, while budgets of top MNCs are comparable to the GDP of some countries. Society has placed emphasis on organizations to give back to society because of their use of society’s resources and the societal impact they may exert.

The first attempts to conceptualize the debt of businesses to society were taken in 1960s in the form of the CSR concept (Lantos 2001, Garriga & Mele, 2004, Thomas &
Nowak, 2006, Freeman & Hasnaoui, 2011). Since then society’s expectations towards forms of ‘businesses’ debt-payment’ have been constantly modified and escalated resulting in greater responsibilities being taken on by organizations for their wider and wider circles of stakeholders. Because nowadays companies are responsible for issues that had never been their business responsibilities before, many organizations are unclear about how to deal with such societal pressure. E.g.: Recently, fast-food as well as packed-food companies have had to take responsibility for obesity and poor nutrition as a result of pressure from society; pharmaceutical companies are expected to deal with AIDS issues on the African continent even though a company’s products may be for a different purpose (Porter & Kramer, 2006, p.80). Sometimes activists may pick one of the most successful companies in the field to bring attention to an issue; regardless of the ability of the company to tackle the problem. Although the view of stakeholders on organizational CSR engagements is important, they may not understand a particular company’s capabilities or whether the entity can address the issue in the most effective way to satisfy both society and business requirements and goals (Porter & Kramer, 2006, p. 78, 81). There are several reasons for the existing discrepancy between societal expectations about the socially responsible way of doing business and the real state of affairs involving the way businesses are run and society’s desire to reciprocate. In some cases it is businesses that are to be blamed for creating such a gap between expectations and reality by taking deceiving actions like “green-washing” (i.e.: a set of PR and marketing tools used to create a perception that a company’s products are environmentally friendly) or behaving in a socially irresponsible way (European Commission, 2011, p.9). However, it is not only companies who are guilty in creating this discrepancy considering the lack of understanding from society and some particular groups of stakeholders about businesses caliber to meet the societal demands. Another reason is inability of organizations to track the ever-changing demands of different groups of stakeholders, thus failing to satisfy them. This consequently leads to the exaggerated expectations of businesses’ CSR engagements (European Commission, 2011, p.9). Therefore the idea of CSC as a reciprocal stream of rights and obligations may not be fulfilled.

The results of the growing pressure of societal expectations, in demanding that organizations satisfy diverse stakeholder-interests, has portrayed one side of CSC, namely corporate social responsibility of business towards society. However CSC, as any other contract has two sides, which implies reciprocal actions by both parties. In the case of CSC such reciprocity takes a form of societal responsibility towards organizations. The concept of CSC was established three decades ago in academia (Donaldson, 1982; Bowie, 1982; Dunfee & Donaldson, 1995). However, as our analysis has shown, only one part of the contract, namely CSR, has been well discussed and practically evaluated. An empirical evaluation of ‘reciprocity,’ however, hasn’t been conducted.

1.2. Problem discussion and research question

As brief analysis has shown, society has been concerned with the input of corporations into social good for quite a long time (Eberstadt, 1979; Banerjee, 2008). The issue of CSR, in particular, has become a hot topic because of the growth of political and economic power of multinational corporations. Despite CSR being defined as a voluntary engagement, the corporate need to fulfill a social contract is still a fold
pressed by society. It is the demands of stakeholders that prompt corporations to take on CSR activities. It is here that there appears to be a discrepancy between stakeholders’ pressure on, and support for, organizations’ CSR activities (i.e.: reciprocity). Because any contract has at least two parties with rights and obligations to fulfill, we have noticed that the fulfillment of CSC by both parties has not been equally discussed. In studies of the concept of ‘corporate social contract,’ academia has emphasized organizations’ responsibilities towards society but society’s responsibilities towards organizations are much less discussed.

We find it interesting to attempt to understand this knowledge-gap that lies within CSC. As vocal platforms emerge in terms of blogs and review-sharing, and customers and clients get increasingly outspoken about their thoughts on services and products, organizations face greater threats to their existence and greater demands on their resources in their efforts to appease their god-like customers. At present the concept of reciprocity is a rather bookish, academic concept that is a very unfamiliar territory to organizations’ policies and management as academics have addressed the concept in theoretical academic work but have failed to evaluate it through the eyes of organizations or through practical business field-work. However, as more organizations are asked questions about the concept of reciprocity, and are thereby familiarized with it, the chances of a boost in business-creativity increase as would the grounds for strategic policy and decision making. We foresee a significant contribution in the research of our knowledge-gap. We realize that in order to understand reciprocity within CSC, it would be best to approach the study from the point of view of the recipient; i.e. the organization. The reason for this is that actions tend to be judged from the point of view of the recipient and not from the point of view of the doer. Therefore, if this study was to analyze the benefits of CSR, it would be best to talk to members of society whose perceptions of the benefits or drawbacks of a CSR engagement would evaluate the work of the involved organization. Considering that the knowledge-gap being researched lies within CSC, it would be best to have an organizational perspective (i.e.: the recipient’s perspective) to evaluate the reciprocal attitudes and actions of society towards the CSR engagements of organizations.

Considering that we are majors in Management; it is also of interest to us to conduct an empirical study of society’s reciprocal actions, towards businesses’ engagement in CSR activities, from the organizational perspective. The answer to the following research question will inform us about the fulfillment of CSC, by businesses and society, from organizational point of view.

**Research Question:**
How do organizations fulfill the corporate social contract and how do they view society’s commitment towards fulfilling its end of the contract?

**1.3. Thesis purpose**

With stakeholders demanding investments of organizational resources and commitment into CSR activities, while organizations do their best to be politically correct towards society, we have identified an under investigated area of the CSC concept in academic literature. This ‘grey area’ is the principal of ‘reciprocity’ (i.e.: a half of CSC) which is required for the fulfillment of the social contract between society and businesses.
So far in academic literature the CSC concept has not been approached holistically. E.g., Donaldson (1982, 1989), Dunfee (1991, 2006), Keeley (1988, 1995), Dunfee & Donaldson (1994, 1995), Conry (1995), Lantos (2001), Banerjee (2008), and others have only researched CSC within the area of business ethics, emphasizing the need for organizations to give back to society, and the importance of the same, for the opportunity to conduct business thereby leaving out the concept of reciprocity.

The originality of our approach is that we evaluate CSR and reciprocity, equally, within the framework of the standalone concept of CSC. The purpose of our research is to investigate the organizational perspective on the fulfillment of CSC. By doing so we will gain an understanding of how corporations view their own CSR activities and aspirations with regard to reciprocal actions from society.

1.4. Area of contribution

The aim of our study is to result in a contribution towards management-related academic research and business areas such as strategic sustainability management and CSR-related management. In other words, we expect that the results of our research will contribute to academia and business fields in the following manner.

Our contribution to academia will aim to provide insights into the organizational perspective of the CSC concept. This will help to achieve a fuller evaluation of the interdependence between CSR and reciprocity concepts within the framework of CSC. Research-wise, such an initiative may also be lucrative as our study may inspire a more in-depth future research of societal support that other organizations may expect towards their CSR engagements. Stakeholder-wise; organizations’ expectations of how stakeholders are to respond to their CSR engagements will update stakeholder-knowledge by raising awareness of the benefits of reciprocity through the fulfillment of CSC. Benefit for stakeholders is the greater organizational motivation for CSR engagements. Businesswise; organizational benefit stems from stakeholders’ awareness of business’ expectations and their responses in terms of reciprocal actions. Thus the two parties attain mutual benefit through co-operation. Industry-wise; organizational-related knowledge will be updated as new benchmarks for reciprocity-related expectations will begin to be developed within and between industries. These are our expectations and the envisioned contributions of our research.

1.5. Theoretical framework

In our work we are going to use three major concepts which are tightly connected and intertwined with each other, namely the concept of corporate social contract (CSC), corporate social responsibility (CSR), and reciprocity.

Though the CSR concept is well-studied in academic circles and has been practiced across the globe for many decades, it continues to hold different meanings for different people and companies. For some ‘being responsible’ implies an engagement in charity-initiatives and volunteer-work, for others initiating or supporting programs directed on saving energy or those that work against depleting resources is a form of debt-repayment to society; however, there are companies that build their strategies around the idea of social responsibility. Multiple definitions of CSR in academic papers, reports of companies, political documents of supranational organizations, as well as by governments and NGOs, indicate “the inherent weakness of the concept” (Argandona &
Hoivik, 2009, p.221). We are therefore going to clearly state the definition of CSR which will be used in our work.

With the development of academic approaches to CSR, the change of societal demands toward businesses, and the way practitioners respond to new challenges, the attitude and perception of CSR amends itself. In order to reflect those changes in academic, business, and social spheres, supranational institutions are called to create an appropriate framework to assist, advice, and coordinate in favor of CSR activities. Thus we may view the CSR concept as a living organism which changes over time. A definition of CSR, which was developed by the European Commission in 2001, discussed CSR as a concept by which companies, in cooperation with stakeholders, decide to take account of social and environmental concerns voluntarily (European Commission 2001, p. 5). However in 2011, in its new communication on CSR issues, the EC lifted the definition of CSR to a more general level. From now on, CSR is viewed by the EC as “the responsibility of enterprises for their impacts on society” (European Commission, 2011, p.6). To be able to meet requirements of CSR in its entirety an enterprise should take a strategic view of CSR. This implies a change in organizational philosophy, which can be implemented by stopping the treatment of CSR engagements as ad-hoc responses to the demands from society, and by incorporating social, environmental, ethical issues, human rights observance, and concerns from consumers’ and other stakeholders with regard to the CSR strategizing process (European Commission, 2011, p.6). The strategic approach to CSR implementation causes the EC definition to deviate from a multitude of CSR definitions developed by the majority of academics and practitioners by showing that possible mutual benefit can be achieved by both business and society.

Taking into account that the definition of CSR is left to the discretion of a company, which implies high volatility of the concept among companies, sectors and countries; we have decided to base the discussion in our thesis on the new definition of CSR, developed by the European Commission, for two reasons. First of all, it seems that the EC definition adds clarity to understanding of CSR as an activity that can do both, bring profit to the company and serve the interest of society simultaneously. The second reason is that we want to evade any bias towards, or against, any particular theory or approach to CSR by the use of a definition which can serve as an umbrella for different CSR engagements.

The idea of corporate social contract, which was developed by social and economic theorists in the 1980s “spells out society’s expectations of businesses as well as (although much less discussed) business’ expectations of society” (Bowie 1983, in Lantos 2001, p.6). Lately, in addition to CSR analysis some scholars have started to discuss the principal of reciprocity, which may make the CSR theory better understood (Goodstein & Wicks, 2007, p.376, 396). However, the topic of ‘reciprocity’ remains less-discussed in comparison to the CSR concept.

CSC is not only about obligations of corporations toward society, it also requires that stakeholders hold some liabilities to corporations. According to Bowie (1991, p.63), in order to enrich CSC concept, a greater focus should be placed by academics on “determining the appropriate reciprocal duties that exist among corporate stakeholders.” For example, it is the responsibility of customers to support environmentally-friendly products and boycott those whose production causes pollution, supports inequality,
violates human rights, or is just socially, morally, or environmentally unacceptable. A company called Nstar was the first to provide customers with green electricity in Massachusetts but the increase in their electricity bills seemed too significant for the customers to be willing to pay (Abel, 2012). Thus we see stakeholders that are shrugging off their responsibilities to reciprocate when a company is attempting to address this responsibility with the provision of a sustainable and responsible product. According to Davis (2009, p.9) social contract arises “from an exchange of promises or its equivalent,” meaning that all parties of a contract hold some liabilities toward each other. Thus we may conclude that, a principal of reciprocity means a “collective responsibility” of all possible stakeholders starting from employees and ending with consumers and competitors (Lantos, 2001, p.39-40). The fulfillment of CSC can be achieved when a balance between demand and support from stakeholders is achieved. Because the reciprocity concept is so closely related to stakeholders’ actions, how we define stakeholders is worth a mention. Taking into account that we are viewing reciprocity in connection to CSR, bearing in mind the organizational perspective in our thesis, we are going to stick to a wide spread definition of a stakeholder developed by Freeman, which is nowadays is treated as a classic one. According to Freeman (2010, p. 25) a stakeholder can refer to “any group or individual who can affect or is affected by the achievement of the firm’s objectives.” Therefore, the stakeholder circle includes not only ‘immediate’ stakeholders like employees, owners, customers, and suppliers, but also media, environmentalists, local community organizations, governments, and special-interests groups, etc., that cover the external environment of an organization (Fassin, 2009; Freeman, 2010). In other words a stakeholder can be any group or an individual that has a ‘stake’ in, or may exert an influence on, an organization. Taking into account such a broad definition of a stakeholder, which may include each and every member of society; in our work such terms as ‘stakeholders’ or ‘society at large’ are going to be used interchangeably.

1.6. Limitations

As students we were faced with limitations of time and money. The thesis had to be completed in a period of time that limited how much we could do. The lack of large budget also served as a constraint e.g.: by limiting how far we could travel to conduct interviews. But we would not like to dwell on these limitations as they are not as thesis-focused and research-related as those that we would like to discuss. We would like to discuss the limitations that led us to make the decisions that we did to arrive at the thesis we completed. Limitations, as we see it, should be connected to the results and scope of our study.

1.6.1. No Focus on any particular industry or desire to compare CSCs

With this in mind we feel that it is important to explain to our readers why we didn’t focus on any particular industry. One must bear in mind that focusing on a single company and/or industry is a method of research that we will recommend in our Future Research section. However we felt that it didn’t fit our research goals. The reason why this was, was because our focus was to investigate CSC both as a concept as a whole and as a combination of the concepts that compose it, namely CSR and reciprocity. It is important for us to stress here that we had no intention of researching any particular
company or industry as this was not our goal at all. In fact we considered such a focus to be too narrow and limiting for the goals of our intended research work.

The logic for this is as follows. CSC is the product of continuous cycles between CSR and reciprocity. CSR engagements are conducted by organizations and society responds through reciprocity. We understand that each company within an industry, and each industry as a whole, has varying implicit CSR contracts with society. In the same way, society has varying expectations and/or demands from individual companies and/or industries. The dynamics between the two parties present researchers with various unique CSC situations between companies and society and/or industries and society (i.e.: depending on the research-perspective of a researcher). Considering that CSCs differ from company to company and from industry to industry, in their relationships with society, to compare the CSC of one company with another or one industry with another would deem our research senseless. It would be the equivalent of comparing apples with oranges. E.g.: Society expects pharmaceutical companies like GlaxoSmithKline to research and develop vaccines to eradicate pandemics. Its expectations of Toyota cannot be compared with this as it would probably have to do with producing safe vehicles. And so, having foreseen the crucial limitations involved, we decided to research companies with no focus on industry and no desire to compare CSCs that are unique to each. This helped narrow down the scope of our study and the contribution in our results.

1.6.2. No stakeholder grouping

Having carefully studied academic articles, and paid a lot of attention to how stakeholders were grouped, we realized how if we categorized and/or prioritized stakeholders it would serve as a limitation to our work. Every company has its own grouping of stakeholders and its own individual perspective on the stakeholder matrix where it has certain stakeholders that are relatively powerful and others that are relatively dormant. It is due to the multitude of stakeholders that it is not possible to satisfy the requirements, which are sometimes contradictory, of each and every stakeholder. Therefore, companies have to prioritize stakeholders and their demands based on their importance to a company’s success.

For us to attempt to group and prioritize stakeholders in a one-size-fits-all manner, for all the organizations we interviewed, would be quite pointless. To have attempted to develop a full understanding of each organization’s stakeholder grouping and prioritization would have been a difficult task in the time we had. Because each company operates in its particular environment, different groups of stakeholders may “play different roles in relation to a company” (Podnar & Jancic, 2006, p.304). Seeing the possible limitations in grouping and prioritizing, we chose to generalize stakeholders and refer to stakeholders and society interchangeably. This was also made possible with the fact that we chose to research the organizational perspective, thereby leaving stakeholder grouping out of the main focus of our study’s scope and thereby generalizable. This also doesn’t affect our research question, and thereby doesn’t affect the scope and results of our thesis. Moreover, taking into account the volatile nature of stakeholders, companies have to track the change of the demands of their primary stakeholders at least. Therefore, taking into account dynamic nature of stakeholders’ demands, it is because of the high influence of local factors on the categorization of stakeholders by a company that we are not going to prioritize or group stakeholders in
any form in our research. As such the several location-related permutations that could influence our attempts at grouping may make our research biased. We thereby use the term ‘society,’ and terms like ‘society at large’ and ‘stakeholders,’ to imply the sum of all stakeholders.

1.6.3. Organizational perspective

We researched the concept of CSC and realizing that there were two parties involved for the fulfillment of CSC we initially contemplated researching both sides. We realized that if we studied CSC from the point of view of society, we would run the risk of stakeholder categorization and prioritization; e.g.: being uncertain of whom the right stakeholders to talk to would be considering the research topic and interviewed organizations. We decided to avoid these risks that would limit the contributions of our research results by breeding confusion in our work and among our readers, and would possibly cause us to lose control on the narrowing of the focus of our research. To avoid these risks we chose to focus on the other party involved in CSC, namely organizations. As management students, the organizational perspective is also of interest to us.

1.7. Thesis disposition

Chapter 1 addresses the scope of our study. It includes the background and problem discussion, and presents our research question to the readers. The purpose of our thesis is discussed followed by an explanation of how our thesis will contribute to various areas of knowledge. It then introduces the concepts and theories that are important in our study followed by the various limitations that we faced while conducting it and how we worked around them.

Chapter 2 takes the introduction of the concepts and theories, which are relevant to our study, further by discussing each of them in detail from an academic perspective. Academic literature has been reviewed thoroughly to establish a deeper understanding of the important concepts and theories so as to ensure that the readers are well-informed before the empirical data is discussed at length.

The research methodology, in Chapter 3, presents the readers with our chosen strategy to approach the study of our research problem. This chapter helps to clarify our research intent and also provides the reader with the method by which we dealt with our empirical data. This method was portrayed through a well-defined flow chart.

Chapters 4 to 8 present the empirical data of the unique business cases gathered through our interviews at 5 organizations. It provides the readers with insights into how each unique organization perceives CSC. It includes the utilization of the concepts and theories that we discussed in the literature review, mentioned in an earlier chapter, and provides the reader with insights into our interpretations of the interviewees’ responses. Each of these chapters includes a conclusion that answers the research question from the perspective of the organization being studied therein.

Chapter 9 provides the reader with a general conclusion for all the organizations. Though this general conclusion addresses the perspectives of all the organizations studied, it makes no attempt to compare the same. However, it does bring the many
perspectives into one frame for the benefit of the readers’ comprehension of our findings and interpretations.

Chapter 10 quenches the thirst of future researchers seeking to use our research as a stepping stone into new dimensions of research. It discusses areas for research that could serve to benefit both the academic and industrial realms if delved into. We have developed our ideas for future research to a significant extent due to which we are certain that researchers of the future will find a launch pad within this section.
Chapter 11 discusses quality criteria against which the current study is evaluated. Taking into account qualitative nature of the research trustworthiness of the study as the primary quality criterion has been discussed.
2. Literature Review

This section discusses extensively the major concepts introduced in the Theoretical Framework, namely, CSC, CSR and reciprocity. In addition to this some other relevant concepts have been introduced. These concepts will help the reader understand the empirical data that we have collected and gain a deeper insight to the same.

2.1. Corporate social contract

2.1.1. Application of ‘social contract’ to business context

The roots of the idea of ‘social contract’ lie in the work of the philosophers of the 17th and 18th centuries, e.g.: John Locke, Jacques Rousseau, Thomas Hobbes (Conry, 1995, p. 178). According to Wempe (2008, p. 697), social contract theory, prior its application to business field, has been developed and applied mostly by political theorists, “as a theory of political authority (notably by political theorists such as Hobbes, Locke, and Rousseau) and as a theory of social justice (by political theorists such as Ackerman, 1980; Gauthier, 1986; Nozick, 1974; Rawls, 1971, 1993, 2001; Scanlon, 1998).” The first attempt to extrapolate a notion of ‘social contract’ involved the surpassing of its agreement between citizen and state and proceeded to into a business context, much to the credit of Donaldson in 1982 (Dunfee & Donaldson, 1995, p.176). In other words; specific rights and responsibilities that citizens hold to the state, and vice versa, were applied to business. This means that firms, as representatives of the business sphere, have some rights and responsibilities to fulfill towards “individual members of a given society in the aggregate” (Dunfee & Donaldson, 1995, p.177), and that society at large has the same towards firms (i.e.: corporate citizens). According to Donaldson, ‘corporate social contract’ implies “the reciprocal expectations of the parties to the contract who were both assumed to be interested in maximizing the benefits (e.g., specialization, stabilization of output and distribution, liability resources, increased wages) and minimizing the drawbacks (pollution, depletion of natural resources, destruction of personal accountability, worker alienation) of productive organizations” (Dunfee & Donaldson, 1995, p.177).

2.1.2. CSC development in business ethics domain

Even though business ethics is not the subject of our research we believe that it is important to show the readers the development of CSC in business field. We are aware that such well-known scholars as Donaldson (1982, 1989), Dunfee (1991, 2006), Dunfee & Donaldson (1994, 1995), Conry (1995), Keely (1988, 1995) have been viewed CSC fulfillment through organizational CSR engagements; thus discussing mainly one part of CSC. However, we believe that such a historical review will give a clearer picture of CSC development and application.

In 1989 Donaldson refined and developed his model of corporate social contract so as to permit its application to multinational organizations. According to Donaldson there is a minimal level of responsibilities that companies, which operate on a global level, owe to society. These obligations include protection of interests of a company’s employees and customers, in terms of concern of their welfare; respect of fundamental human rights; and compliance with “minimum standards of justice” (Dunfee & Donaldson, 1995, p.177-178).
Moreover, Donaldson (1982) in his work “Corporations and Morality” defines two classes of organizational obligations: explicit (abide to which companies are obliged by laws and regulations) and implicit (implied norms, but not always voiced). According to Conry (1995, p.192), social contract is called to explain implicit norms: “the contract illuminates such obligations as the scope of employees' inexplicit rights, regulation goals, and consumers' unwritten rights.” Because those rights and responsibilities have never been spelled out, this means that they are alleged or hypothesized. The hypothetical nature of social contract differentiates social contract from other types of contracts. In addition, later on Donaldson (1989, p. 48) extended the obligations of organizations beyond consumers and employees up to “all those affected by the organization's activities.” This idea has much in common with the refined definition of stakeholders, developed by Freeman (1984).

Another renowned scholar Dunfee (1991), while viewing social contract as unuttered norms, the main focus has placed on organizational ethical norms, morality, and superiority of group norms over moral principle of an individual manager. Taking into account that a person may be a member of different social collectives, each of which might have its own set of norms of behavior, sometimes conflicting, the author has offered a mechanisms that helps an individual to prioritize those norms. To take a decision on which norms to comply with, a person should follow the rule which states: “if these standards conform to formal moral theory they rise to the level of an ‘ethical norm’. Persons are under a prima facie duty to comply with ethical norms” (Conry, 1995, p.195). Thus, we may derive that generally accepted, so-called ‘hypernorms’ override local standards. This brings up the idea of a free consent which people give by becoming of a member of a certain social group (including organizations). In other words, people conclude ‘a real social contract’ by giving consent to obey rules set by a social collective.

As a result of joined efforts of two prominent scholars in the field of business ethics, Dunfee & Donaldson (1994, 1995), Integrative Social Contracts Theory (ISCT) was developed with the aim of elaborating moral norms of corporate behavior on the basis of social contract in the domain of business ethics. ‘Integrative’ stands for a combination of hypothetical social contracts (obligatory ethical norms, developed by acknowledging the norms of real practice) and real social contracts (norms of behavior shared by a professional/local community or a group of people). The plural form of ‘contract’ reflects the multiplicity of social contracts concluded between stakeholders as well as variety of developed norms (Dunfee & Donaldson, 1994, 1995; Conry, 1995). Since the time when Conry (1995, p.196) stated that ISCT “does advance international business ethics in pragmatic ways”, different researches have tried to test this theory in specific contexts (geographically or ethically specific), including gender discrimination, bribery, health issues and consumer privacy issues, studies on norms deviation in different locations, to name some; however, “divergent conclusions have been reached” (Dunfee, 2006, p. 313). The discussion goes into the deep of the existence of a clash between local traditions and those norms which are generally accepted. Rawls (1971) in his book “A Theory of Justice” discussing an implied consent that a person gives by fulfilling norms of a higher level calls it a macro social contract. The same was discussed in “Ties That Bind: A Social Contracts Approach to Business Ethics” by Donaldson & Dunfee (1999) with the use of such terms as hypernormes and macro-contract as well as micro-contract and local norms. The lack of agreement among
scholars on applicability of ISCT to international context prevents us from using this concept in our research.

Moreover, Wempe (2005, 2008) has criticized ISCT for having bottlenecks while being applied to business ethics domain. According to the author, certain conditions should be fulfilled which would allow ISCT to be applied to the sphere of business ethics. Among them are self-discipline, argumentativity, task-directedness and ability to define the problems in the field (Wempe, 2008, p. 711).

According to Keeley (1995, p.245), another famous scholar in business ethics field, Dunfee & Donaldson (1994, 1995) while elaborating a possibility of ‘coerced consent’ by acknowledging the existence of expressed (signing an employment agreement) and implicit (participation in community’s activities) consent have stated clearly that consent must be free and informed. However, explaining the notion of consent and coercion by utilization of such factors as high/low cost of exit, subordination to the will of majority or just consent simulation, the authors live ‘a large gray area’, as these relative values may “erode its (consent) moral authority” (Keeley 1995, p.246). In the meantime, the author assumes that “more fundamental moral concepts” may serve as guidance for an individual and ease a process of decision making with regard to consent giving (Keeley, 1995, p.246).

Keeley (1988) in his seminal work “A Social-Contract Theory of Organizations” has studied an application of social contract theory to organizational context. The author views an organization as a myriad of contracts established between actors within an organization. Moreover, unlike other scholars, who have viewed an organization as a monolithic structure pursuing an overarching goal, Keeley (1988, p.32) denies a possibility that organizations, consisting of collectives of people, share the same interests and goals, stating that “only individuals are seen to be capable of preferring one state of affairs over another.” In other words, an organization is composed of a number of rational, self-interested individuals, who are capable of determining and pursuing his/her interests, achieving goals or satisfying needs. Thus the author suggests that social contract is concluded not between an organization and an individual/stakeholder, but between individuals fulfilling different roles (e.g.: a manager, an employee, a customer, an activist). In other words, individuals may hold different, sometimes conflicting interests and expectations toward each other.

The discussion of ethical standards, Keeley has based on analysis of the work by Rawl (1971). Keeley (1988, 1995) has admitted that people’s understanding of a general harm can be applicable to organizations. Such harmful actions taken by companies may include “industrial injuries, diseases from use of products or exposure to by-products, fraud, employment discrimination, and defamation, to name a few” (Keeley, 1995, p.251). The author lifts up the idea of organizational’ obligatoriness to avoid inflicting harm, as their behaviors “jeopardize the basics interests of persons”, from an idea of a consensus up to “a matter of impartiality” (Keeley,1995, p.251). Keeley (1995, p.251) claims that “an impartial principle for evaluating organizations might hold, then, that social systems become better social contracts as they minimize basic harms to their participants.” Thus this principle of impartiality eases a process of reaching a consensus among interested parties, as an overarching impartial principle is applied by default. Moreover, according to Keeley (1995, p.252) “without an impartiality principle”, the
utilization of the concept of consent (which has been widely discussed by, Dunfee & Donaldson (1994, 1995), “as an ethical criterion can have troubling implications”.

As we have discussed, some of the most respected scholars in the field of business ethics have studied the concept of corporate social contract from the point of view of consent that people (organizations) give to fulfill certain norms of behavior/doing business, on the local level or those which are applied internationally. Conry (1995) has conducted a thorough analysis of the major four contractarian approaches to business ethics of that time, namely, Donaldson’s (1982), Keeley’s (1988), Dunfee’s (1991) and Dunfee & Donaldson’s (1994). Though the author has admitted that revealing and understanding of terms and conditions of managerial consent to abide ethical norms of behavior “can enlighten our understanding of the moral relation between organizations and people”, he has concluded that a vast amount of work should be done in order to increase maturity of newly established contractarian approaches to business (Conry, 1995, p.207).

2.1.3. CSC discussion

Bowie (1982, 1991), unlike other scholars engaged into widening the application of social contract theory to business ethics field, has brought the issue of reciprocity and fulfillment of CSC by all parties. Donaldson’s idea of organizational payback to society, which stemmed from the ‘social contract’ concept, seems to have common ground with Bowie’s view of corporate responsibility (Bowie, 1991, p.56). The discussion of the concept of social contract applied between business and society, Bowie (1982) has started with the explanation of the nature of organizations. He derived the assumption that any business exists by the authority of society, based on ‘The Iron Law of Corporate Responsibility’, developed by Davis & Blomstrom (1975, p.50), which states: “In the long run, those who do not use power in a manner which society considers responsible will tend to lose it.” Therefore, corporations, as creatures of society, are obliged to give back to society in return for a license to operate (Bowie, 1982, p.35; Banerjee, 2008, p.62). However, the question we ask is, ‘even if society has the power to force corporations to increase their CSR engagements, is it the right decision to make?’

In his book, “Business ethics,” Bowie (1982) discusses the legitimacy of changing social contract, from classical and neoclassical perspectives, based on the purpose of an organization’s existence. Classical theory views the function of a corporation from the perspective of shareholders’ profit maximization (Bowie, 1982, p.18). Because managers take decisions on behalf of shareholders, any spending on CSR activities should be approved by the organization’s shareholders while in comparative difference politicians have access to, and are granted the right to spend, taxpayers’ money in favor of “general welfare” (Levitt, 1958, p.49). We understand that according to Levitt (1958) it is not the job of business to solve social problems but that of the government. Therefore, according to classical theorists while making a profit for any business entity is a core activity, any pressure from society on organizations for any extra engagements in CSR activities should be seen as a breach of ‘social contract.’

Though neoclassical theorists agree with the classical school on the fact that “it is not the purpose of business to do good,” they also argue that profit maximization should be “morally acceptable” (Bowie, 1982, p.34; Bowie, 1991, p.57). In other words, corporations should make profit only while “avoiding inflicting harm” (Bowie, 1991,
The same idea of avoiding harmful actions and principle of impartiality is well developed by Keeley (1988, 1995). As sometimes business activities might bring harm to society (in the form of pollution, unsafe products, or low-quality products), such a behavior can be a reason for society to revise ‘social contract’ (Bowie, 1982, p. 30-31).

In this case CSR engagements are viewed as a compensation for externalities (i.e.: hidden costs that companies may impose on society while pursuing profit maximization) in addition to officially levied taxes and charges.

Among other critiques of the shareholders’ wealth maximization approach, in favor of the need for organizational engagements to solve social problems are the following. Corporations should be engaged in CSR activities as a duty and out of gratitude, taking into account resources (e.g.: educated workforce, functioning legal system, and infrastructure) provided by society for the utilization of business (Bowie, 1991, p.58).

Another argument that stresses the importance for corporations to be socially responsible is the concept of ‘corporate citizenship.’ This idea stems from the original meaning of ‘social contract,’ i.e.: reciprocal rights and responsibilities between the state and its citizens, as well as between citizens. This means that corporations have similar obligations to solve social problems as if they were individual citizens (Davis, 1975, p.23).

Bearing in mind that the power of modern corporations “have reached an unprecedented level of influence on human and ecological well-being” (White, 2006, p.2), companies should use its power responsibly by predicting possible social consequences and taking into account the interest of all directly and indirectly affected parties (Davis, 1975, p.20). In unison with the scholars of business ethics field members of the Global Agenda Council On The Role Of Business (WEF, 2012) discuss an increased impact that companies have been exerting on society at the end of XX-beginning of XXI century and state that the growth of influence entails the growth of organizational responsibilities. The World’s Economic Forum Global Agenda Council on the Role of Business in its paper “Defining the New Business Covenant” (2012) has stated that a new, redefined social contract, or “social covenant” must be concluded which “provides a great opportunity for businesses to contribute to further improve the state of the world.” Council Members advise business to go beyond CSR practices toward sustainable way of doing business and becoming true corporate citizens.

Another claim supporting CSR engagements from power/responsibility motives is ‘stewardship principle’ (Bowie, 1991, p.58). This term assumes that powerful individuals and organizations should “see themselves as stewards or caretakers” (Lantos, 2001, p.5) of society by helping to solve social problems. At the same time, while discussing the power of corporations as a trigger for organizational engagement into CSR activities, scholars have been forgetting about the fact that organizations have the right to expect reciprocal actions from society in return. Therefore, we feel that it is important to discuss mutual responsibility that stakeholders have toward each other, and elucidate the similarity it has in comparison to those that citizens have within the concept of ‘social contract.’ Discussing organizational obligations Bowie (1991, p.61) conjures examples of a firm’s obligations to stakeholders and compares them to those it has towards its employees (e.g.: do not practice lie-detector tests or non-economic layoff), customers (e.g.: produce safe and quality products and services) and local communities (e.g.: resolve social issues). Such an approach depicts “a one-sided emphasis to the moral obligations of the corporation” (Bowie, 1991, p.61). As we have
discussed earlier, relations between stakeholders are of a reciprocal nature implying that it is not only organizations that possess obligations towards stakeholders but that stakeholders, in return, also have some obligations to organizations. As examples of reciprocal actions, customers may consume green products (even if they are less convenient to use or a bit more expensive than the less green ones) that a company produces; employees can exhibit loyalty to the organization for which they work by choosing it over other organizations that offer higher salary or additional non-monetary bonuses, perhaps by renegotiating a new contract and/job description, in gratitude to their organization’s investment of time and funds that catered to the employees’ development; and deliberate decisions of the local community to reciprocate through support of organizational efforts to solve social issues within communities within which they operate (e.g.: choosing to frequent convenience stores which hire disabled people instead of those which are not as positively engaged in local community life) (Lantos, 2001, p.39; Bowie, 1991, p.62). These examples lead us to the conclusion that CSR has been viewed as a duty that corporations owe to society, as a one-way stream of actions. However, according to the concept of social contract, stakeholders have “reciprocal duties toward each other” (Bowie, 1991, p.63), which constitute another part of corporate social contract. As we have seen the reciprocity part of CSC is just touched upon, while the CSR concept is well developed and discussed academically. We think that it is because of the multiplicity of the range of a firm’s stakeholders and the pluralism of their requirements, discussed by Dunfee & Donaldson (1994, 1995) in terms of macro and micro social contracts, Lantos (2001) in terms of clashing expectations of different NGOs toward a firm, as well as different critics of ICST (Dunfee, 2006), that it is hard to determine stakeholders’ duties toward a firm. It is for the same reasons that firms face a constant dilemma when strategizing to decide on the best methods to meet the requirements of society. It is in this dilemma and the factors that affect it that we are interested. Therefore, in our thesis, we applied an organizational perspective on organizations’ expectations of stakeholders’ reciprocal actions to understand these factors and how organizations strategize to respond to them in a manner that best serves society.

2.1.4. Our understanding of CSC

The following figure presents a simplified view on CSC, as a concept that consists of two parts, namely corporate social responsibility (CSR) from organizations and reciprocity from society. CSR represents business engagements in paying back to society for the use of resources, the power and influence that corporations exert on stakeholders within society; while ‘reciprocity’ from society (which includes willingness to pay [WTP]) represents a proactive feedback in response to, and for the motivational encouragement of, organizational activities. The diagram emphasizes that for corporate social contract to be fulfilled between organizations and society, there should be continuously repeated cycles of interaction between organizations and society through organizations’ CSR engagements and society’s reciprocity in response to these engagements. We must also take into account that other business-ethics related factors come into play, when considering corporate social responsibility, like corporate sustainability, corporate citizenship, and shared value.
Figure 1: Corporate Social Contract

Corporate Social Responsibility from Organizations

Corporate Social Contract

Reciprocity from Society
2.1.5. Summary of CSC

Having analyzed the literature in the field of applying social contract theory to business, we may conclude the following. With the exception of the fact that social contract is of a hypothetical nature, that is society and business have never discussed the terms and conditions of such a contract explicitly, it shares the same common conditions, applied to any other contract. Those are:

1. free, informed and uncoerced consent given by all parties involved
2. based on mutually beneficial exchange
3. concluded by rational and self-interested participants

Adepts of social contract theory (Keeley, Dunfee, Donaldson, critics of ISCT and others), have concentrated on the issues of voluntariness and coercion, explicit or implicit consent, impartiality and reconciliation of norms of doing business on international, local, inter-occupational and intra-organizational levels. All the above mentioned discuses mostly obligations, which organizations have with respect to other stakeholders. Bowie (1991, p.61) stating that “moral relations are reciprocal” has posed the question: “In addition to the obligations of managers, what are the obligations of the employees, customers, or local community to the firm (firm’s management)?” Moreover, Mainwaring (2011) has developed the idea of a social contract even further by offering companies to sign an actual social contract with customers, where rights and responsibilities of both parties are spelled out. Thus in addition to emphasis on responsibilities that companies have to fulfill in terms of bringing benefit to society, the author admits that “our society can only be as productive, creative, and prosperous as we collectively make it. If each of us is not fulfilling our own part in a social contract with society, we must begin taking some action to participate” (Mainwaring, 2011).

In our research we approach the CSC concept in its wholeness. In other words, we see corporate social contract as a two-way street with rights and obligations attached to each of participants (in our case society and organizations). As our analysis of literature in application of social contract to business field has shown, the majority of scholars have put their research interest on one part of CSC, which is obligations of business towards society, leaving societal obligations without due attention. It is here that our research interest lays, namely the reciprocal obligations of society from the organizational perspective.

Therefore in order to investigate this lacking part of ‘corporate social contract’ in our thesis, empirically, we are going to develop and present a comprehensive understanding of the concept of CSC by explaining the concepts of CSR and reciprocity through their historical development. An explanation of the development of these concepts, through the course of time, will help to understand the link between the two.

2.2. Corporate Social Responsibility

2.2.1. Historical development of CSR (the pre-conceptualization period)

“CSR has had its roots entrenched in the corporate scene even before Bowen’s (1948, 1953) writings on the issue. What constitutes CSR as we now see it had been in existence well before Bowen” (Idowu, 2011, p. 153).
As has been mentioned previously, in the introductory chapter, the growth of power that corporations possess has triggered society to demand socially responsible behavior from businesses, which nowadays would be called a CSR engagement. This growth of power in a company, and its impacts, are portrayed through the example of The East India Company. The East India Company was formed in 1600 and “was one of the most powerful companies ever to have existed, argue” (Bowen et al., 2002, in Idowu, 2011, p. 153). Its formation came at the hands of a group of London-based merchants, under the leadership of the Lord Mayor of the City of London, for the purpose of free trade with India and countries in the East (Robbins, 2006, in Idowu, 2011 p.153). The company sailed on the privileged waves of a monopoly and engaged in the trade of spices, cotton, silk, indigo, tea, and saltpeter with the people of England while it sold English-made goods to the Indians. It was due to its royal charter, and the power associated with its colonial country of origin, that it possessed the ability to function as a monopoly between Britain and Asia and was predominantly shareholder-oriented. This monopoly also had a political role as the company served to spread the imperial and commercial interests of Britain in Asia. The company then grew in power as it engaged in the opening of a factory in Surat in partnership with the Mughal Emperor Jahangir in 1615 (Idowu, 2011, p. 153). “At the height of its existence, it contributed about 10 per cent of the British exchequer’s revenues in customs duties on its imports” (Keay, 1991, in Idowu, 2011, p.153) and was one of the biggest employers of its time (Idowu, 2011, p.153). It employed tradesmen, manufacturers, soldiers, and several others while meeting all its social responsibilities in this respect through the exhibition of its strategic take on CSR (Lantos, 2001, in Idowu, 2011, p. 154). The company was also reported to engage in bribery and corruption at the time leading to the impeachment of many in power (Marx, 1853) with the parliamentary inquiry of 1693 recording a rise in the yearly expenditure from £1,200 to £90,000 in relation to gifts to people in power (Bowen et al., 2002). This issue of society’s expectations of benefit from companies has made its way into modern times with the concept of CSR. The British government took away the monopoly-related privileges of the company in 1813 and the company ceased its trading activities in 1834 but to act in favor of the British government as a managing agency. Functioning as an agency of the British government came to an end in 1857 as a result of the Indian Mutiny (Idowu, 2011, 154). Thus we see how society’s demands and expectations have grown in proportion to the wealth and power of organizations. We also see how organizations have thereby been directed by society to engage in the development of CSR-related activity.

The industrial revolution between 1750 and 1830 saw the shift in people’s ways of life as they began to stop working and living on farms and chose to work in factories and live in towns and cities. With this shift came many positive impacts but many negative environmental, social, and economic ones too. At the time there were no governmental regulations with regard to forbidding exploitation, preventing pollution, caring for the environment, and setting a standard for the livable conditions of workers. Organizations at the time were profit-oriented as they were focused on satiating demand for their products and services and were not at all focused on the major issues of modern day CSR. However, Crowther (2002) and (Idowu, 2009) have pointed out that there were exceptions to the rule. Richard Arkwright perceived employees as “human assets” through the relation between the responsible treatment of employees and the best levels of employee performance due to which he built low-cost homes with nominal or no rent charged to employees. George Cadbury also spent a lot of his time helping those he considered less fortunate with beliefs similar to Arkwright. He believed that if you take
care of your employees, they will take care of your business. He built houses for his employees and a hospital, reading rooms, and washhouses for his employees and the public at large. Titus Salt, the Yorkshire wool baron, created a model community for his staff in which every home had running water over 20 years. Sir Robert Peel (Senior), who lived between 1730 and 1830, fought child labor and was instrumental in passing legislative acts in this area. These acts are fundamental in defining children’s rights and the grounds of CSR today (Idowu, 2011, p. 154). Joseph Rowntree, the sweet manufacturer and philanthropist, built ‘Rowntree Village’ in 1904 for his employees in York following up with the setup of a pension fund for them in 1918 and the introduction of staff holidays (Cook, 2003; in Idowu, 2011, p.155). The abovementioned wealthy individuals, using modern CSR terminology, behaved as ‘stewards’ of society, practicing social responsibility at a time when such acts were unheard of anywhere in the world, as businesses were unconcerned with CSR.

The trade of African slaves began in 1440 and was the work of the Portuguese. It wasn’t long before other colonists jumped on the bandwagon and engaged in the trade. Sir William Wilberforce, Thomas Clarkson, and Granville Sharp formed the first non-governmental organization (NGO) of their time, called the Abolitionists. Their campaign was peaceful and consistent for 35 years in favor of the abolition of the slave trade up until the Abolition of the Slave Trade Act was passed in 1807 making the trade illegal. The trade continued despite this act and it was due to this that the Slave Abolition Act of 1833 was passed which required the government to pay compensation to slave owners. The work of the Abolitionists from 1780 to 1833 can be placed under the category of Lantos’ altruistic corporate social responsibility which requires that organizations exist and take on the responsibility of acting in favor of the interests of others (Idowu, 2011, p. 156).

The Quaker Movement (AKA the Religious Society of Friends) was formed by George Fox in 1652 at a time when religious values were in fashion in society and this spiritual climate was rife. The Quakers’ principles were very much on par with those of CSR doctrines implying that they believed in peaceful coexistence with other people, the abolition of slavery (thereby freeing the slaves in the Southern states of the U.S.), equal rights for all, non-participation in wars, and caring for the injured. This British based group extended its roots to the U.S. in 1672. The members still practice the majority of the beliefs of its founders which reflect the principles of CSR from a religious standpoint (Idowu, 2011, p.157).

Over time, the establishment of CSR through related activities has stemmed from organizations’ and society’s mutual realization of the fact that “business and society are inter-woven rather than distinct (Wood, 1991, in Idowu, 2011, p.153); neither can function effectively without the other” (Idowu, 2011, p.153). Society’s understanding of organizations’ duties towards it is strongly linked to its expectations of organizations’ roles in society (Lantos, 2001, p.599) and “these expectations have changed and continue to change” (Idowu, 2005, p. 153). It is with these changes that the definition of CSR has evolved over time. We thus understand how companies gained an increase in financial caliber and power, came to be socially responsible, and took on CSR related engagements.
2.2.2. CSR definitions

….-1950s
Although different authors have different views on time-periods when companies started to engage themselves in socially responsible initiatives, the understanding of the need of responsible business practices, and paying back of organizations to society, has been in place long before the concept of CSR emerged. E.g.: Eberstadt (1979, p.77) has traced the idea of CSR back to the times of Ancient Greece. In addition to examples of corporate philanthropy and stewardship, mentioned in the section above, Banerjee (2008, p.56) views social responsibility as “an integral part of corporation’s identity and existence in the 1800s.” Windsor suggests that “while the modern terminology did not develop until after World War II, business leaders have widely adhered to some conception of responsibility and responsiveness practices since the 1920s” (2001, p.229). Still some other authors view the academic debate between Berle (1932) and Dodd (1932) over responsibilities of managers toward shareholders versus a wider circle of constituents in a manner such that it created the basis for discussion of social responsibilities that companies hold to society at large.

In contrast to the lack of agreement about the point of origin of business’ debt-repayment to society, it is widely accepted in academia that the first seminal work by Bowen (1953), which discussed social responsibility of companies as a guiding principle for doing business, has marked the modern discussion of the topic (Carroll, 1991; Garriga & Mele, 2004; Thomas & Nowak, 2005; Brooks, 2010; Freeman & Hasnaoui, 2011). Even more, Carroll (1991, p.270) refers to Bowen as the founder of CSR literature and “the father of Corporate Social Responsibility.” Bowen (1953, p.6) conceptualized CSR by defining the social responsibility of businesses “to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.” As values and norms evolve with the development of society so do the CSR definitions.

1960s
According to Carroll (1999, p.291) “in the 1960s, the literature on CSR developed considerably.” In the early developments of CSR concept scholars have been using the term ‘social responsibility’ for what we now call CSR. A reason for that could be that companies did not possess the power of modern-time corporations. Therefore their dominance and influence in business and other sectors have not been that obvious yet, compared to that of today’s corporate power (Carroll, 1999, p.269).

A big step forward in explaining CSR concept in 1960s was made by researchers in their attempts not only to define the concept of CSR, but also to elaborate social responsibilities that companies owe to society. While describing social responsibility of businessmen as taking decisions which lay “at least partially beyond the firm’s direct economic and technical’ interests” (Davis, 1960, p.70), Davis (1960, p.71) has coupled the notions of power and responsibility, stating that “social responsibilities of businessmen need to be commensurate with their social power.” Later on Davis (1967, p.46) specified social responsibility as understanding the consequences of “institutional actions and their effect on the whole social system.” Among other prominent contributors to the development of CSR concept in 1960s were Frederick (1960, p.60), who viewed social responsibility of companies in responsible use of economic and human resources for the good of society in whole; and McGuire (1963, p.144), whose
definition of social responsibility included companies’ obligations to society which “extend beyond …economic and legal obligations”. Further discussions on the relationship between social power that companies possess, and the responsibility attached has lead to formulation of the ‘Iron Law of Social Responsibility’ (Davis & Blomstrom, 1975), explained in section 2.1. This Law was used by Bowie (1982) as a starting point in application of social contract to business context.

In the 1960s academics were the major advocates of the CSR concept. Unlike today, when in addition to academic debates, NGOs, different watch-groups and other companies’ stakeholders scrutinize organizational CSR engagements. Walton (1967), while agreeing with Davis (1960, 1967) on the idea of tight relationships between business and society, has depicted organizational social responsibilities as voluntary engagements: “the essential ingredient of the corporation’s social responsibilities include a degree of voluntarism, as opposed to coercion” (Walton, 1967, p.18). According to Thomas & Nowak (2006) the voluntariness of CSR is a principle that “businesses continue to put forth today” (Thomas & Nowak, 2006, p.5), though developed in 1960s. It is worth mentioning that such notions as voluntariness of CSR engagements has common ground with notions of ‘free’ and ‘coerced consent’ given by parties of social contract (Dunfee & Donaldson, 1994, 1995; Keely,1995).

1970s
1970s was quite a fruitful decade for the development of CSR. With the multitude of approaches to CSR concept, academic publications of the 1970s were focused, for the most part, on clarifying the definition of CSR concept, at the same time some new concepts were introduced. Replying to Bowen’s 1953 publication “The Social Responsibilities of the businessman,” Friedman (who is considered the father of the ‘shareholder theory’ in management) developed a profit-centered approach to CSR. The author (Friedman, 1962, p.126) firstly introduced his view on social responsibility of companies in his book “Capitalism and Freedom” in 1962: “There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition, without deception or fraud.” However it is the article that was written by Friedman, published in a 1970s issue of the New York Times Magazine entitled, “The Social Responsibility of Business is to Increase its Profits,” that initiated ever-lasting discussions on CSR activities as profit or not-for-profit engagements.

Having analyzed myriads of CSR definitions Votaw (1972, p.27) observed that “the term means something, but not the same thing to everybody.” An active discussion among proponents and critics of Friedman’s view of CSR, launched in 1970s has continued till date. Samuelson (1971, p.24) contradicted “business assumptions of social responsibility” (Carroll, 1991, p.277) and attributed an active role of business in societal concerns to the power that corporations possess. This power obliges them to satisfy societal needs which go beyond “the merely economic” ones (Eells & Walton, 1974, p.247). Davis (1973, p.312) in his definition specified CSR engagements as responses to societal concerns which lie “beyond the narrow economic, technical, and legal requirements of the firm.

Fierce discussions on CSR as a means of profit creation versus a means of solving societal concerns have been replaced with the acknowledgement of the idea that CSR concept has to be developed and implemented by business sector itself. Many scholars
today share Heald’s (1970, p.xi) approach to understanding CSR “as businessmen themselves have defined and experienced it.” Having conducted an empirical research on revealing the real business practices of CSR implementation, Eilbert & Parket (1973, p. 7) came up with the concept of CSR as “good neighborliness”, which lies in harm-avoidance and solving neighborhood problems. The idea of harm avoidance has also been widely discussed by adepts of application of social contract theory to business sphere, like Bowie (1982), Keeley (1988), Donaldson (1982) and Dunfee (1991). Moreover, in 1970s it has become obvious that some of the companies implement CSR in a reactive and defensive manner, in response to growing pressure from society. Thus, the concept of ‘corporate social responsiveness’ has emerged. Frederick (1978, in Cochran, 2007, p.450) has viewed CSR as a tool used by companies in a pragmatic response to social pressure.

At the same time one of the most prominent scholars in the field of CSR, Archie Carroll (1979) has made an attempt to reconcile economic and social goals of organizations by widening CSR definition and adding to economic and legal responsibilities, ethical and discretionary obligations that companies hold to society. Having analyzed the different approaches to CSR, Carroll (1979, p.500) developed a definition which covered the majority of the components discussed by other scholars: “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point of time.” In 1983 Carroll elaborated the abovementioned definition by renaming the ‘discretionary’ component to a ‘philanthropic’ voluntary one.

1980s
The 1980s heralded the emergence of a range of new concepts and called for the broadening of the understanding of CSR. Among those were business ethics, stakeholder management, discussions on sustainability, the corporate social concept, and corporate social responsibility (Carroll, 1999). The concept of CSR itself was also redefined.

One of the most prominent authors of 1980s Jones (1980, p.65) changed the entire approach to CSR, perceiving companies’ CSR engagement as a process rather than “a set of outcomes.” Jones’ view of CSR as a process was developed by Epstein in 1987. The author stated that “business ethics, corporate social responsibility, and corporate social responsiveness” (Epstein, 1987, p.106) are elements, the integration of which into day-to-day practices will make CSR a constant process. This approach to CSR engagements has been popular nowadays.

The idea of companies being accountable to other constituent groups of society was used by many authors within different decades long before 1980 in order to “integrate social demands” into the CSR concept (Garriga & Mele, 2004, p. 60). However stakeholder management as a theory was only conceptualized by Freeman (1984) in the 1980s, in response to Friedman’s shareholder model developed in the 1970. Stakeholder theory explains that there is more than just shareholders’ interest that a corporation is accountable for when considering the broader circle of stakeholders. “These duties exist because, like stockholders, these other stakeholders also make investments in enterprises: employees invest their time and intellectual capital, customers invest their trust and repeated business, communities provide infrastructure and education for future employees as well as tax support, and so on” (Graves et. al, 2001, p. 17, in Lantos 2001,
In other words, the corporations owe not only their immediate owners, but also society at large.

Another concept that is linked to CSR is ‘sustainability or ‘sustainable development’. The CSR and sustainability concepts share some common features as well as possess their own, intrinsic elements. According to the Commission on Education and Communication, ‘sustainable development was first conceptualized by the 1980 ‘World Conservation Strategy’, and later articulated to a wider audience by the ‘Brundtland Report’ (Tilbury & Wortman, 2004, p.8). The notion of sustainability integrates economic and ecological dimensions, and the dimension of fairness (in terms of the just distribution of wealth and resources). CSR assumes the interdependence of business and society, while the sustainability concept makes business and society dependent on healthy environment (Tilbury & Wortman, 2004, p.8). The concept of sustainable development is broader than CSR, as the former includes more constituent parties and concerns issues of humanity when compared to CSR, which “deals specifically with corporations” (Freeman & Hasnaoui, 2011, p.422). There is still no agreement among scholars on CSR as an implementation of sustainability at a micro-economic level (Koleva, 2005; in Freeman & Hasnaoui, 2011, p.420), or as a separate and self-sufficient concept.

Academic publications of the 1980s have shown the disintegrating trend of the CSR concept into its component parts, or its detachment into separate concepts, rather than developing a holistic and all-encompassing view.

1990s
The 1990s continued the tendency of the previous decade in terms of putting emphasis on the development of CSR-related concepts rather than the extension of its definition. According to Carroll (1991, p.288) “…stakeholder theory, business-ethics theory, and corporate citizenship were the major themes that took center stage in the 1990s.”

Carroll’s well known definition of CSR as a social obligation of businesses towards society which includes legal, economic, ethical, and philanthropic components has been revised in 1991 (Carroll, 1991, p.42). This time philanthropy includes the concept of ‘corporate citizenship’ and “encompasses those actions that are in response to society’s expectation that businesses be good corporate citizens” (Carroll, 1991, p.42). Moreover, now CSR components build up the ‘pyramid of corporate social responsibility,’ where economic responsibilities serve as the foundation of the pyramid followed by legal and ethical, and topped with philanthropic responsibilities. At the same time Carroll clearly states that there is no any particular sequence of fulfillment; however each component should be introduced. In short “the CSR-engaged firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen” (Carroll, 1991, p.43). Moreover, Carroll touched upon the link between CSR and firm’s stakeholders, arguing that the term ‘social’ in CSR with the introduction of stakeholder theory (Freeman, 1984), “personalizes social or societal responsibilities by delineating the specific groups or persons businesses should consider in its CSR orientation” (Carroll, 1991, p.43). The idea of corporate power with responsibility attached, introduced in 1960s has entrenched in CSR field and flourished in 1990s including into companies’ CSR engagements spheres previously considered as the realm of government. “The more powerful businesses become in the world the more responsibility, for the well-being of the world, it will be expected to bear” (Solomon, 1997, in Joyner & Payne 2002, p.
During 1990s virtually no new definitions of CSR have been developed, however the revision of established ideas have taken place.

2000s - Current

The 2000s have continued the tradition of the development of new concepts in the CSR field. Nowadays scholars are more interested in application practices rather than the definition of CSR per se. Thomas and Nowak (2005), in their attempt to find an appropriate and all-encompassing definition of CSR, have concluded their research with a citation by Blyth (2005, p.30, in Thomas & Nowak, 2005, p.16) “There is no one definition of what it takes to be a responsible corporate. The key is to have a rigorous process for identifying those responsibilities and fulfilling them.”

Because there is still no agreement among academics and practitioners about the unified definition of CSR, we may view CSR as an umbrella-concept, encompassing a multitude of definitions and approaches toward CSR activities. The fundamental idea which lies behind an understanding of CSR is the acknowledgement that businesses hold some social obligation toward society, which may be defined in different ways with the use of multiple concepts. E.g.: Johnson, Scholes, and Whittington (2008, p.146) have developed the following definition of CSR: “Corporate social responsibility is concerned with the ways in which an organization exceeds its minimum obligations to stakeholders specified through regulations.” The CSRwire, one of the leading global sources of corporate social responsibility and a sustainability news website, defines CSR as the “integration of business operations and values, whereby the interests of all stakeholders including investors, customers, employees, the community, and the environment are reflected in the company's policies and actions” (CSRwire, 2012). Despite quite a general definition, CSRwire provides more than a dozen of the categories of CSR, which include such issues as sustainability, socially responsible investing (SRI), renewable and alternative energy, green products and services, green building, fair trade and supply chain, environmental issues, diversity and human resources, volunteerism, human rights observance, philanthropy and corporate contribution, to name some (CSRwire, 2012). This means that organizations pick and choose those CSR activities which fit their particular context (business environment, geographical location, own circle of stakeholders).

Despite the lack of clarity in defining CSR, companies are engaged in CSR activities based on their own understanding of the concept and its multiple components (Freeman & Hasnaoui, 2011, p. 419). E.g.: According to Jacques’ (2010) study many companies from different industries view CSR as a ‘triple bottom line’ concept which encompasses economic, social, and environmental dimensions (people-profit-planet). Here we may see quite an obvious reference to Carroll’s (1999) pyramid of corporate social responsibility. ‘Profit’ stands for economic responsibilities of organizations; ‘planet’ encompasses legal and ethical obligations of organizations in the art of environmental issues, while ‘people’, in addition to organizational compliance with laws and regulations and ethical way of doing business includes philanthropic responsibilities. This is another example of scholars’ attempts to conceptualize and direct companies’ CSR practices in a certain way. At the same time academics try to formulate these directions in the broadest possible way, bearing in mind the uniqueness of business context.
Another trend of the 2000s is the debate about a place of CSR activities on the global arena. The CSR issues became hot topics after major corporate failures as Global Crossing, Enron, Adelphia, Worldcom (Thomas & Nowak, 2005, p.12). Solomon’s (1997, in Joyner & Payne 2002, p. 303) idea of growing responsibilities that business owes to the global community has found its place in 2000s. At the same time, taking into account costs associated with “a worldwide improvement of social and environmental conditions” (Scherer and Smid, 2000, p.366), the authors state that there should be collateral efforts from both sides. Consumers may make their input “by sanctioning or rewarding the behavior of enterprises”, while enterprises may make theirs “by adopting acceptable standards not only for economic reasons” (Scherer and Smid, 2000, p.366).

Attempts to align national, European, and global approaches to CSR “in order to advance a more level global playing field” (European Commission, 2011, p.13) have been made by updating existing internationally recognized principles and practices as well as establishing new ones. Among which are OECD Guidelines for Multinational Enterprises, the ten principles of the United Nations Global Compact, the ISO 26000 Guidance Standard on Social Responsibility, the ILO Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the United Nations Guiding Principles on Business and Human Rights (European Commission, 2011, p.6).

Our understanding
Having analyzed the discussion of the CSR development in retrospective we have seen that different authors include different dimensions (legal, economic, ethical, environmental, social, philanthropic, human rights, etc.) in the construct of CSR concept (Freeman & Hasnaoui, 2011, p.424). Despite globalization process and the fact that different companies across the globe are engaged in CSR activities, corporate social responsibility has not become an international concept yet. Gjodberg (2009) explains inability to construct a global CSR concept with the fact that local national context influences CSR engagements. These contextual political, social and cultural factors are unique for each nation. Many scholars have taken Carroll’s (1979, 1991) definitions of CSR as a starting point to reflect upon the CSR concept; however, its application to an international context has been disputed lately (Freeman & Hasnaoui, 2011, p.422, 424). The latest research in the CSR realm have concluded that not only local factors such as culture of the nation, but also that of a particular company may influence the understanding of CSR activities as well as the methods of their implementation (Freeman & Hasnaoui, 2011, p.425).

Because understanding of CSR is changing overtime and constantly enriches itself with new concepts it should be seen as an umbrella concept, rather than a comprehensive and standardized idea. Therefore we decided to leave defining of CSR to the discretion of companies that are interviewed in our research. Though European Commission (2011, p.7) agrees that “the development of CSR should be led by enterprises themselves” it supports business initiatives by creating a necessary framework for encouraging CSR activities. Because the EC has traced the latest trends in academia and business circles, in 2011 the EC issued ‘A renewed EU strategy 2011-14 for Corporate Social Responsibility’ (European Commission, 2011) reflecting modern understanding of CSR. A new definition of CSR, developed by the EC (2011, p.6), lifted up the concept of CSR to a broader level, making companies responsible for any impact their activities
may make on society. As ‘impact’ may be defined by any company according to its individual contextual factors (national, industry or firm-specific), the definition of the EC reflects the multi-dimensional nature of CSR. Therefore the EC’s definition of CSR is embraced in our thesis as our understanding of the CSR concept.

2.2.3. CSR and companies’ engagements

Though the popularity of the CSR concept grows from year to year, a need to encourage organizations to act in a socially responsible manner still exists. According to the EC approximately 2500 companies, which operate in the EU, publish CSR or sustainability reports (European Commission, 2011, p.11). Though this figure deems the EU a global leader in the sphere of socially responsible business, it still covers a small share of 6% of the total amount of large companies, operating within the common market (European Commission, 2011, p.11). Moreover, for the moment, “only 15 out 27 EU Member States have national policy frameworks to promote CSR” (European Commission, 2011, p.5).

The distinctive feature of the CSR development during the last two decades is the speed of the change in societal understanding of companies’ responsibilities and CSR engagements. “Corporations are criticized for what others have done” (Scherer & Palazzo, 2011, p.913). Nowadays more and more companies begin their CSR activities only after a public response to the way they conduct business. The new facet of CSR is the accountability of companies’ supply chain (Scherer & Palazzo, 2009, 2011). E.g.: The boycott called by Push (“People United to Serve Humanity”) went against Nike’s discriminatory policy regarding minorities (Jackson & Schantz, 1993, p.27-28). It was set up by consumers as a response towards child labor practices applied by some of Nike’s suppliers (Kolk & Tulder, 2002; Locke, Fei & Brause, 2007; Scherer & Palazzo, 2009, 2011). According to Scherer and Palazzo (2009, 2011), globalization weakens the power of national authorities to control the activities of companies, which operate globally, by forcing countries to compete to attract corporate investments. Therefore, businesses are expected to take on a more proactive behavior towards CSR by extending their liabilities up to suppliers’ CSR practices (Scherer & Palazzo, 2009, 2011).

Another feature of the modern discussion of CSR-related issues is the style that some activist-organizations chose in order to bring public attention to certain social concerns. E.g.: in order to spur the discussion about global water scarcity issues, Nestle was chosen as a target (Porter & Kramer, 2006, p. 80). However, even being the world’s largest producer of fresh bottled water, Nestle makes very insignificant impact as it “uses only 0.0009 percent (less than one-millionth) of total fresh water consumed worldwide” (Nestle Group, 2012). While the share of the agricultural sector makes up 70 percent of the world’s fresh water consumption, industry is responsible for another 20 percent, and domestic users consume the remaining 10 percent. (Nestle Group, 2012).

Lack of awareness of societal demands as well as the inability to deal with societal issues which lie beyond companies’ possibilities (one of the most common organizational responses to the pressure from activist-organizations) is of a cosmetic nature and is taken for the sake of safeguarding reputation. The development of public relations, the conduct of media campaigns, and the publishing of CSR reports, are called to please the most active stakeholders and sometimes present “uncoordinated initiatives
to demonstrate a company’s social sensitivity” rather than a structured and clear plan of CSR engagements (Porter & Kramer, 2006, p.81).

There are companies which engage themselves in fraudulent CSR activities even being able to bring use to society, at the same time some cases show the mismatch between societal expectations and business capabilities (European Commission, 2011). To achieve the goal of increasing the amount of socially responsible companies, it is important to build up a dialog between businesses and society, thus aligning stakeholders’ expectations with business-reality.

2.2.4. CSR motives: Profit, Ethics, Shared Value

Having discussed CSR it is essential to comprehend the motives that navigate organizations in the direction of CSR involvement. Batson (1998), states that there are two kinds of motives that draw the gaze of organizations towards CSR. These are extrinsic (profit) and intrinsic (ethics) motives. Extrinsic motives are those that drive the firm to increase profits thereby catering to the needs and expectations of shareholders. Intrinsic motives are those that express sincere concern for issues being addressed by stakeholders, thus exhibiting the organizations’ culture of ethics. At the same time Porter and Kramer (2006, 2011) introduced the ‘shared value concept’ as another motive for CSR engagements. This concept is defined by the authors as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (Porter and Kramer 2011, p.66).

Smith (2003, p.17) has identified that organizations are reluctant to engage in CSR activities purely to be socially responsible but engage in them out of fear of losing their stakeholders. According to the shareholder and stakeholder theories of management there are two major drivers of CSR engagements namely the profit and ethical considerations, of organizations. Tangpong and Pesek (2007) discuss that the two factors that affect managers’ decision making processes, when dealing with applications of ethics to issues in focus, are ‘shareholder value’ and ‘reciprocity.’ They discuss the interdependency between shareholders and other stakeholders and the importance of reciprocation between these two groups to attain mutual benefits. This identifies reciprocation as the factor that falls in between the shareholder and stakeholders, affecting their expectations and actions. While shareholders demand the maximization of profits, and thereby the reduction of costs, stakeholders demand that organizations should be more committed to CSR related engagements at the expense of shareholders. In other words, the relationship between business and society has been depicted as a “zero-sum game” (Porter & Kramer, 2006, p.80). By concentrating on a short-term profit creation, companies have exacerbated their position by missing potential opportunities to grow and anticipate customers’ needs. This has consistently led to the decrease in society’s trust towards the business world. Moreover, in response to business’ insensitivity to the needs of a broader community, governments and activists of civil society try to place a burden of social issues on the shoulders of business (Porter& Kramer, 2011, p.64). This tug of war, we find, is relentless and the violation of the concept of reciprocation tends to breathe imbalance into the equilibrium between shareholder and stakeholder expectations.
**Extrinsic motives and general shareholder expectations (i.e.: profit-based)**
The economic position of the two-sided argument states that organizations are responsible and answerable only to shareholders. Failure to maximize profits implies the organization’s failure to act responsibly (Bansal, 2005, p.1). Windsor (2006, p.4) seems to agree with Bansal and states that “economic CSR restricts companies to utilitarian ethics dependent on protection of investor property rights. Instrumental citizenship emphasizes managerial discretion concerning the latter.” Shareholder Value Analysis and ‘managing for value’ (MFV) are two areas in which interest is currently growing due to the developing concern about the attention that company directors are paying to provide value for shareholders (Johnson, Scholes, & Whittington, 2008, p.375). Through our research we have learned that shareholders’ investments have been placed with great, meticulously thought-out, expectations for value-appreciation. Shareholders’ expectations and demands therefore motivate managers to seek out, and indulge in, profitable solutions when evaluating CSR engagements. Thus we understand how the extrinsic motives driving CSR involvement are connected to the expectations and demands of shareholders.

**Intrinsic motives and general stakeholder expectations (i.e. ethics-based)**
The ethics-based position of the two-sided argument states that organizations are established for the ultimate improvement of society. Failure to better the well-being of society implies the organization’s failure to act responsibly (Bansal, 2005, p.1). It was in his 1984 book entitled Strategic Management: a Stakeholder Approach that Freeman emphasized that stakeholder management was heavily embedded in ethics when he said that “managers bear a fiduciary relationship to stakeholders” (Freeman, 1984). Little has changed since then as we have seen from Bansal’s words. Stakeholders demand that organizations increase their involvement with society. Bhattacharya et al. (2009, p.258) state that there are two aspects that define how stakeholders perceive CSR engagements. Stakeholders first evaluate CSR engagements by comparing them to the stated objectives of the activity. The other aspect leads them to evaluate the CSR activity on the bases of the motives that drive the organization’s CSR engagement; more specifically, on their perceived ratio of intrinsic to extrinsic motives (Ellen et al., 2000, 2006, p.261; Forehand and Grier, 2003). Sen et al. (2006, p.261), state that stakeholders generally don’t mind if CSR endeavors have profit-seeking motives as long as they cater to intrinsic motives too. Stakeholders’ expectations and demands thereby motivate managers to exhibit an ethical front in addressing issues on which stakeholders place focus. The “stakeholder approach grounded in ethical theories, presents a different perspective on CSR, in which ethics is central (Garriga & Mele’, 2004, p.11). Thus we are able to draw the linkage between the intrinsic motives that drive CSR involvement, and the expectations and demands of stakeholders.

**Shared Value**
The reason we have discussed profit-based and ethics based organizational motives is to better understand the concept of shared value which is essential to the analysis of our empirical data in later chapters thereby permitting our readers to comprehend the organizational perspective on CSC better. According to Porter and Kramer (2006, p.83) mutual dependence of business and society is twofold; to be able to operate successfully companies need a healthy society, while society needs successful companies to be able to prosper. Such interdependence assumes the principle of ‘shared value’. There are two forms of interdependence between business and society, as per Porter and Kramer. The “inside-out” linkage between business and community is presented by an influence that
a company exerts on society by its operations. The intensity of an impact may differ between locations and may change with the course of time. The “outside-in” linkage signifies the external societal effect on companies’ activities (Porter & Kramer, 2006, p.83, 84). These linkages are reflected in the arrows of our CSC model.

According to Porter and Kramer (2006, 2011) pure profit or ethical motives of CSR engagements may make CSR activities less effective. There are several reasons for that. The first one is the setting-off of business and society against each other, in spite of the fact that they are interdependent. The second is an understanding of CSR in a very broad, generic way; therefore companies engage themselves in CSR activities which lie far beyond their business interests, rather than picking those which are the closest to a company’s strategy (Porter & Kramer, 2006, p.78, 80). Bearing in mind these two deficiencies, Porter and Kramer have developed the concept of shared value in order to reconcile interests of both business and society. Porter and Kramer’s concept of shared value is another motive for CSR activities.

Tangpong and Pesek (2007, p.379) appear to agree with Porter and Kramer. They believe that shareholder value, in terms of shareholder wealth-maximization through profits, is what managers are responsible for. They also seem to believe that reciprocity is a social norm that businesses should engage in meeting by supporting stakeholders as stakeholders play a major role in supporting businesses; thus implying the importance of reciprocation to the interdependence involved in, and the dynamics of, this relationship. As General Eisenhower said, in 1959, “The world must learn to work together, or finally it will not work at all” (Peters & Woolley, 1999).

We understand that another motive for organizational’ CSR activities is a mutual benefit that such engagements may bring to both society and businesses, thus, solving existing discrepancies between stakeholders’ demands on, and support of, CSR activities is the concept of ‘shared value.’ This concept calls organizations to view CSR activities not as cost-bearing engagements or philanthropic activities but as “a source of opportunity, innovation and competitive advantage” (Porter & Kramer, 2006, p.80). The principle of shared value “involves creating economic value in a way that also creates value for society by addressing its needs and challenges” (Porter & Kramer, 2011, p.64). The main idea, that we understand, lies in tying businesses’ financial performance to addressing social issues. However, we should bear in mind that such a mutually beneficial situation is best made possible on the condition that it is not only businesses, but also governments and society at large, that understand and accept the concept of ‘shared value.’

The idea of ‘shared value’ is fundamental to the strategic approach to CSR. We say this because shared value implies a “win-win” situation to both society and business, building a business strategy around changing societal demands opens an opportunity to discover new markets and innovate by developing new products and services, thus bringing prosperity to business and meeting the needs of society at large. According to the EC, the effect of such an approach is twofold: “identifying, preventing, and mitigating possible adverse impacts” and maximizing ‘shared value’ (European Commission, 2011, p.6).

It is suggested by the authors of shared value that both economic concerns as well as social issues should be viewed through the lens of a value principle, defined as “benefits
relative to costs” (Porter & Kramer, 2011, p.66). So far, we find that it has been a rare occasion that companies have analyzed societal needs from the perspective of value, not to mention society’s viewpoint on social issues in terms of value. However, Porter and Kramer (2011, p.75) still stress the importance of taking a value-related stance by both business and community. In creating ‘shared value’ the authors view the opportunity to “create economic value through creating societal value,” presupposing a full compliance of business with legal and ethical requirements as well as the mitigation of any potentially harmful effect caused by companies (Porter & Kramer, 2011, p.75). By integrating the ‘shared value’ concept into the process of strategy development (i.e.: a neighboring concept which our thesis will not delve into), businesses may attain two goals simultaneously by maximizing shareholders’ value and satisfying stakeholders’ needs. Moreover, the ‘shared value’ principle admits that by leaving aside environmental and social issues companies potentially create internal costs for themselves in the form of wasted resources, re-education programs, and the rehabilitation of business-reputation when faced with cases of bad publicity (Porter & Kramer, 2011, p.65).

We understand that in order to solve social issues in the most effective way, companies should pick those which lie within the sphere of its business interests as well as rank chosen issues according to an influence that they may exercise on a company. Porter and Kramer (2006, p.84) have grouped social issues into three categories depending on their impacts on business or society. “Generic social issues” are those which are neither affected to a significant extent by companies operations, nor exert any influence on company’s competitiveness, though they may be important to society at large. “Value chain social impacts” are affected by companies’ operations to a significant extent. And last, but not least, are “social dimensions of competitive context”, which are those social issues that exert heavy influence on companies’ competitiveness and may defer between locations (Porter & Kramer, 2006, p.84, 85).

Companies should see the concept of ‘shared value’ as “a new way to achieve economic success” (Porter & Kramer, 2011, p.64). According to the authors shared value can be created in three ways, namely, by rethinking products and markets, redefining productivity in the value chain, and building up clusters of supportive industries in a company’s location (Porter& Kramer, 2011, p.67).

It becomes clear to us that rethinking products and markets implies the importance for companies to constantly track ever-changing societal needs, thus being able to discover and embrace new opportunities into their strategizing processes. By doing this these companies serve the good of the public by meeting social issues as well as creating benefit for themselves in terms of identifying and closing gaps in demand. In other words, this involves organizations’ anticipating customers’ needs or even creating the demand by producing new products, rendering services, or finding a niche in underserved markets (Porter& Kramer, 2011, p.68).

Redefining productivity in the value chain can serve as a trigger to create ‘shared value.’ Such an opportunity arises because social issues are no longer problems of society alone, but may also bring costs to businesses. E.g.: Wal-Mart, by introducing innovations in reducing excessive packaging of products, has saved millions by lowering disposal costs (Porter & Kramer, 2011, p.69). More efficient use of energy and other depleting or environmentally hazardous resources, logistics improvements, and
procurement betterment are some of the spheres in a company’s value chain, the mending of which can create a shared value for business and society (Porter & Kramer, 2011, p.69, 70).

The development of a local cluster may influence a company’s productivity in a positive way. By creating the appropriate infrastructure to cater to the needs of a business in a particular location, we can see how a company also brings benefits to local community. In addition to local suppliers’ nurturing the business dimension of a cluster; the building of a cluster may also include the training of a potential workforce by helping local academic institutions develop a curriculum. The company, thereby, also helps to establish market-transparency and quality standards by setting an example through the exhibition of its corporate behavior. With the aim in mind to improve its own productivity, a company simultaneously improves local conditions, thus meeting the social needs of a particular community. In other words, ‘shared value’ is created (Porter & Kramer, 2011, p.72, 73).

The motives of CSR engagements (i.e.: profit, ethics, and/or the achievement of mutual benefit) emphasizes the continuous reciprocity between businesses and society thereby implying that the concept is central to the idea of corporate social contract. “Business and society are equal partners, each enjoying a set of rights and having reciprocal responsibilities” (Lantos, 2001, p.7).

2.3 ‘Reciprocity’

This section discusses the concept of reciprocity. The interconnected concept of ‘willingness to pay’ (WTP) will also be addressed. It is within this section that we will also touch upon ideas like distributional fairness and the importance of accountability in reciprocity to help our readers understand the perspectives on reciprocity that are important to comprehend our empirical analysis in later chapters. Real life examples have been provided to elucidate the concept of reciprocity in practice.

Smith (2003, p.17) states that the strategic intent, and CSR engagements, of organizations possess the propensity to be less focused on the social responsibilities involved in corporate citizenship and more focused on the risks of the repercussions of discontent stakeholders that may come to be as a result of an unintentional exhibition of disobedligatory organizational behavior. It is clear to us that organizations risk reputation and, eventually, survival when such risks are run. However, we also know that the organization and its stakeholders are interdependent. We understand that it is this interdependency that calls for increased stakeholder reciprocation to be able to bring to equilibrium the inequalities that lay between stakeholder demands and organizations’ reciprocatory acts through CSR engagements that serve to supply this demand. We have also identified inequalities in stakeholder demands, in an evaluation of how realistic they are, and their unwillingness to reciprocate in ways that would motivate and sustain corporate CSR engagements. This is reflected in our examples of Wall-Mart and Starbucks below. Organizations, like Wall-Mart, understand that mentalities are difficult to change over a short period of time and so they are beginning to strategize to accommodate the factors to these inequalities like customer mentalities by assisting and/or manipulating the progress of customers’ reciprocatory acts.
Andrea Thomas, Senior Vice President of Sustainability for Wall-Mart, reflected this when she asked the question, “Will people pay more to go green?” (Thomas, 2012). She explains that at Wall-Mart an answer is not straight-forward and tends to assume a nuanced stance. She explains that some customers are willing to pay more for particular products; e.g.: “chicken, milk, fruits and vegetables, household cleaners and laundry/dish care.” On the other hand, there are environmentally-sound products that customers are less willing to pay more for despite their demands that the company engage in such production; e.g.: “TVs, cell phones, computers, beer, pork, mops and sponges and printers.” She suggests a nuanced strategy that caters to the nuanced purchasing mentalities of customers. She states that some items like “free-range eggs and green cleaning products,” that are well stocked at Wall-Mart stores, can be sold at a higher price than their current ones because some customers feel good about these products and are thereby willing to pay more for them. However, there are also those that are unable and/or unwilling to pay more due to which Wall-Mart now works with their suppliers to manipulate the size and scale of these products to drive down prices. The logic here is that by changing products to be more sustainable, customers’ purchase-mentalities can remain fixed while they make a difference buying the same products they bought before. To implement this strategy Wall-Mart worked to stock only more energy-efficient TVs and managed to drop prices through its bulk-purchase scale to match the prices of the cheaper, energy-inefficient TVs they stocked previously. Through packing its trucks more efficiently and through its bulk-purchases it also managed to match the prices of organic lettuce to non-organic lettuce by cutting the costs of logistics. The strategy worked in these cases but it didn’t work as well in the case of making changes to laundry detergent sold at Wall-Mart. As Andrea discovered sustainability choices don’t always fall well on customers who want the most value for their money. The strategy for the detergent was to switch to stocking concentrated detergent and to make the packaging smaller but maintain the earlier price. This failed to bode well with customers who believed that they were getting lesser value for their money than they did before implying that their willingness to pay fell with the size of the packaging (Thomas, 2012).

2.3.1. Willingness to Pay and the concept of Distributional Fairness

Schatzberg and Stevens (2008) refers to it as ‘willingness to pay’ (WTP) and we understand it to imply paying not only through financial means but through those of resources of time, trust, and other such non-monetary resources. Thus reciprocity can also be undertaken by society with its willingness to participate in organizations’ CSR projects with through an investment of time and trust. Many organizations are of the impression that consumers are willing to pay extra but history has shown that this is not the case (Unruh, 2011). Consumers are aware that environmentally-friendly changes must be made and many are prepared to protest against, and punish, organizations that are environmentally-irresponsible. They expect businesses to be green by corporate policy but don’t expect to pay for what they feel should be in organizations’ best interests to incorporate into their business operations. Consumers will, however, punish the organizations if they find that they don’t act in a responsible manner. It has made its way to the surface that consumers that take part in a survey tend to realize the importance of environmentally-friendly products and state that they would pay more for such products but that when they are shopping they are not willing to pay more green for ‘green,’ as they don’t believe that they should bear the related costs (Unruh, 2011). It has come to surface in recent times that “most actors’ selfish utility-maximizing behaviors are bounded by norms of fairness” (Bosse et. al, 2009, p.447). In other words
people are said to be selfish and thereby observant of the degree of fairness by which a situation has been addressed and treated, especially those situations in which they are involved. In addition to this, people have also been noticed to “behave reciprocally by rewarding others whose actions they deem fair and willingly incurring costs to punish those they deem unfair” (Bosse et. al, 2009, p.448). This kind of behavior is noticed in the actions of stakeholders and can also be seen in the case of the dynamics of the interaction between employer and employees. Economists have studied and concluded that employees that perceive their employers as ‘fair’ possess the propensity to reciprocate positively through the generation of greater value on the job. These perceptions of fairness, and acts of reciprocation, then proceed to spread between stakeholders as they would between employees through employee-interaction. And as a result of this spread of the perception of fairness, a direct positive impact is experienced as bettered employee performance results in bettered organizational performance (Bosse et. al, 2009, p.447). Thus we understand how stakeholders are interdependent on each other in the formation of their perceptions.

There has been much discussion, academically, about the reasons for this kind of reciprocal behavior. ‘Reciprocity’ has been said to be engaged-in as a result of “bounded self-interest” (Jolls et. al, 1998, p.1480). “In many market and bargaining settings (as opposed to nonmarket settings such as bequest decisions), people care about being treated fairly and want to treat others fairly if those others are themselves behaving fairly. As a result of these concerns, the agents in a behavioral economic model are both nicer and (when they are not treated fairly) more spiteful than the agents postulated by neoclassical theory” (Jolls et. al, 1998, p.1480). Thus we are led to understand, here, that ‘reciprocity’ is engaged-in, due to “bounded self-interest” (Jolls et. al, 1998, p.1480) “because actors’ desire for utility-maximization is bounded by norms of willingness to pays of fairness” (Bosse et. al, 2009, p.448). However, two years after these thoughts had been published; Fehr and Gachter expressed how this assumption of “bounded self-interest” (Jolls et. al, 1998, p.1480) failed to explain real world phenomena like labor market interactions, public goods, and social norms by stating that “responders do not behave in a self-interest maximizing manner. In settings that include both individuals who are purely self-interested as well as those who exhibit reciprocity, if the reciprocal types can punish behavior they deem unfair then they dominate the aggregate outcome (Fehr and Gachter, 2000, p.6). Their study elucidated “that even when a population is split between reciprocal types and purely self-interested types, the aggregate outcome is consistent with predictions derived under the ‘reciprocity’ assumption. Thus, ‘reciprocity’ provides a more accurate model of human behavior in these competitive settings than exclusive self-interest” (Bosse et. al, 2009, p.448) does.

Academics have also gone on to test this kind of behavior through the ‘prisoner’s dilemma’ and ‘game theory.’ These tests reflect “a positive relationship between behaving reciprocally and material outcomes” (Bosse et. al, 2009, p.450). The ‘prisoner’s dilemma’ is concerned with the mental turmoil that a prisoner undergoes upon capture where the prisoner contemplates whether to act in his or her self-interest or to cooperate with the captors. In the discussion of the ‘prisoner’s dilemma,’ “Axelrod (1980) shows that in this game the most robust strategy over a wide range of environments is to cooperate on the first move and then mimic (i.e.: reciprocate) the opponent’s move on each successive turn” (Axelrod, 1980, in Bosse et. al, 2009, p.450). In ‘game theory’ actors are observed to weigh material-based utility (e.g.: wages that
outweigh opportunity costs) against fairness-based utility. Actors are said to create their perception of fairness upon the organization’s distribution of its material gains from its business activities. “If they receive a material outcome they perceive as fair (unfair), they are inclined to exhibit positive (negative) reciprocity toward the other party by putting forth more (less) effort” (Bosse et al., 2009, p.450). This perception of fairness, based on the distribution of the organization’s material outcomes to the actors (e.g.: employees), is referred to as ‘distributional justice’ or ‘distributional fairness’ by social psychologists (Bosse et al., 2009, p.450). Thus we see how heavily interconnected stakeholders’ perceptions of fairness are with their willingness to reciprocate.

Academically, the concept of ‘distributional fairness’ has been commonly used in reference to one stakeholder, namely ‘employees.’ However, we must bear in mind the ease at which this concept is transferable to organizations’ stakeholders at large. An employee’s job description and contract can never include all the tasks that the employee is expected to carry out. The contract is designed this way to permit the variables of the human touch. Contracts are, therefore, incomplete. As in the case of “the exchange between a firm and an employee, the exchanges between a firm and its other stakeholders” (Bosse et al., 2009, p.451) involve incomplete contracts as well. This is because nothing is fully specified, contractually, at the outset of the contract deeming the contract an implicit one (Asher, Mahoney, and Mahoney, 2005, p.12). It is due to this that the concept of ‘reciprocity’ falls in this contractual grey area, and the decision to reciprocate is left solely to the discretion of parties involved as the design of the contract lacks the legal ability to bind. Thus levels of employee ‘reciprocity’ continuously vary with their consistently varying perceptions of ‘distribution fairness,’ and this comprehension is transferable to other stakeholders (Bosse et al., 2009, p.452). This perception influences and determines the degree of reciprocity that organizations gain in response to their CSR engagements and thereby impacts the fulfillment of the corporate social contract between organizations and society.

Goodstein and Wicks (2007) believe in this and express that stakeholder to stakeholder relationships encompass three concepts of stakeholder responsibility towards ‘reciprocity;’ “fulfilling responsibilities as a function of reciprocity, fulfilling responsibilities as a function of interdependence, and fulfilling responsibilities as a function of accountability” (Goodstein and Wicks, 2007, p. 2). They seem to agree with Bowie on the fact that the responsibility involved in ‘reciprocity’ surpasses the fulfillment of duties and that the interconnectedness between ‘reciprocity’ and fairness are plain to see when evaluating the benefits that stakeholders and firms receive when they do engage in the dynamics of co-operation. While employees may gain in tangible (e.g.: through wages and company insurance) and intangible ways (e.g.: commitment from the organization for which they work), their work betters and the output of the organization does so too. Customers then begin to appreciate this (e.g.: through the evaluation of the increase in the quality of the organization’s products). It is with this appreciation that purchases and profits tend to increase and thus reciprocity-related benefits spread between stakeholders as well as productive organizations, implying that the benefits come full circle through co-operation. Thus we understand the interdependence involved in co-operations that is necessary for successful relationships between firms and society. A firm is “a web of relationships among stakeholders” (Goodstein and Wicks, 2007, p. 3) and so these benefits don’t just affect stakeholders but the welfare of society at large. Stakeholders possess the caliber and propensity to
produce consequences that have an effect on other stakeholders due to which they are accountable to each other for their actions.

### 2.3.2. Accountability in Reciprocity

Accountability is an important responsibility in reciprocity between society and organizations for the protection and preservation of their interests and the system that encourages the benefits of their interdependence. Some companies like e-bay understand the importance of this system and has developed bulletin boards, chatrooms, and newsletters to build an online community, encourage stakeholders’ reciprocity through accessible communication methods. It is through the Feedback Forum that buyers and sellers are able to comment on their dealings with one another. The user profile of a user follows the user’s activity on the site and helps in the interaction with any particular user while increasing trust and interdependence and thereby voluntary accountability within the online community (Goodstein and Wicks, 2007, p. 8). This also permits the organizations to learn more about the discourse that occurs between users and thereby cater better to them. This helps us understand that all roads lead to Rome but if there are no roads built, then nobody is going to get to Rome at all. In other words, organizations would be very pleased to get feedback and suggestions from its customers but very few like e-bay realize that for meaningful reciprocity through feedback to occur, and to encourage society’s reciprocity, avenues need to be built. Once these avenues are built then organizations can engage in CSR but also receive feedback and suggestions, some of which may be lucrative business strategies, from stakeholders at large. This thus permits the cyclical continuity of contribution between organizations’ CSR activity and society’s reciprocity, thereby permitting both parties to fulfill their ends of the CSC.

Starbucks’ take on the responsibilities of ‘reciprocity’ has to do with encouraging “customers to buy coffee in re-usable mugs than disposable mugs” (Goodstein and Wicks, 2007, p. 10) as this makes the company’s operations more sustainable and permits an option to society that entails a positive consequence for future generations and permits fairness between organization and society. Like Wall-Mart, Starbucks also experiences demands from society to operate in a green and sustainable manner and so the idea behind the mugs is a step in the direction of assisting society to reciprocate and so attempts to remove the inequalities between society’s demands for environment-oriented organizations and organizations responses to society’s demands. Stakeholders’ accountability is called into play when such an option is made available as Starbucks calls for stakeholder-allegiance to its ideals and best practices. Thus the message put across is that “taking responsibility is what makes someone a stakeholder” (Goodstein and Wicks, 2007, p. 10).

A study of reciprocity is a study of societal behavior. It is important to study this because it is based on this that organizations develop products and services and strategize for success. A failure to be sensitive to society’s needs, limits, and the lenses through which it perceives value, can be devastating to an organization’s survival. To pay attention to society is merely an organization’s first step in the direction of survival. As learned through the examples mentioned above, organizations that are ahead of the game with innovative strategies have learned to develop and peel a patient, sensitive ear to society’s whispers. We feel that this has enabled them to strategize successfully to assist and/or manipulate society’s reciprocity (e.g.: through their WTP) in the markets that they cater to. They have thus learned to assist and/or manipulate, perhaps not
perfectly, the cycle required for CSC to be fulfilled. As organizations continue to cater to the needs of society through CSR engagements and in their sensitive approach to listen for and accommodate society’s needs, cycles are created between CSR and reciprocity as a consequence of the strategies of organizations. As a result of this, CSC is fulfilled. And the more reciprocity that organizations receive from society the more assured they feel of the quality of their management, the incentive to be sensitive to the needs of society, and their survival in the market place.

“By developing robust notions of stakeholder responsibility and efficient and intelligent systems that reinforce such notions of responsibility, we will be that much closer to creating excellent companies and excellent markets. In the end, ethics will become everybody's business,” (Goodstein and Wicks, 2007, p. 21).

2.4. Other relevant concepts that affect Reciprocity, CSR, and thereby CSC

2.4.1. Corporate Sustainability

Corporate social responsibility (CSR) can be considered to be one of the first initiatives to contribute to sustainability (Lozano, 2009, in Lozano, 2011, p.6). We agree with Lozano’s perspective as we understand that business-ethics serves as a bridge between many interlinked concepts like the two in this discussion, namely Corporate Sustainability and Corporate Citizenship.

Wilson (2003, p.1) states that “while corporate sustainability recognizes that corporate growth and profitability are important, it also requires the corporation to pursue societal goals, specifically those relating to sustainable development – environmental protection, social justice and equity, and economic development.” Wilson thus expresses the connection between corporate sustainability and corporate social responsibility. In 1916, J.M. Clark, stated that “if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not” (CSRQuest, 2010, p. 4). Sustainability was established as a concept in the 1987 publication of the Brundtland Report. It was mentioned following the title of ‘Our Common Future.’ The concept was defined as “the ability to meet the needs of present generations without compromising the ability of future generations to meet their own needs” (Brundtland Report, 1987, p.41). The report stresses the fact that needs are met through mankind’s dependency on the environment and that the planet’s future citizens have as much claim to the planet as we do at present and as citizens in the past have had. It is due to this, the report emphasizes that care must be taken to preserve for the future what we have today through a balance between ecology and economic growth, thereby calling for a balance between the “exploitation of resources and environmental protection, and conservation” (Hopwood et al., 2005). In other words, a balance must be established between businesses and society in order to help and motivate businesses to contribute to society by bettering the present, for the future, in any way they can. Lozano (2011, p.6) points out that modern day academics agree with these early thoughts that were presented in the Brundtland Report as in the case of Dyllick and Hockerts who believed that corporate sustainability has to do with “meeting the needs of a firm’s direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities etc.), without
compromising its ability to meet the needs of future stakeholders as well” (Dyllick and Hockerts 2002, in Lozano, 2011, p.6).

Understanding the importance of this cooperation to the favor of mutual benefit between the two parties, we have also come to realize that corporate sustainability is to organizations what profits are to shareholders and the benefits of business-ethics are to stakeholders. CSR is the route to the destination of corporate sustainability and organizations are not oblivious of this. Their lives depend on it and this is precisely what environmentalist Jonathon Porritt emphasized in 2007, when he stated that “any regeneration project that fails to put environmental and social benefits at its very heart is unlikely to achieve anything more than a very short-lived spasm of spurious prosperity” (Phil Harding, 2010).

2.4.2. Corporate Citizenship

If corporate sustainability is the goal that organizations peel their eyes to, then corporate citizenship is the attitude that they will have to adopt in order to attain this goal. The concept of ‘corporate citizenship’ seeks to incorporate organizations into the community to make it a stakeholder to the future of society because if society has no future then organizations most definitely won’t too. Just as stakeholders possess a common interest; it is here too, that such an interest in a sustainable present for a livable future is established, so as to urge organizations and society at large to co-operate to attain a common goal.

We learn from Vidaver-Cohen and Brønn (2008) that in the year 2000 the Business and Society Review sought to examine the perspectives of scholars on how corporate social practice would evolve in the 21st century. In this special issue of the journal the scholars are noticed to use the term ‘corporate citizenship’ when they discussed businesses operating within society and fulfilling social obligations; a topic that almost always involved the use of terms like ‘corporate social responsibility,’ ‘corporate social performance,’ or ‘corporate accountability’ to describe it. This reference to the application of the idea of corporate citizenship served to elaborate on the thoughts of Robert Solomon who documented his belief that “the first principle of business ethics is that the corporation itself is a citizen, a member of the larger community and inconceivable without it…Corporations, like individuals, are part and parcel of the communities that create them, and the responsibilities they bear are not the products of arguments or implicit contracts but intrinsic to their very existence as social entities” (Solomon 1992, p. 149). The special issue of the journal emphasized going beyond what the law regulated by going beyond “doing no harm” and operating with transparency. The special issue urged corporations to involve themselves in proactive stakeholder dialogue, and the development of community infrastructure through corporate investments into society, corporate collaborations, and by embedding such commitments into their corporate policies and procedures (Vidaver-Cohen and Brønn, 2008, p.2). The motives for citizenship activities are thereby seen to take a new turn from its earlier status of an ancillary bearing to a corporation’s mission to one that is essential to the formation of corporate-strategy (Altman and Vidaver-Cohen, 2000). Within this journal many predictions on the topic came to be stated. One of these commonly agreed-upon scholarly predictions included the idea that “a citizenship portfolio helps a company build reputational capital . . . By doing good, managers generate reputational gains that improve a company’s ability to attract resources,
enhance its performance and build competitive advantage” (Fombrun and Barnett, 2000, p. 105).

CSR is a more applied concept than that of corporate citizenship. Despite one concept often being defined in relation to the other; they are both, however, embedded in the areas of business ethics and Corporate Social Responsibility. Other concepts have similar interdependent connections to the areas of business ethics and Corporate Social Responsibility. Some of these concepts include that of sustainability, corporate social behavior, accountability, philanthropy, and stakeholder engagement (Hooghiemstra 2000, Amaeshi & Adi 2007). Thus we see how corporate citizenship, corporate sustainability, and shared value all play a part to serve to attempt to achieve goals in business ethics and Corporate Social Responsibility that have been set by great thinkers like Brundtland in the Brundtland Report. It is these concepts that ensure that organizations fulfill their end of the CSC by engaging in CSR activities that are meaningful to society. It is also these concepts that we wish to discuss with respondents in our empirical data and use in our analysis of their responses.

2.5 Summary

An understanding of our developed CSC model is of immense importance in order to comprehend how we will proceed to analyze our empirical data in later chapters. As mentioned earlier, CSC can be split into two, namely CSR and reciprocity. CSR engagements are organizational initiatives to give back to society (represented in the arrow from CSR to reciprocity in our model below) while reciprocity encompasses society’s response to these engagements (represented in the arrow from reciprocity to CSR in our model below).

We place the concepts of corporate sustainability, corporate citizenship, and shared value under CSR, in our model, and we have explained how they come into play to influence organizations’ decisions to engage in CSR. The concept of corporate sustainability ensures that organizations rethink how they plan to meet their goals by considering not only how they can sustain themselves in a responsible manner but ensuring that they operate in a manner that sustains modern society and doesn’t damage the environment for future society. The concept of corporate citizenship places organizations into society as a member of society thereby requiring it to act as a responsible citizen and not do harm to its fellow members. Shared value is a concept that expects organizations to endeavor to engage in activities that are not merely beneficial to themselves but attain a benefit that is common to both the engaged organization and the members of society. It is these concepts that drive organizations to fulfill their ends of the CSC by engaging in CSR activities in a manner that enables them to earn their place in society as responsible members through a giving-back act of gratitude. We believe that these are the driving forces in assisting organizations in filling the arrow from CSR to reciprocity in our model below.

We have also explained reciprocity in practice and how organizations assist and/or manipulate society’s WTP to increase the organizational inflow of the benefits of society’s positive financial reciprocity. We have explained how society perceives organizations’ actions based on a perception of distributional fairness. If society perceives organizations’ actions as a sincere effort to give-back something of value, society is known to reciprocate positively with a willingness to pay through an
investment of the resources that are monetary and/or non-monetary. Such investments could include society’s investments in the products and services of the firm and/or participation in the firm’s CSR engagements among others, and this is what we feel could fill the arrow from reciprocity to CSR in our model below. On the other hand, if organizations’ actions are perceived unfair, society is known to reciprocate negatively. There is also a high level of responsibility in reciprocity between organizations and society. This is required for both parties to fulfill their ends of the CSC. A failure to act on this responsibility, and thereby take onboard the factors that affect it (e.g.: distributional fairness), would imply the crumbling of the CSC framework.

Considering that our empirical data will be collected at practicing businesses; these are the thoughts that we wish for our readers to carry on to our empirical chapters where we will be presenting, discussing, and analyzing our empirical data. It is within these chapters that we will be evaluating the responses of our interviewees based on our literature review’s presentation of our comprehension of the concepts of CSC, CSR, and reciprocity, and the concepts that are interlinked with them. As we will see in our empirical chapters, much of the discussion with our interviewees serves to gain a deeper understanding of their organization’s views on CSC, the CSR engagements that their organizations are involved in, how the organizations believe those engagements are perceived by and responded to by society, and what the organization envisions for the future in terms of their involvement in CSC. It is also important to mention that we have chosen to focus on CSC through the organizational perspective. This implies that interlinked concepts like corporate sustainability, corporate citizenship, shared value, and WTP will be used in the interviews and analysis and will serve to enrich our comprehension and interpretations of the data gained from the organizational perceptive. We have every intention of applying the discussions in our literature review to our analyses of the empirical data due to which we feel that it is of paramount importance for our readers to study the literature review that explains our model below, before proceeding to our empirical chapters.

Figure 2: Corporate Social Contract (Including interconnected sub-topics)
3. Methodology

This section informs the reader about the scientific methodology of our study. The research philosophy is presented as the cornerstone of the methodological framework of our research. The research approach, research strategy, and the data collection and analysis will be included in this section.

3.1 Research philosophy

The nature of any research should be dictated by the researchers’ comprehension of reality, the research field, and the research question itself. It is therefore that we are going to clearly state our ontological and epistemological stances, as an understanding of these fundamentals will bring clarity to the choice of our research methods. Ontology, as a philosophical branch that is concerned with questions of reality, dictates the choice of the nature of our research. Constructionism is a theoretical tradition which suggests that the social world is built on meanings, created through interaction of social actors, rather than external forces and mechanisms (David & Sutton, 2011, p.75-79). The qualitative nature of our research is the outcome of the phenomenological ontology of constructionism, implying that our perception of reality is shaped by our consciousness.

An understanding of epistemological stance of the researchers is of equal importance, because epistemology deals with the basic understanding of how our “knowledge about the world can be gained and assessed” (David & Sutton, 2011, p.615). The interpretive approach to reality (verstehe), explained by Weber as “the attempt to see the world from the point of view of the person or group being studied,” directs us as researchers (David & Sutton, 2011, p.89).

In order to encompass all possible complexity of business and managerial worlds, and be able to interpret organizational perspective on CSC fulfillment, we are going to stick to interpretivism as an approach to reality. Because we have agreed that reality is constructed by peoples’ perceptions and actions, that is, a subject to change, our interpretation and evaluation of data gathered within the framework of our research will be of a subjective nature as well. Even though we aim to study an organizational perspective of the CSC concept, organizations, as socially created constructs, consists of people. This means that we will have to interpret from our perspective, as researches, people’s interpretations of reality. In our case, it is our interpretation of the employees’ perspectives of the organization under study, the environment where an organization operates, the employees’ perspective on a company’s CSR engagements, reciprocal support from society, and the CSC concept as a whole.

3.2. Research approach

As we know social science is a young field of study, perhaps only 200 years in age. Some scholars call it “a phenomenon of the twentieth century” (Remenyi et al., 2005, p.30). Moreover, research in the business and management spheres is far younger and has less than a century’s worth of experience. Therefore, while conducting our research in the management field, we believe that particular attention must be given to the development and careful explanation of our chosen methodological framework, in order to be able to bear claim to some level of validity of, and value in, our results.
In order to address the research question in our thesis, in the best possible way, we aim to develop an appropriate research design. The framework of this research design will guide our research project by providing specific procedures on data collection, analysis, and our interpretations, conclusions, and recommendations based on the same.

In order to provide the readers with our interpretation of social phenomenon in question, the stringency in argumentation in favor of a certain method applied, will be preserved. Therefore a selection of an approach to empirical data collection and analysis in our research has been made within chosen philosophical paradigm, bearing in mind the need for a deeper understanding of CSC as a social phenomenon.

The exploratory nature of our research design is strongly associated with our interpretivist view of epistemology. Saunders et al. (2012, p.171) views an exploratory study as “a valuable means to ask open questions to discover what is happening and gain insights about a topic of interest.” Though companies’ CSR engagements have been studied thoroughly within both fields in academia and business world the other part of CSC, i.e.: ‘reciprocity,’ has not received as much attention. In order to view CSC holistically, we will study both component parts of CSC empirically from organizational perspective. Thus we will get a deeper understanding of the organizations’ views on their CSR activities as well as organizational expectations of reciprocal supportive actions from society in return.

Given the nature of the research purpose, the exploratory method will be applied to investigate, provide insights into, and gain a better understanding of CSC as a social phenomenon. Because an answer to our research question would involve our analysis of companies’ perspectives on the fulfillment of CSC, through the investigation of the concepts of CSR and ‘Reciprocity’, our study will be explored from an interpretivist perspective. This perspective allows us to uncover the underlying details of the investigated social phenomenon.

3.3. Research strategy

According to Berg (2004, p.251), a case study is more a methodological approach “that incorporates a number of data-gathering measures” than a simple technique of data-collection. The use of case studies has significantly grown in management spheres lately. The ability of the case study to provide a myriad of sources of evidence ranging from individuals to groups and communities is one of the reasons it is so commonly applied to management-related research (Remenyi et al, 2005, p.166). Another reason that makes this method attractive to us, as researchers is the number of data-collection techniques, such as “life histories, documents, oral histories, in-depth interviews, and participant observation” (Hagan, 2002; Yin, 1994; in Berg, 2004, p.251). According to Remenyi et al (2005, p.162), a case study, as a research method, has stemmed from the need to “understand and explain complex phenomena.” Because in our research we aim to investigate the concept of CSC in its wholeness, a case study was the natural choice. Moreover, our choice of a case study as a research strategy was dictated by the fact that “case studies are a preferred research tactic when ‘how’ or ‘why’ questions are being examined, when the researcher has little control over events, and when the focus is on contemporary phenomenon with some real-life context” (Remeneyi et al, 2005,p.187). Though CSC is not a new concept per se, the idea to empirically investigate the fulfillment of the contract from the organizational perspective is a new endeavor. We, as
representatives of stakeholders (potential customers, potential employees, representatives of a civic society, etc.) possess the right to exert some kind of influence on organizational decisions regarding CSR activities. Yet we, as researchers, do not have the ability to control all of the possible factors influencing organizations’ choices of CSR activities. In addition to abovementioned, the qualitative nature of our research, and the ‘how’ manner in which our research question was formulated, have laid down the grounds for the choice of the case study research tactic. It is because we have to do both, research the perception of CSR activities from an organizational perspective and check how the ‘reciprocity’ concept can serve the fulfillment of CSC (to match the expectations of businesses and society), the case study method seems to be an appropriate choice.

Because the idea of conducting case study lies in understanding a phenomenon and its context rather than frequency of its occurrence, in academia both single case study as well as multiple case studies is equally honored. At the same time Yin (2009, p.53; 2011, p.91) states that multiple case studies add some robustness and confidence to research findings. More importantly, evidence gathered by means of multiple case studies “can establish the existence of phenomenon, which in business studies may be adequate for the purpose of exploratory research” (Remenyi et al, 2005, p.169). In order to explore organizational perspective of CSC concept, as a single phenomenon, we are going to research several cases (5 companies). In any other study, each of the five organizations could be a subject to a separate single case study, but the current study will cover a range of five organizations. In other words, the understanding of CSC as a single phenomenon will be achieved through the investigation of the same within different business conditions; by applying the multiple case study methodology.

3.4. Sampling

Sampling is of high importance for analysis in any kind of research. Though samples in qualitative research are much smaller in comparison with those in quantitative research, it does not make qualitative samples inferior. As mentioned and discussed earlier, in our limitations section, we will neither be researching CSC in any particular industry nor will we be comparing how organizations from different industries and countries of origin handle CSC. We are interested in researching CSC in any company from any country and industry.

We do understand that our inability to compare the cases is the major bias of our research. As if we were comparing empirical data of the cases we would be able to explain the phenomenon of CSC on a deeper level, digging to the roots of organizational perspectives on CSR activities and reciprocal societal expectations. At the same time any cross-sectional study is aimed at explaining a phenomenon while the main task of our research is to explore and understand the phenomenon of CSC in its wholeness. Our inability to study societal view on CSC, CSR and Reciprocity concepts narrows our potential contribution to the body of knowledge as well as limits our research with a one-sided perspective. Moreover, we understand that our decision to not concentrate on a single industry or country has broadened the focus of our research. At the same time, we believe that despite the fact that restrictions stated in the section 1.6. ‘Limitations’ have prevented us from furthering the depth and focus of our thesis, yet our work may serve as a solid basis for future research in the field of CSC fulfillment. Furthermore, our research strategy, dictated by our research philosophy and research
approach allows us for a certain degree of subjectivity in interpretation of our empirical findings. Bearing in mind the bias of our research we have tried to explain and justify our choice of countries, companies and respondents.

3.4.1. Choice of countries

Our choice of countries was driven by non-probability haphazard sampling. Convenience or availability sampling “involves selecting cases haphazardly only because they are easily available to obtain” (Saunders et al, 2012, p.291). We are aware that in qualitative research “a more thoughtful approach to selection of a sample is usually justified” (Marshall, 1996, p.523), still our decision to apply convenience sampling was taken as time and cost are factors in our research. In our study we have chosen to research companies out of three countries, namely India, Sweden, and Ukraine. Sweden has been chosen as a country where we are currently residing and working on our thesis. The choice of India was dictated by business relationships of one of the authors, and an opportunity to study an organization of Indian origin. Ukraine was chosen for the reason of being the motherland of one of the authors, which has eased the process of the search of organizations for our research.

We are aware that different geographical locations, level of economic development, political and legislative systems as well as cultural difference may have had an impact on organizational perspective of CSC fulfillment. Most definitely, conducting a study within one geographical location or in countries of equal economic development and cultural stratum would broaden the possibility to compare organizational perspectives within such a research. Our choice of countries has been driven by the need to conduct multiple case study research and inability to get a needed level of cooperation from chosen organizations within one country; with Sweden being the first hand choice, India the second and Ukraine the third one.

At the same time it is worth mentioning that such a convenience sampling has not hampered the credibility of our data as any comparison among locations has not taken place. Moreover such a choice perfectly fits our research question as we are aimed at investigating organizational perspective on CSC fulfillment without any specifications of a country, company or industry being studied.

3.4.2. Choice of industries

The aim of our thesis is to seek out the organizational perspective of CSC. Thus industries in which organizations operate are derivative from our choice of organizations and have not been sampled. Organizations under study operate in such industries as energy, IT, foodservice retail, financial services, leisure and hospitality, engineering, and logistics, to name some.

We do understand that a wide range of industries may have a twofold effect. From one hand such diversity has revealed different societal expectations and demands depending on impact which these industries exert on society; from another, it has limited an input of the current study as none of the industries have been studied thoroughly.

We have chosen not to compare organizational view on CSC. This decision was made because companies from different industries (as well as those located in different
countries) and their stakeholders, have different expectations of each other and thereby varying levels of activity in the field of CSR.

3.4.3 Choice of companies

In multiple case studies the development of a sample framework, guided by research question and underlying theory, is needed. Choosing cases for empirical study we were driven by a criterion sampling strategy (Miles & Huberman, 1994, p.28, 29), meaning that the choice of cases depended on whether an organization meets certain criteria or not.

With this in mind, it made sense to us to try and engage, for our interviews, organizations that seemed ideal for our study. Our major criteria we had in mind were that the organization had to be:

- well established in CSR field (in terms of CSR initiatives);
- has proven its capabilities as a job-provider;
- socially recognized for its CSR work (e.g.: proof of social recognition included CSR reports, awards, etc).

From our Literature Review we have emphasized the role of CSR in CSC fulfillment. Because our idea is to study organizational perspective on CSC fulfillment by both sides business itself and society, it is important to ensure that a company is actively engaged in CSR initiatives.

Our choice has been dictated by our understanding and evaluation of CSR activities from the perspective of ‘impact’ that a company has a caliber to exert and proceeds to exert on society. Our reasons for this decision include those which involve both positive and negative impacts on society. In order to evaluate the positive impact of organizations on society we weighed organizations’ operations against our developed criteria. These criteria included the organizations’ influence on local communities in terms of employment rate, an increase in the standards of living, the development of local infrastructure, and the nurturing of local suppliers. On the other hand, potentially negative impacts on society can be characterized by the use or production of companies’ products/services which may have a harmful effect on environment and people. In other words, we are interested in those companies which, depending on a business field or type of operations, may exert societal or environmental impact with any positive or negative tint.

Having discussed the impact that companies exert on society as a trigger for CSR engagements, we may assume that organizations fulfill their part of CSC through CSR initiatives. The success of such practices may be evaluated by society in the form of awards and increased societal willingness to reciprocate.

We realize that our criteria of company choice are quite broad. Therefore we acknowledge any criticism directed on the developed criteria as relevant. At the same time such an approach has been dictated by the need to study organizations from different geographical locations, which has prevented us from using any uniform quantifying criteria. E.g.: a clear statement in numbers of what ‘a good’ job-provider is cannot be applied to our study as the same number of employees cannot be relevant for different countries and industries.
Remembering the importance of the “time boundaries,” which are called to “determine the limits of evidence collection and analysis” (Remenyi et al, 2005, p.166), we are going to limit our search to a recent period of time during which companies have been actively involved in CSR. We decided to focus on this recent period, as society’s ‘reciprocity’ towards companies CSR activities is a rather new idea in academia. Another reason is that the issue of the organizations’ CSR engagements has become a hot topic during the last decade.

We have found five companies out of three countries which satisfy our criteria and allowed us to talk to them.

- Mahindra & Mahindra (India)
- Vattenfall (Sweden)
- Microsoft Ukraine, McDonald’s Ukraine, DTEK (Ukraine).

The choice of companies is closely tied to the choice of countries. As has been mentioned it was the companies’ unwillingness to cooperate that urged us to broaden our search beyond Sweden. Initially we have contacted more than a dozen Swedish companies in energy sector, automotive industry, food retail, food production, and clothes manufacturing. However, only one company, namely Vattenfall gave its consent for an interview. Several companies in India operating in automotive, fashion, food production, and construction industries have also been contacted. Business relations and willingness to cooperate along with multiplicity of the company’s business interests (information technology, financial services, leisure and hospitality, engineering, logistics) has made Mahindra & Mahindra an appropriate choice for our study. Having understood that collected empirical data is limited in researching such a complex phenomenon as CSC we have made the decision to include Ukrainian companies to empirical study. Ukrainian- based companies have been contacted in such sectors as food production and retail, non-alcoholic and soft drinks production, IT, energy sector, telecom, pharmaceutical. Ukrainian companies chosen for our study have been recognized as the best ones in the CSR field in the country. Moreover, all companies introduced in our study have matched our criteria in terms of exerting an impact on society (positive/negative) and as organizations with an active CSR position as well as significant job providers in their sphere of business.

Because empirical findings are not going to be compared and with the aim to ease the process of information perception of the readers we have placed more thorough and detailed discussion about each particular company within each separate respective section of our thesis (i.e.: chapters 4 to 8).

3.4.4. Choice of respondents

According to Miles & Huberman (1994) sampling techniques used to choose among multiple cases can be applied within case-sampling too. Moreover, in qualitative research “samples tend to be more purposive than random” (Miles & Huberman, 1994, p.27). This is due to the fact that unity and logic of a social process may be impossible to interpret once random sampling is applied. The idea to use purposive (theoretical) sampling within each case study stemmed from the qualitative nature of our study, as well as the fact that the CSC concept is a social construct.
The decision of the appropriateness of respondents in current study has been based on our opinion as researchers. We were guided by the principles of professionalism when choosing respondents. In other words, our concern was whether respondents hold specific knowledge on the CSR issue. Our respondents mainly occupy top managerial positions in companies. E.g.: The head of the CSR department (Mahindra & Mahindra), the head of global product development (Mahindra & Mahindra), the global head of manufacturing (Mahindra & Mahindra), the executive vice-president for human capital (Mahindra & Mahindra), communication director (McDonald’s), PR and citizenship director (Microsoft), or director for corporate affairs (DTEK). The top-management of companies has been chosen because they set a strategy of the company and are the key decision-makers in spheres of budget-allocation and CSR-related activities. In order to corroborate findings obtained from professionals in the CSR field we included employees from interconnected departments that also deal with CSR issues. E.g.: specialist of CSR unit (Vattenfal), sustainable development specialist of external relation directorate (DTEK), executive manager at the HR department (Mahindra & Mahindra). By doing this we enabled peer-review of the work of the CSR department. The point of focus is the interview with the Head of CSR, as CSR is the area of business to which our thesis topic, namely CSC, has the closest links. If more than one interview has been conducted at any one organization, these interviews are used in a manner that provides support for, deviates from, or disagrees with the views of the Head of CSR. This is done in order to process the interview with the Head of CSR through triangulation and give it a sense of peer-reviewed and evaluated legitimacy so as to permit the reader to compare and contrast the different views presented.

At the same time great volatility in number and position of respondents is another issue which may spur criticism and add its grain to the bias of our research. From Table 1, shown below, it is obvious that amount of empirical data gathered through 6 interviews in M&M is much greater than the data obtained by interviewing one representative of Vattenfall. As in the case with countries, it is rather organizations’ willingness to cooperate that limits the number of respondents. Even though this argument is applicable to all cases in our study, such a ‘big’ number of respondents interviewed at M&M (6), in comparison to other cases, has also been influenced by the company’s diverse business interests, which cover several industries, while the focus of other companies lies in one.

The study of companies with diverse and unified business spheres may have made its own input to the bias of our research. We do agree that equal amount of respondents and positions occupied in each company would have brought a kind of equality to the amount and thus quality of empirical data. At the same time with all bias and subjectivity of our sampling approach to the cases under study, we believe that well articulated arguments in favor of our country/industry/company/respondent choices allow us to state that our choice of cases has served the interest of our study to understand organizational perspective of CSC fulfillment.
Table 1: An overview of studied cases

<table>
<thead>
<tr>
<th>Company name</th>
<th>Country</th>
<th>Industry</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mahindra &amp; Mahindra</td>
<td>India</td>
<td>Information technology, financial services, leisure and hospitality, engineering, logistics</td>
<td>6</td>
</tr>
<tr>
<td>Vattenfall</td>
<td>Sweden</td>
<td>Electricity and heat generation</td>
<td>1</td>
</tr>
<tr>
<td>Microsoft Ukraine</td>
<td>Ukraine</td>
<td>Information technology</td>
<td>2</td>
</tr>
<tr>
<td>DTEK</td>
<td>Ukraine</td>
<td>Energy sector</td>
<td>2</td>
</tr>
<tr>
<td>McDonald’s Ukraine</td>
<td>Ukraine</td>
<td>Foodservice</td>
<td>1</td>
</tr>
</tbody>
</table>

3.5 Data collection

3.5.1. Primary/secondary sources

Before continuing the discussion on our sources of evidence, we would like to distinguish primary and secondary sources of data both of which are equally important for our research. Secondary sources are those which have been gathered by others “for the purpose of research” (David & Sutton, 2001, p.633), while primary sources are data that was not “produced originally for the purpose of research” (David & Sutton, 2001, p.629). In order to find a knowledge gap in the existing body of knowledge and build a theoretical framework of our study we have used primary and secondary open (i.e.: published) and private textual and visual data. We utilized academic databases (Ebsco, Scopus, etc.) to search for relevant articles in academic journals and the library facilities to look for books that discuss CSR-related issues. In order to find supportive evidence from a business-world perspective, we searched for articles in business magazines; newspapers; documentary films, which cover CSR issues, and specialized web sites (mass-media and virtual outputs). Therefore we believe that information provided in our thesis is authentic and credible.

3.5.2. Interview

In order to conduct a solid study, each step of research strategy should be harmonized and should fit the framework of the study. While choosing a tool for gathering data the main criteria which should be considered is its ability to help answering the research question in the best way (Silverman, 2001).

As we adopt an interpretivist epistemology, we seek to understand “the meanings that participants ascribe to various phenomena” (Saunders et al, 2012, p.378). This means that we look for elaborated answers which include broad explanations and reflections upon a company’s CSR engagements and its expectations in terms of society’s reciprocal actions in return.

According to Saunders et al. (2012, p.376), unlike structured interviews that are mainly used to gather data for qualitative analysis, semi-structured and in-depth interviews are used to collect data which will undergo qualitative analysis. Focused interviews, though much shorter than semi-structured ones, are restricted with a set of preselected topics. This may deprive researchers of the possibility to explore a topic from interviewee’s perspective.
Because our research interest lies in the exploration of the CSC concept from an organizational perspective, an open-ended semi-structured interview is our choice for structure when sourcing evidence. This will allow us to discuss the CSC concept without diverting to other areas which lie beyond our research, while receiving our interviewee’s (i.e.: a CSR practitioner) insight into the topic. Moreover, some explanations are needed prior to commencing our interviews, taking into account that the CSC concept in its entirety (as well reciprocity as societal response) are much less discussed than the concept of CSR. While conducting interviews we have to hold a degree of freedom to ask questions, omit certain questions, or come up with follow-up questions depending on the direction of a conversation. In the case that complex and open-ended questions do not follow a strict, logical sequence, the semi-structured interview is “the most advantageous approach to attempt to obtain data” (Saunders et al., 2012, p. 379). In short, our choice of semi-structured non-standardized personal interview as a primary data-collection technique has been dictated by the nature and purpose of our research, the nature of the questions asked, and its fit with our research question.

3.5.3. Triangulation

One of the benefits of the case study method is a possibility to validate finding with evidence received from other sources. In other words the method of triangulation is applied. “The term ‘documents’ covers a very wide range of different kinds of resources” (Bryman, 2012, p.543), official and personal, private and public, published and virtual. As “documents are primarily used to corroborate and augment evidence from other sources” (Remenyi et al., 2005, p.177), we have used such secondary textual data as official documents produced by companies (e.g.: companies’ CSR/sustainability reports, information from the news section on companies’ web sites, financial accounts, and brochures that report CSR activities) in order to set the context of our interviews, as well as to validate the information obtained during interviews.

3.5.4. Interview guide

The idea behind developing of an interview guide was to ensure that the same areas will be covered with information, collected from each interviewee. Moreover, according to McNamara (2009, in Daniel & Turner, 2010, p.756) utilization of a general interview guide approach “…provides more focus than the conversational approach, but still allows a degree of freedom and adaptability in getting information from the interviewee.” Though we have been controlling the course of interviews with the help of a set of predefined questions, the order of questions was different in each particular case, being influenced by the flow of conversation. Moreover, the quantity and the meaning of questions were customized in each particular case, bearing in mind company’s operations (rendering services or producing goods), business field, and level of CSR engagements (availability of green products or carbon footprint estimation).

The interview guide was developed with the aim of helping us, as researchers to keep the track of the discussion, and familiarize our interviewees with issues that are to be discussed.

The objective of our interviews was to find out whether the concept of corporate social contract from organizational perspective is fulfilled. We aimed to get an understanding of selected companies’ view on its CSR activities, their expectations in terms of support
from society in response to companies’ CSR engagements as well as their understanding of societal expectations. Our set of questions was developed in a way that contributes to answering our research question and provides a deeper understanding of the concept of corporate social contract in the area of societal response towards organizational CSR activities. Because corporate social contract is a complex concept itself, in order to ease the flow of conversation and to cover all important areas, a set of questions was divided into three sections.

i) The CSC part discusses CSR and reciprocity in terms of how they work together to achieve CSC. This part does not discuss CSR and reciprocity in detail as stand-alone concepts. In the CSC part we discuss the interconnectedness, of these two parts of CSC, from the organizational perspective.

ii) The CSR part evaluates, from the organizational perspective, how committed the organization is to its CSR impact on society; how it evaluates its CSR successes; and how it plans to impact society in the future by showing resolve at present to do so in the future.

iii) The Reciprocity part evaluates, from the organizational perspective, organizations' expectations of society; their efforts to motivate society’s reciprocity and how they feel society has reciprocated to their CSR projects thus far. For more information see Appendix 2.

All interviews were conducted at companies’ offices, providing familiar and relaxed atmosphere for an interviewee. Each interview has started with the explanation of the purpose of our research and a potential input that particular interview would bring. Due to different geographical locations as well as respecting language preferences of respondents, interviews were conducted in English, Ukrainian and Russian languages. For the summaries of our interviewees refer to each respective case (Chapters 4, 5, 6, 7, 8). The Interview guide was developed in Ukrainian and English languages. The high level of familiarity of interviewer with the topic allowed for conducting interviews in different languages. Because a possibility of misinterpretation of information in the process of translation may take place, this was minimized by the transcription of each interview in English as well as check of each of the case reports by interview participants. In order to avoid any misunderstanding from respondents’ side, we, as interviewers, have been explaining the concepts of corporate social contract and reciprocity, prior to asking a question. In order to check whether researchers understand information correctly, interpretation of what has been told by a respondent and summary questions have been posed. The reliability and validity of information provided by respondents during interviews have been checked against information available at companies’ websites and printed promotional and marketing materials.

3.6. Data organizing

In order to increase case study reliability, a case study database was established. According to Yin (2009, p. 119) a case study database may consist of four components: notes, documents, tabular material and narratives. Because of a qualitative nature of our case study research along with semi-structured interview, as a data collection method, the case study database consists of two out of four following components:
• Researches notes: while conducting interviews, we were taking notes in order to have a structure of a discussion, write down some questions for further clarification, and as a backup plan if a problem with recording device occurs. For the convenience, notes were classified according to each case and were used while interview transcription took place.

• Case study documents: all documents relevant to our study present a collection of PDF-files and a list of online references. Moreover, some materials are stored in hard copies. Such a system allows for check in a case of need of certain information placed in our thesis.

3.7. Data analysis

According to Bryman (2012, p.560) hermeneutics has influenced the formation of interpretivist epistemology. Thus we may suggest that hermeneutics underpins qualitative research as both are concerned with understanding and interpreting the reality of social world. Our choice of method of data analysis was dictated by interpretive epistemology as philosophy of our research. As have been discussed, we view the reality as constructed by consciousness and consequently actions of social actors. Therefore in order to understand a social phenomenon we have to interpret the meanings attributed to a phenomenon from the position of social actors. Ferraris (1996, p.1.) defines hermeneutics as “the art of interpretation.”

The general idea of hermeneutics is the following: while conducting a textual analysis a researcher should bring out the meanings, intended or expressed, of a text from the perspective of its author (Kinsella, 2006). In other words, the goal of a hermeneutics as data analysis approach is to seek understanding, rather than to offer explanation. Because we strive to understand the organizational perspective on the CSC concept, we build our conclusions on companies’ understanding and interpretation of CSC, CSR, and reciprocity concepts. Here, we may see interpretation as a means through which understanding of a social phenomenon may be achieved.

Taking into account evolving nature of understanding, which means that the process is built gradually by being constantly nourished with new information, the discussion of hermeneutics would be incomplete without discussion of ‘hermeneutic circle’. According to Schwandt (2001, p.112), hermeneutic circle means iterative process of understanding of the parts of a text in order to make sense of the whole, while “grasping the meaning of the parts depended on having some sense of the whole.” Shwandt’s (2001) view of the notion of ‘hermeneutic circle’ is quite similar to the definition developed by Bontekoe (1996, p.3): “the object of comprehension, taken as a whole, is understood in terms of its parts, and … this understanding involves the recognition of how these parts are integrated into the whole.”

The right choice of hermeneutics as a method of data analysis is supported by the fact that our view of CSC concept is build on the principles of ‘hermeneutic circle’. E.g.: our view of CSC fulfillment as a balance between societal and organizational expectations, that can be achieved through iterative process of meeting business and societal expectations through CSR engagements from organizational side, and reciprocal actions from society. Therefore, understanding of CSR and ‘Reciprocity’ concepts as two component parts caters to the understanding of CSC concept in its wholeness. This is also supported by Klein & Myers (1999, p.71) view of hermeneutic circle, who suggest
that an understanding of a complex phenomenon in its wholeness can be achieved through “preconceptions about the meanings of its parts and their interrelationships.” Having developed a thorough Literature Review we have built our understanding of CSC concept through understanding of CSR and ‘Reciprocity’ concepts as component parts. Moreover, Klein & Myers (1999, p.71) suggest that the process of interpretation itself is rotatory in its nature. While conducting a study, researchers should bear in mind that participants may have their own pre-understanding of a social phenomenon or concepts discussed. In order to contribute to a deeper understanding of CSC concept we have revealed and interpreted meanings of CSC, CSR, and ‘Reciprocity’ concepts through interaction with our interviewees. Thereby, by applying hermeneutics, as a method of analysis of research findings from the point of view of our participating organizations bearing in mind ‘hermeneutic circle’, we are able to investigate organizational perspective on CSC fulfillment.

Developing the idea of hermeneutics as an interpretive process, Annells (1996, p.707), while applying hermeneutics to nursing research, views language as a tool toward bringing “understanding and disclosure of phenomena.” Viewing hermeneutics as a study of cultural activity of people through texts, Kvalle (1996, in Laverty, 2003, p.9) attributes to texts not only written chunks of information but also “verbal communication, visual arts and music.” Furthermore, in the recent time, modern social researchers have expanded an application of hermeneutics as data interpretation strategy beyond textual documents on to “social actions and documentary phenomenon” (Bryman, 2012, p.560). Therefore, we have applied hermeneutics approach to analyze documents, collected for the purpose of our research. In other words, utilization of hermeneutics, as an approach toward analysis of textual data has been expanded toward interpretation of official company’s documents as well. Moreover in this case a special attention has been paid toward unique organizational context (social or historical).

According to Phillips & Brown (1993, p.1552-1553) there are several characteristics of texts which guide the process of interpretation. Because the meaning of texts produced by companies as well as information collected via interviews and transformed into textual format, “is inseparable from social and historical context of its production and presentation” (Phillips & Brown, 1993, p.1552), contextual aspect as a text characteristic is very important. Therefore, each of our cases has been analyzed considering organizational social and historical contexts. Moreover, the need to place a subject matter in its social and historical context is also led by interpretative approach to our research, as people are constructors of social reality. Interpretivists argue that relationships between people and organizations are constantly changing; therefore each separate case is analyzed as a “unique occurrence” (Klein & Myers, 1999, p.73). Applying hermeneutics to analysis of our documentary data, we have been examining official documents produced by companies as well as mass-media and virtual outputs bearing in mind specific organizational contexts in each of five separate cases.

Moreover, as the authors suggest (Bryman & Bell, 2011, p.563), hermeneutics can be applied to analyses of other types of data. Therefore, we have duly prepared our interviews by making a transcription. The next step, we have applied hermeneutics toward information in transcribed interviews. In other words, while interpreting empirical data we have linked the views of interviewees presented in textual format to specific contexts of each organization. Thus we are able to explain multiple organizational viewpoints on CSC fulfillment.
At the same time the uniqueness of each organizational setting does not mean that the research findings cannot be generalized. Walsham (1993, p.15) states that it is coherence of logical reasoning used in description of case results and conclusions drawing which matters, rather than statistical generalization of findings. In other words, theoretical or analytical generalization is applicable to interpretative (exploratory) case study. According to Walsham (1995, p.79) “the contribution of rich insight” is one of the four types of generalization from interpretative (exploratory) case study. Unlike positivists, who are concentrated on theory falsification, interpretivists’ interest lies in using theory as a tool “to view the world in a certain way” (Klein & Myers, 1999, p.75). This means that interpreting empirical data of organizational perspective on CSC fulfillment we are able to bring more clarity to the social phenomenon under study; bearing in mind that particular organizational setting cannot be wholly predictable across time and cases. Thus contributing to a richer insight of CSC concept, we conduct an analytical generalization of results of our study.

3.8. Ethical considerations

Quality of research findings is an important element of research design quality, hence it contributes to credibility of qualitative study (Saunders, Lewis & Thornhill, 2012, p.191-194). Ethical issues may arise at any stage of a research (Saunders, Lewis & Thornhill, 2012, p.236-247). Having made a decision to conduct a semi-structured interview, as a method of data collection, with the progress of our research we tried to ensure that our behavior, as researchers is ethical. Ethics in the conduct of the research is divided into three parts, namely, “informed consent; privacy, confidentiality and anonymity; and protection from harm” (David & Sutton, 2011, p.43).

Berg (1998, p.47) defined ‘informed consent’ as “the knowing consent of individuals to participate as an exercise of their choice, free from any element of fraud, deceit, duress, or similar unfair inducement or manipulation.” Our Letter of informed consent (Appendix 1) was developed with the aim of informing respondents about the purpose of our research and the way information obtained during an interview is going to be utilized. By signing a letter of informed consent, a respondent openly gives his/her agreement to participate in the interview and for the use of information for the purpose of the research. Having signed such a letter respondents were informed about issues of confidentiality (consent for the use of the company’s name, the name of an interviewee in the research), the format of interview (consent given to interviewer to take notes and record interview) and time-wise issues (the majority of interviews have been taken less than an hour) as well as contact information of the interviewer.

Exhibiting respect for the privacy of our interviewees, by requesting permission to ‘invade their privacy’ would be important in gaining their trust. This privacy can be exhibited in the manner in which we collect, store, and use any data gathered from our interviewees within the duration of our research (David & Sutton, 2011, p.47). This protection can be attained through anonymity and confidentiality. Having ethical issues in mind, we have approached our potential interviewee in the following way.

- Step 1: A letter-request for an interview either to a particular person, responsible for CSR issues or in ‘To whom it may concern’ manner has been sent to company’s e-mails. Information was retrieved from company’s official websites.
• Step 2: In a one-week period a telephone call has been made in order to find out the progress with the request.
• Step 3: Once a preliminary consent has been granted by a company, the date and time, convenient to an interviewee has been agreed. E-mail, containing a list of questions to be discussed during interview has been sent in advance.
• Step 4: In order to escape any violation of a person’s rights in terms of confidentiality (the data collected should not be disclosed for general use) and anonymity (a participant should stay unknown) on both organizational and personal levels, a Letter of informed consent (see Appendix 1) had been signed by an interviewee.
• Step 5: With the aim of avoidance of any information misinterpretation or subjective judgment, on a free consent of an interviewee, an interview was recorded with the use of a sound recording facility.
• Step 6: To avoid any information distortion and misinterpretation, after an interview was conducted, a word-by-word interview transcription was made.
• Step 7: In order to respect our interviewees’ privacy all information has been stored in a place, which does not allow for ‘information leakage’.
• Step 8: In pursue for research objectivity all case reports have been sent to appropriate interviewees for data verification. With the aim of research objectivity maintenance we state, that during analysis and presentation stage all data obtained via interviews were reported honestly, objectively and no data falsification has taken place.
3.9 Presentation of the format for each case study

Figure 3: Case study format

- Introduction to the company
- Motivation for our choice of the company
- Introduction to the interviewed personnel
- Introduction to the company’s CSR engagements
- Presentation of the empirical data
  - a) CSC
  - b) CSR
  - c) Reciprocity
- Analysis and discussion of the empirical data
  - a) CSC
  - b) CSR
  - c) Reciprocity
- Conclusion
4. Presentation of the Empirical Data and Discussion of Mahindra & Mahindra

4.1. Introduction to Mahindra & Mahindra

In the year 1945, the brothers J.C. Mahindra and K.C. Mahindra worked with Ghulam Mohammed to achieve a steel organization in Mumbai which they named ‘Mahindra & Mohammed.’ In 1947, India secured its independence. Mohammed left the organization and assumed the post of Pakistan’s first finance minister. The Mahindras decided to grow the product line of the company through the manufacture of Willys SUVs in Mumbai. They also rebranded the company as ‘Mahindra & Mahindra’ (Mahindra & Mahindra LTD., 2011) which has been abbreviated to ‘M&M.’ (From henceforth we will be referring to the organization’s name with: ‘M&M,’ ‘The Mahindra Group,’ ‘Mahindra and Mahindra,’ and ‘Mahindra & Mahindra.’)

The Mahindras bore strong belief in the fact that they could contribute to this new, independent India by developing simple, rugged modes of transport capable of handling Indian terrain. The Mahindra brothers were very interested in globalization from the very inception of the company and it wasn’t long before they sought out and successfully worked through collaborations with international organizations to extend their product line (Mahindra & Mahindra LTD., 2011).

Today, after more than 60 years in operation, The Mahindra Group has grown into a USD14.4 billion corporation. It employs more than 144,000 people across the globe with a significant presence in business fields like information technology, financial services, leisure and hospitality, engineering, and logistics among others. The organization’s products include those that have to do with aerospace, agribusiness, automotive business, components, construction equipment, consulting services, national defense, energy, farm equipment, finance and insurance, industrial equipment, real estate, retail, two-wheelers, information technology, logistics, and leisure and hospitality (Mahindra & Mahindra LTD., 2011).

4.2. Motivation for our choice of Mahindra & Mahindra

We mentioned our main criteria for our choice of companies in our Sampling section which lies in our Methodology section. In line with those criteria, the reason we chose to interview professionals at M&M was because the organization has been in operation for over 60 years. We realized that we stood to gain from experience like that. The organization is held in high prestige locally and is seen very often in the local newspapers and business magazines. This tells us that apart from its age, it is socially recognized for its work. The CSR budget of the organization seemed significant and it seemed to have a genuine desire to involve itself in CSR engagements. It also had a rich CSR history and had received many awards for its work in the field. M&M had been providing jobs to society from a time that preceded the independence of India. During those times India was home to the East India Company which many scholars believe is where CSR began due to which we ensured that it was discussed earlier to give our readers a firm foundation of the topic. The importance of our evaluation of the
organization’s perspective on CSR is because this is a pivotal area of discussion in our study on CSC and our interviews.

M&M is also a presence in a range of different industries and this is a benefit to our study because, despite not being focused on industries and comparison between companies and industries, a company with such a socially valuable presence in a range of industries adds significant value to our research. This value stems from the significant experience and expertise that dwells within the company as a result of how many industries it has a presence in and how many markets it caters to. The range of industries in which M&M has its presence implies to us that it has a lot of interaction with society. It is due to this that it seems to be very careful about these interactions and works hard in the CSR field to maintain this relationship. This is the reason we chose this organization considering how much CSR work it does and how close a relationship it has with society. With CSR being a part of CSC, and with our perspective as a management one, we thought it would be interesting to understand how the organization understood CSC.

We must also bear in mind that the organization is one that is very meticulous with its choice of staff. Many of them have a history of success and have attended some of the best academic institutions in the world. The descriptions of our respondents, found in the empirical section, reflect a lot of experience in their fields. Each of our interviewees is in a position to make decisions and execute them on behalf of the company. The success of the organization reflects not only that they are in positions of power but also that they are very experienced professionals. This was the reason we chose M&M and its management professionals for our research.

4.3. Introduction to the interviewed personnel

a) Sushil Singh: Sushil worked with Tata Steel before beginning his career with M&M. He is now completing his 6th year with M&M, holds the post of ‘Head of CSR,’ and works at the global headquarters of M&M, at Worli, Mumbai, India. He believes that Tata is still ahead of the CSR game, creating benchmarks, but that M&M is very close behind. Sushil reports to Rajeev Dubey who holds the post of ‘President of HR.’

b) Rick Haas: Rick, an American national that is now in India, completed 28 years with Ford Motors and close to 3 years with Tesla Motors before joining Mahindra and Mahindra as Vice President of Research and Development. He is now the Head of Global Product Development, with over a year of experience with M&M, and works in Chennai, India. Rick reports to Rajan Wadhera who is the Head of Technology, Product Development, and Sourcing.

N.B.: The interview with Rick was one that received general discussions in response to questions as he preferred to expand the focus of our questions and move it from M&M to a more industrial perspective. He also preferred to be mentioned as a professional in the automotive business field and not a representative of M&M.

c) Vijay Kalra: Vijay is the Global Head of Manufacturing for M&M’s automotive plants. He is based at the global headquarters of M&M, at Worli, Mumbai, India. Vijay reports to Pravin Shah who is the CEO of the Automobile Division.

d) Prince Augustin: Price has had a rich business career serving at management and top-management positions for 18 years in various organizations before joining
M&M. He is currently serving his 9th year with M&M as Executive Vice President for Human Capital. He too operates from Mahindra Towers in Worli. Prince, like Sushil, reports to Rajeev Dubey who holds the post of ‘President of HR.’
e) Valentine Sequeira: Valentine is an executive assistant of Prince Augustin. He operates from Mahindra Towers in Worli and ensured that he attended all of the interviews that we held at M&M.
f) Udit Tewari: Udit is also an executive assistant of Prince Augustin. He works alongside Valentine and operates from Mahindra Towers in Worli.

Table 2: Summary of interviewees from Mahindra & Mahindra

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Location</th>
<th>Duration of Interview</th>
<th>Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sushil Singh</td>
<td>Head of CSR</td>
<td>Mumbai, India</td>
<td>1 hour</td>
<td>English</td>
</tr>
<tr>
<td>Rick Haas</td>
<td>Head of Global Product Development</td>
<td>Mumbai, India</td>
<td>45 minutes</td>
<td>English</td>
</tr>
<tr>
<td>Vijay Kalra</td>
<td>Global Head of Manufacturing</td>
<td>Mumbai, India</td>
<td>1 hour</td>
<td>English</td>
</tr>
<tr>
<td>Prince Augustin</td>
<td>Executive Vice President for Human Capital and Leadership Development</td>
<td>Mumbai, India</td>
<td>30 minutes</td>
<td>English</td>
</tr>
<tr>
<td>Valentine Sequeira</td>
<td>Executive Manager at the HR department</td>
<td>Mumbai, India</td>
<td>45 minutes</td>
<td>English</td>
</tr>
<tr>
<td>Udit Tewari</td>
<td>Executive Manager at the HR department</td>
<td>Mumbai, India</td>
<td>45 minutes</td>
<td>English</td>
</tr>
</tbody>
</table>

The interviews at M&M are designed with a focus on the interview with the CSR manager. Other professionals have been interviewed to triangulate the information in Sushil’s interview to permit a sense of peer review and evaluation as mentioned in our Sampling section within our Methodology. We found a larger number of interviewees important for this company considering the number of industries it caters to.

4.4. Introduction to Mahindra & Mahindra’s CSR engagements

M&M has a wall dedicated to CSR at Mahindra Towers, Mumbai, India. It was unveiled on the 14th of September, 2009, to thank all the employees for their active participation in innumerable CSR engagements and to encourage them to do more. The organization pledged to contribute 1% of its profits after tax (of which 0.5% is expended by the management towards socially relevant activities within the CSR framework, and 0.5% is left to the domain of other Mahindra Group companies for
expense towards social causes), adopt 6000 Nanhi Kalis, support 6 government schools, provide 600 scholarships for the economically-disadvantaged, set up 2 Mahindra Pride schools for weaker sections of society, and donate 60 cochlear implants for to the aurally-impaired. This ‘Transformation’ wall exhibits some of the company’s award winning CSR engagements that have sought to provide strategic interventions to help a nation help itself. Some of the organization’s central CSR engagements are as follows:

a) Esops: ‘Esops’ stands for Employee Social Options. It was established in June, 2005; the organization’s 60\textsuperscript{th} year in operation with the aim to mobilize a powerhouse of energy to work towards 3 main focus areas of social work, namely, health, education, and environment. Esops is a set of social-work volunteering options that are created by the employees themselves based on the needs of the underprivileged that reside in the areas in which they work. It also relies on employees contributing their money and their time (i.e.: non-working and working hours) and efforts to address a social cause. The aim of Esops was to make giving back to society not only a management value but an employee and team value too. It was also established to make lasting impacts on lives, especially those of the underprivileged (The Mahindra Group, \textit{Esops Awards 2010}). Esops ensures that society understands that M&M’s CSR engagements are not restricted to cheque-book charity and that the organization is more than willing to go beyond its day to day operations to address, and attempt to solve, society’s problems (The Mahindra Group, \textit{Esops Digest 2010}).

b) Nanhi Kali: Girl-children from underprivileged families in India are often forced into early marriage, exploited as maids, and even exploited as child-prostitutes leading them from rags to ruin. Statistics show that out of every 10 girls from poor families that enrolled in Grade 1, only 3 complete Grade 10. The Nanhi Kali project is one that is jointly managed by the K.C Mahindra Education Trust (KCMET) and the Naandi Foundation. Through this endeavor, these not-for-profit organizations united professionals of the development sector to ensure that every girl child in India is provided with the opportunity to complete 10 years of formal quality education (The Mahindra Group, \textit{Nanhi Kali 2012}).

c) Cochlear Implants: A cochlear implant costs approximately $9,267 each. Children, below the age of 5, with hearing disabilities are provided with cochlear implants by the Mahindra Foundation following a medical assessment of their condition. 60 implants are provided on an annual basis (The Mahindra Group, \textit{Train of Hope 2011}).

d) Mahindra Hariyali: On October 2, 2007, M&M promised society that it would plant 1 million trees on an annual basis, nation-wide, to raise India’s green cover. By October 2, 2008, Mahindra had planted 1.2 million trees and exceeded its set target with the help of employees and community volunteers (The Mahindra Group, \textit{Mahindra Hariyali 2008}). Apart from the work and expenses, Mahindra drew up strict guidelines on how to work through the project calling on the expertise of many external professionals like the District Chief Conservators of Forests, NGOs, and local governing bodies (The Mahindra Group, \textit{Project Hariyali: Guidelines for Green Cover Initiative 2008}).

e) Lifeline Express: The Lifeline Express (AKA The Jeevan Rekha Express), which came to be known as the ‘Train of Hope,’ and the world’s first hospital on wheels, was launched on July 16, 1991. The objective was to provide healthcare and reach out to those that were unable to access hospitals and medical facilities. The Lifeline
Express motto is, ‘If a disabled person cannot reach the hospital, then the hospital should reach him or her.’ With a lot of support from the Indian Railway network, the motto came to fruition. (The Mahindra Group, Esops Digest 2010). So far 600,000 patients have benefited from the project. As part of the project, local services are secured at the various destinations to ensure that follow-up services are provided after the Lifeline Express has departed. This project served as a model to many other countries that sought to provide better healthcare to their citizens. Hong Kong, China, was very quick to jump on the bandwagon (The Mahindra Group, Train of Hope 2011).

Project Nanhi Kali was honored with the World Innovation Summit for Education (WISE) Award, by the Qatar Foundation, in 2009, for its provision of free education to underprivileged girl-children. The award was categorized under ‘Pluralism’ as it focused on educational activities that explicitly generated greater respect and understanding between communities and strived to achieve equality in education (The Mahindra Group, Esops Digest 2010).

Mahindra received 5 awards from the prestigious Public Relations Council of India (PRCI) on 4th April, 2009. One of these was in connection the Lifeline Express project (The Mahindra Group, Esops Digest 2010).

Mahindra’s Auto Sector was awarded the prestigious JSW TOI Earth Care Award in 2010. This was an award to mark the organization’s excellence in Climate Change Mitigation and Adaptation, through its various environment and energy-conservation engagements (The Mahindra Group, Esops Digest 2010).

With Esops as part of Mahindra’s daily life and as profits increase so will the organization’s CSR budget as this budget is dependent on the allocation of the 1% of profits after tax (PAT) that has been set aside for CSR. This method of CSR budgeting thus seems to rely, and place emphasis, on society’s reciprocity through the support of the organization’s CSR activities as a lack of support will lower the PAT and thereby the CSR involvement of the organization (The Mahindra Group, Corporate Social Responsibility 2012).

4.5. Presentation of the empirical data

4.5.1. CSC
As mentioned earlier, in our introductory section, our thesis is focused on evaluating the concept of Corporate Social Contract from the organizational perspective. We explained this concept to our interviewees and asked them if they believe that their organization and society are fulfilling what this contract demands of them and if the interviewees believe that the ‘corporate social contract’ can be fulfilled from both the side of organizations and that of society. This section is designed to focus on CSC and how organizations perceive the interrelation between CSR and reciprocity to affect the achievement of CSC. It is not designed to discuss CSR or reciprocity individually.

Sushil first discussed the key CSR projects that Mahindra and Mahindra have undertaken (which we have explained above) to bring us up to speed on the organization’s work in the field. He then explained how after a war in 1962 which was followed by a flood in Bihar, The Mahindra Foundation came into existence and
realized that there was more to be done within society apart from business. In 2005, the 60th anniversary of the organization, Mahindra and Mahindra decided that society’s needs needed to be met and that the organization needed to give back considering how well the organization had done over the years and the fact that it was very much in a financial and human-capital related position to give back. One of the foundation’s projects at the time was the reconstruction of the Pattori village in post-flood Bihar following which the village was handed back to the government of India in 2008.

Upon the discussion of reciprocity in terms of support from society, Sushil said that “Actually they are not mapped, those things, to tell you very frankly” (Sushil, S. 2012). However, he did discuss CSR engagements and the problems faced like Mahindra Hariyali, for example, requires space for its annual plantation of a million trees. Planting in the same state may not be easy as land may be unavailable at the time assigned by the organization to carry out the initiative. It is due to this that the organization allocates the carrying out of Mahindra Hariyali to different branches in different states in the country to be able to accomplish green cover on a national platform and not merely a state-based one. In October 2011, the initiative was carried out in Haridwar (reflected in the organization’s Sustainability Report for 2011) and in February 2012, it was carried out in Bihar (which will be reflected in the organization’s Sustainability Report following the completion of this year, 2012).

Furthermore, Mahindra Hariyali is one of the organization’s CSR engagements that seek to achieve ‘shared value’ between the organization and the community within which it operates as well as between itself and other organizations that seek to collaborate with M&M. At present, The Mahindra Group provides the funds to the Naandi Foundation who has helped the group accomplish many CSR engagements under the monitoring eye of The Mahindra Group. Danone has decided to work with Mahindra on the Mahindra Hariyali project having expressed its interest in seeking carbon credit; an interest that The Mahindra Group doesn’t subscribe to. The Mahindra Group’s interests lie in the increase of green cover, nation-wide. Regardless, the two organizations have come together with their different interests in order to attain ‘shared value’ between them and work towards a common social need. The Mahindra Group, through this project, has involved society at large by training them on how to prepare compost and work towards the plantation project. The organization then proceeds to plant fruit-bearing trees on land that belongs to society. The tree grows in the following 3 years and the land-owners end up with, in some cases, coffee saplings. This permits the land-owners to profit from the investments and initiative of The Mahindra Group by either using the fruit of the plantation for their own consumption or even profit through sales. Sushil says that this is how The Mahindra Group achieves ‘shared value’ with society through the Hariyali project. Such shared value also encourages land-owners to reciprocate by working hand in hand with such organizations that provide them with an opportunity to do business and earn an income through the sales of these natural assets which the Naandi Foundation markets for them. With the Naandi Foundation marketing the product of the Hariyali project other members of society are called upon to support and encourage the project by making purchases of the products of CSR initiatives thereby supporting the decisions of the land-owners.

Following a bit of probing about society’s reciprocation towards the CSR engagements of the organization, Sushil said, “We have never measured society’s reciprocation” (Singh, 2012). One example of reciprocation that we gave him, to try and probe further,
was the support of the organization’s operations through an increase in sales which translates into the support of the organization’s product. His response to our probing revealed a very interesting perspective. He said, “Our beneficiaries are living in the semi urban areas. They don’t buy our trucks. Product also varies” (Singh, 2012). However, Sushil did admit that he was sure of one fact; that the brand-image was soaring as a result of the CSR engagements undertaken and the hard work and time put into the planning and execution of the same. He said that there is a lot of society’s acceptance of, appreciation for, and participation in CSR engagements that the organization takes up. Engaging local NGOs also helps to make CSR engagements a success as they help bring attention to society as in the case of The Lifeline Express project. College students also serve as volunteers in areas where there are no employees to help out; this is all made possible through the facilitation of NGOs that draw attention to the project in various ways. Local NGOs like the Naandi Foundation are therefore given quite a bit of credit in facilitating society’s reciprocity to ensure the success of The Mahindra Group’s CSR engagements. Valentine also brought up how CSR-proactive The Mahindra Group is by stating that when graduate trainees are hired they are expected to conduct some CSR work (e.g.: Mahindra Hariyali, painting a school, etc) as part of their induction. “Especially in the auto sector, I remember, when you hire graduate trainees at their induction they’re supposed to do Mahindra Hariyali so they go” (Sequeira, 2012).

Peer-review on Sushil’s Perspective:

We find similarities in Prince’s interview and find that he was very much in agreement with Sushil’s point of view that both the organization and society, by and large, fulfill what the corporate social contract requires of them. He also has similar views on the fact that society’s reciprocity, and responsibilities to reciprocate towards an organization, has not been articulated by anyone in any way. He says that society has an implicit contract by which it states that it will abide by certain regulations and accomplish what it is expected to perform in response to the obligations meted out by corporations for which its members work. “…So society has an implicit contract that we will abide by some things which we are required to do as a part of an obligation meted out by corporations. But it is not explicitly spelt out” (Augustin, 2012). However, he ensures that we understand that this contract is not explicitly spelt out which is why, we understand, that it is not easy to measure society’s reciprocation.

Upon probing whether the organization has any expectations of society Prince said “expectations from society…we don’t do anything with expectations,” (Augustin, 2012). The reason why this is so, he says, is because if there are expectations then what the organization is doing is not social service because it’s then a contractual obligation and a business that is carried out. He says “We have not articulated it” (Augustin, 2012) and that the organization, for example, provides members of society with jobs and in response these professionals should keep themselves fit, upgrade themselves, work towards the goals of the company, etc. These are expectations that the organization has but hasn’t spelt them out explicitly. However, the expectations remain and are implicit in nature.

Vijay had similar points to Sushil and stated that CSC is “to be very frank, my feeling is it's more voluntary and there's more from corporation to society than keeping some expectations” (Kalra, 2012). The organization holds very few expectations to society.
Some of those few expectations may be involved with the image of The Mahindra Group (i.e.: not the brand image but an overall non-financial image of respect that can be commanded from society for the organization to be seen as a good one with a good value system; this is something Vijay believes the organization has achieved), society’s view of the organization’s value chain, etc. He feels that the organization shouldn’t have any expectations from society that exceed these and that CSR should be a one-way endeavor free of expectations of society’s reciprocity. Vijay says that CSC “I think it's not an ideal” (Kalra, 2012) and can be achieved and says that when we look at a business organization we understand that the returns are somehow linked, directly or indirectly, with how the organization is seen by society.

Rick ran us through some history and said that if we look at the last 50 years there have been a lot of changes in what society expected of organizations. 50 years ago the provision of jobs was a lot in terms of CSR. If we go further to less than a hundred years ago, what companies were making and what they paid in wages had a huge inconsistency. The operations of organizations about 50 to 60 years ago can be considered socially irresponsible today considering all the pollution, dumping into rivers, and the mutilation of animals in product-testing. The corporation’s main goal was to provide a profit for itself, pretty much at the expense of anything and everything. Work-weeks in the US now span 40 hours but back then they spanned about 60 hours or more with a day off to go to church or spend with the family. Expectations are very different now as corporations are not only supposed to provide employment but they need to provide safety at the place of work, provide wages that allow people to live, work people at numbers of hours that continue to shrink to permit more time with families (this is also happening in India to some extent), among many other things. Today companies are strict about what can and cannot be done and people even get fired after work-hours for behaving in an unacceptable manner because regardless of where the person is or what they’re doing, they represent the organization. This was not the case 20 to 30 years ago. Thus we see that society has grown to demand much more from organizations over recent times and organizations have had to implement regulations to abide by those demands. What society has demanded has had to do with attaining ‘sustainable organizations, sustainable society, sustainable economics, and a sustainable environment.’

Rick found the perspective of what organizations expect from society as an interesting one because not many people think of it that way. He says that “society is expected to provide quality, educated, competent people into organizations” (Haas, 2012). Organizations expect people at some point to be able to make the transition from the education phase to the phase where they make themselves available for employment. Society’s members are also expected to have a certain type of upbringing that will make them socially responsible so that they can contribute to the organization to help achieve organizational goals.

When asked about whether CSC was an ideal or if he thought it was achievable, Rick said that it has become more of a cooperative effort today as compared to how it was some years ago when organizations just did the work through CSR and seemed like it was forcing itself on society; and so he believes that it can be achieved and isn’t just an ideal.
Valentine stated that he believed that “both contributions, from the company and society, are going hand in hand. However the efforts made by organizations are a notch above the response from society.” In reference to Sushil’s response, he stated that The Mahindra Group’s list of initiatives mentioned by Sushil have showcased the organization’s contributions. In reference to society’s response to these initiatives he said that, “there has been a fair response to this in case of involvements from society in the form of volunteering and coming forward to support causes and build new socially responsible initiatives.”

Udit seems to echo the above in a very eloquent manner. He said that “the contract can be fulfilled, because instead of each party seeing the other as external or consequent stakeholders there has to be a need to internalize the interests of one group for the other. Corporations need to look at the society as an internalized stakeholder and vice versa.”

4.5.2. CSR

The current CSR budget
When asked about the current budget, Sushil said that he believes that it enables the organization to function efficiently and effectively in the CSR field. The budget is 1% PAT which increases on an annual basis with the annual income, as it has done this year. He believes that annual income will continue to grow as will the company’s profits, enabling the organization to be more involved in the CSR field as the organization makes its way into the future. “If you see our business results you’ll see. You can easily make out if you go to our site and check out the balance sheet” (Singh, 2012).

Prince stated that efficiency and effectiveness are very relative and that they depend on a person to person perspective. He says that the organization has a budget which it ensures “that it is spent very judiciously, and for a cause that it is planned for” (Augustin, 2012). To probe further we asked if the organization, with its plans for its set CSR budget, accomplished what was planned for efficiently and effectively and Prince said that he believed that it did.

Vijay agrees with Sushil and believes that the 1% of PAT does well to provide for the organization’s work in the CSR field. He also states that “it's a size of pie. If a size of pie is reasonably good then the one percent makes sense” (Kalra, 2012). If the organization has consistent improvement in its business years then the percentage allocated for the CSR budget increases.

Valentine is in agreement with Vijay and Sushil and says that “given the size of the organization, and the policy of allocating 1% PAT for CSR, I do believe CSR activities can be effectively managed in the budget.” On the other hand Udit seems to disagree slightly and feels that “it (the budget) does meet the need, but it needs to go up.”

Evaluating CSR success
We inquired about how The Mahindra Group evaluates its CSR-related successes. Sushil said that a lot of people in the industry have complemented the organization on its approach to CSR and its Esops idea. Sushil has expressed willingness, to his peers, to go out and engage in talks and discussions about the CSR work he does at The
Mahindra Group because it is for a good cause about which he says it’s pointless to be selfish and secretive with regard to such valuable information.

When probing further Sushil said that it is very easy to talk to the heavens about how much good work is done but, to legitimize it, “you need to have a 3rd party audit with a clean slate and tell you yes what they have done is indeed good” (Singh, 2012). An example he gave us was of the audit that was conducted of the Mahindra Hariyali project. The audit was conducted on the third year of the project considering the nature of the project (i.e.: to permit the trees to grow for three years before the audit could be carried out). To conduct the third-party audit, The Mahindra Group engaged the Bombay Natural History Society (BNHS); an NGO that has been in operation and has made it its business to conserve nature since the year 1883, thus giving its work a high level of legitimacy considering its experience that ranges over a hundred years. The BNHS chose different locations, where the Mahindra Hariyali project had been carried out, to conduct the audit on the various species of trees that were planted with consideration to factors like the natural and political elements. The third-party audit evaluates the impact that such a project has on society at large (which is also a third party), and so the auditors take on the role of society in their audits. The Forest and Environment Ministry of India deem a 60% average survival rate as one that is very good. The Mahindra Group’s Hariyali project received a 70% average from the BNHS thereby implying that it is of high social worth and a very successful project indeed. This will be reflected in the organization’s next Sustainability Report following the completion of this year, 2012.

We then asked what Sushil’s vision was in terms of CSR in the field in the next 5 years and he said that it was very clear from the head of The Mahindra Group. As long as the organization exists, it has pledged to continue its CSR initiatives with a focus on education, health and environment.

Prince said that The Mahindra Group’s CSR activities are well thought out and have high value in society. He said that the evaluation of CSR engagements within the organization encompasses a combination of feedback that is received, the utilization of budgets, benefits perceived and derived by society, the number of employees that participate, and a series of other measures. Prince said that if business goes well then the budget stands a good chance of. “It will budget and over a period of time it will see…it all depends on how business goes. If the business does well they will increase the budget. If the business does not do well; you can only cut a coat to the extent of the material that you have. If you don’t have enough material, how will you cut a big coat?” (Augustin, 2012).

Vijay said that one way of measuring the impact of the organization’s CSR activities is to understand the impact it has on the employees. He feels that employee-engagement, made easier through Esops, has been high. He also feels that it adds to the job-satisfaction of the employees by giving them a good feeling and it thereby adds value to their being with The Mahindra Group. We are made to understand that such projects as Esops have done a lot to help deliver the organization’s good will to society and increase the measure by which the organization has been able to address issues in society. Vijay also says that respect in society is generated as a result of the heavy employee-involvement, implying the organization’s corporate-culture that commands respect from society which adds value to the work. He says that such are the measures
of the success of the organization’s CSR engagements where something non-financial is received in return and employees also feel a better connection with an organization that has it in its policies to care for society and whose brand name is associated with goodwill in society.

Vijay believes that the budget of the company, with regard to CSR activities will increase with time. His reasons for this are that the employees are very involved, there is a lot to do in society, and that the organization has the financial potential to make a positive impact. Society, as well as the organization as a whole, believes in social responsibility due to which Vijay sees no reason why there won’t be more done in the field in the future. He says that “people relish this and all the reasons that we will be able to generate enough resources gives me the feeling that both are going up” (Kalra, 2012). All the factors are in place for the making of a bigger and better CSR presence in the field.

Rick says that The Mahindra Group is an organization that is as socially responsible as they come and has raised the waterline for everybody not just for itself. Rick believes that from what he’s seen at The Mahindra Group, the organization will be more likely to raise CSR and sustainability budgets than a lot of other organizations are in the next 5 years. He also says that if there happens to be a pull from society, he thinks it will increase at a faster rate. He bases this opinion on his understanding of the culture and core philosophy of The Mahindra Group. “Again, it's a pull or push kind of thing. I think maybe the possibilities are reasonably good that a company like Mahindra... its core philosophy would be more likely to increase in going forward than less likely.” (Haas, 2012).

Valentine said that “there is a central CSR cell that measures the activities. However intangibly it can be measured through successful articles in various publications.” Udit stated that CSR-related successes are measure through “GRI Reporting and (the measure of) Carbon Footprints in some areas.” However, when asked if these methods provided precision on the organization’s outlook on its CSR successes, he said that it was “to some extent, but not adequately.” Valentine said that “as time progresses, the company's approach towards sustainability is changing and growing at a faster rate. Globally CSR is perceived more than just "giving back to society" but also part of the business' goals and sustainable strategy.” Udit stated that “once the CSR budget involves internalized interests and not external interests we would see that the budgets involve huge outlays for increased expenses. This is the way of the future where we can no longer work without sharing back with the society.”

### 4.5.3. Reciprocity

**Expectations of society**

We asked what The Mahindra Group’s expectations of society are, in terms of society’s supportive response to its CSR engagements, and also asked if the organization had any at all. Sushil responded by showing us the huge collection of trophies that he had in his office that were awarded to the organization for its many CSR activities, the most recent we found was received by the organization on the 13th of February, 2012. He said that the work was what the organization focused on and that the awards were just one method that society used to show appreciation for the work done. Sushil said that they “get some every year. We do the work, we don’t worry about awards. That is all
immaterial.” (Singh, 2012). He said that satisfaction came from accomplishing goals and experiencing society’s appreciation in the CSR field.

Rick says that “the thing you want society to do as you start rolling out initiatives to become more sustainable, to become more responsible, is you want people to accept what you're doing, embrace what you're doing, and frankly, at some level pull your wallet out and spend more money on my product that on somebody else's product because I'm making an attempt to be responsible, sustainable, and do something good for the environment” (Haas, 2012). It would also encourage the organization to do more in favor of the environment and society at large. The question, he says, is, “How many people would do that?” He thinks the answer would be, “Very few.”

Valentine felt that the company does have expectations of society in supportive response to the organization’s CSR engagements. He said that society could “help in partnering with organizations various CSR activities so as to widen the reach and be more effective.” Udit stated that The Mahindra Group expected society to envision the “opportunity to help us (i.e.: The Mahindra Group) raise their (i.e.: society’s) standards in life so that they (i.e.: society) can be partners in the Indian Growth Story.”

**Corporate motivation for Reciprocity**

When asked if the organization does enough to motivate support for its CSR engagements, Prince said that he believes that the organization does an OK job at attracting society’s supportive response to its CSR engagements. He also believes that much more can be done in terms of efforts to make the initiatives more engaging. When asked if he has heard of any reluctance from society with regard to the initiatives he said that he hadn’t but that the focus of his words had to do with “spending enough time on that to create engagement” (Augustin, 2012) to avoid the risk of society’s reluctance. By making it more engaging it attracts society’s desire to be involved more often implying involvement on an ongoing basis which we understand would be of great value to the organization. Prince said that the engagement of society depends on the type of program and the impact of the benefit that the program has on a sustainable basis. If the sustainability of the impact is short then the engagement is short and if it is long then so will the engagement be too.

Vijay feels that the organization does a lot to motivate society’s support. There are also requests that come in to direct the organization’s attention to areas that society sees could use CSR initiatives. These requests, Vijay says, are not just from NGOs but also from communities that reside near Mahindra plants. Vijay and Valentine state that it’s not about providing a cheque to be seen in the newspaper the following day but about voluntary employee-involvement through Esops. At the end of it all, Vijay says, involvement with society for a good cause is a win-win situation. Valentine stated that he did believe that the organization does enough to motivate support of its CSR engagements from society. However, Udit believed that it “needs to do more and mobilize opinions.”

**Reciprocity-related motivation to increase CSR activities**

We then asked what kind of support from society would stimulate The Mahindra Group to increase engagements in CSR activities. Prince responded by saying that support from society could be achieved through the involvement of employees, the connection
of various communities within society, and the creation of symbiotic relationships between the two.

Vijay thinks that The Mahindra Group is doing enough at the moment. In reference to the Mahindra family’s resolve to better society, Vijay said, “They genuinely feel they need to do something. So the entire organization is involved” (Kalra, 2012). He said that every month’s performance has a review done on it the following month and that the review tends to begin with a discussion on how much more The Mahindra Group can do and what kinds of stimuli may influence this push to do more. He says that such a discussion is part of the evaluation of the performance of The Mahindra Group and is placed in the review. This review is one example of a factor that motivates the organization to do more.

Valentine believed that “extensive support from the government, media, and society” would definitely stimulate the company to increase engagements in CSR activities. Udit agrees and emphasizes that the company stands to gain from a lot more publicity through “mass media and ICT (i.e.: information and communication technologies).”

**Society’s response to the CSR projects**

In reference to the CSR projects undertaken by Mahindra, Sushil said that if we thought about it, everything done touches life and the lives of people. We interpret this to mean that all the CSR projects undertaken by The Mahindra Group touches life and that all who partook in these CSR endeavors, regardless of whether they were from the organization or from society at large, shared and were party to this life-giving and life-altering experience and were definitely positively-impacted forever thus motivating society’s reciprocity. When asked about how society’s response to these particular projects that have ignited professional pride, are perceived, Sushil felt that The Mahindra Group had received a lot of reciprocation in terms of support and participation in the CSR engagements from society. Society has proved to be very generous with its time and efforts in order to make the organization’s initiatives a success.

Prince is proud of the CSR engagements that M&M developed. He believes that there are a lot of activities that the organization has been engaged in, in which the organization “actually wants to give to society what it has taken” (Augustin, 2012) and utilized, that brings out a sense of achievement, satisfaction, and pride in the professionals that comprise the workforce of the organization.

Vijay stated that there are many CSR activities that he as a professional at The Mahindra Group is proud of. He said that there is a plant close to Hyderabad that is located close to a community that has a lot of blindness issues. Catering to those needs is not a one-time project but an ongoing project that The Mahindra Group has taken on. The organization has involved a lot of hospitals and highly qualified medical doctors in the project. We asked if there was any reluctance from society to participate. Vijay said that “there was some reluctance initially” (Kalra, 2012) considering the literacy rate of the community, but that it all changed when they saw the quality in the program and the qualified medical professionals that were available to look into the problem. The initiative with regard to blindness began about a year and a half ago and is ongoing. Apart from this initiative there have been significant blood donations through Esops.
When asked if such initiatives are employee-generated or organization-generated, Vijay said that most of them are employee-generated but the organization does see the necessity in supporting them. Sometimes employees are even allowed to conduct activities through work hours. In the last 6 years, through its plant in Nashik, the Mahindra Group’s employees have adopted 22 children that have a rare blood disease and it provides a blood-supply to these girls whenever they are in need of it. These children are registered and are aware of their donors (i.e.: the Mahindra employees) and are guaranteed this support for as long as they need it and blood donations are permitted during work hours too.

4.6. Analysis and discussion of the empirical data

4.6.1. CSC

Firstly, we notice that most of the employees prefer to discuss the history of CSR in their countries when discussing CSC. In reference to our literature review, we discussed the history of CSR there so as to not allow the discussion of CSR history mentioned in our empirical data to take our readers by surprise. Yes, we understand that different countries went through different experiences but some sort of prior idea on the history of CSR is important to understand the empirical data because post EXIM (export-import) and globalization the country-by-country history of CSR merged to form one massive expansive of CSR history. It’s interesting that our interviewees discuss their own country’s history as it gives us insights not only into the history of CSR but their individual perspectives on the same. A sense of pride can be felt when Sushil discusses the CSR engagements that the organization has engaged in and how proud he feels that his department has performed well.

The organization’s desire to work hand in hand with other organizations so as to accomplish something significant in the field of CSR is also made evident to us. Examples of collaborations between The Mahindra Group and organizations like Danone and The Naandi Foundation makes the convictions of The Mahindra group clear to us. We believe that this organization is truly interested in the field of CSR and is striving to make a change. It is also striving in the direction of sustainability, both corporate and societal, so as to ensure that it is in line with the Brundtland report’s encouragement to work at present times to secure a future for society. This is reflected in the Hariyali project and the Mahindra Shubhlabh project, to name a couple, which help land owners and farmers significantly improve the quality of their harvests through the provision of a portfolio of high quality seeds and then develop their businesses by arranging to sell their harvests overseas and import foreign fruit into the country. These projects are very much in the direction of shared value where the company gives back to society and society sees the benefits available to it and reciprocates through a willingness to pay with their resources of time and trust by involving itself in the process of The Mahindra Group’s CSR engagement by providing the land, the work hours, and the harvest for its own profit. From the organization’s point of view it’s CSR but it also includes corporate citizenship as both the corporation and society work hand in hand as equal citizens for a sustainable future. Thus we can interpret that the organization does a lot of CSR work and thereby believes that it fulfills its end of CSC. We can also interpret through the discussion on shared value that the organization works to motivate society’s reciprocity through the development of CSR projects that
aim to achieve shared value through co-operation and thereby increase willingness to pay within society.

We discovered that the organization doesn’t conduct its CSR engagements to increase sales as its sales depend on whether or not there is a market for what it’s selling and if at all there is reason for society to invest. Sushil said that the beneficiaries of the CSR engagements like Mahindra Hariyali, live in semi-urban areas and that they don’t buy Mahindra products like trucks and that there is no need to advertise what is being done in terms of CSR because society notices and evaluates everything. We also learned from Valentine that CSR is built into the hiring process of graduate trainees. To us, this implies that The Mahindra Group doesn’t seek to sell their products to these landowners and thereby obtain some sort of financial gain from their CSR engagements. This makes the thoughts behind the CSR engagements seem genuine in the organization’s efforts to better society and increase societal opportunities.

We were led to understand from what Prince said that the contract of reciprocity that society has with the organization is implicit. We understand that meeting deadlines as employees, providing organizations with educated, skilled, and trust-worthy professionals is part of this implicit contract. However, we are led to believe that the organization doesn’t engage in CSR with expectations of society because CSR engagements would then be considered business activities. This is understandable as business is conducted to exploit commercial opportunities. If CSR was considered a commercial opportunity by corporate policy, society’s response would most definitely not be as favorable as it has been for The Mahindra Group. It is for this reason that we understand Prince to imply that expectations are implicit in nature and, more importantly, cannot and should not be explicitly transcribed in the corporate policy structure.

Vijay viewed CSC as ‘very voluntary’ and as more a contract fulfilled from the organization’s side, in favor of society’s well-being. We understand this voluntariness to stem from the fact that the contract is implicit. Vijay says that CSR should be a one-way set of actions from the organization to society and that there should be no expectations from organizations with regard to society’s reciprocity. He also believed that CSC can be achieved and that society’s support (i.e.: what we consider to be reciprocity) is very important for a company to have especially when the company is in business-related trouble. He, however, assures us that the organization would not abuse such support and knowingly get into trouble just because it has society’s support on its side. We understand this to imply that Vijay feels that The Mahindra Group has done well in securing the support of society, without holding expectations of the same, and has managed to experience society’s reciprocity and support in action due to which CSC is achievable. However, whether it is achievable on a consistent basis is debatable and open to discussion as this is the area where every organization strives to do better.

Rick, Udit, and Valentine shared the same views on the subject. Rick stated that the expectations on society were purely implicit and in the direction of the provision of skilled and educated people to the organization. Valentine stated that reciprocity was witnessed on many occasions as society involved itself in the CSR engagements of the organization. Udit stressed that the importance of CSR is to give back to society and that for it to be successful, every organization needed to internalize the needs of society. We were quite clear on the fact that the managers at The Mahindra Group were very
open about sharing their positive views on the organization’s efforts in the CSR field. The reason for this was quite obvious to us as the organization was very much involved in the field and had the policies, results, and societal response to prove it. They are absolutely certain that the organization does its bit in the CSC by being a good corporate citizen through its CSR engagements. They are aware that the CSR engagements are appreciated through proactive reciprocity from society through its involvement in the organization’s CSR engagements. And so they are of the opinion that shared value has been achieved and that CSC is indeed achievable and not just a mere ideal.

4.6.2. CSR

The current CSR budget
Our interviewees generally felt that the budget provides sufficient finances to meet societal needs effectively and efficiently. This budget seems to be spent very carefully in a manner that seems to cater to large needs as in the case of the Mahindra Hariyali project and the Lifeline Express project. We understand that the organizations can only give what it has in its possession as this permits sustainable CSR involvement considering its consistent 1% contribution to the CSR cause regardless of profit drops or increases. If Udit’s thoughts materialize, and the budget increases, we understand that it will only serve to cater to society’s needs with more efficiency and effectiveness. We understand that from a corporate citizenship point of view 1% seems quite a sizable piece of the profit-pie and earns the organization the respect of the non-corporate citizens that make up society.

Evaluating CSR success
When we asked about how the organization evaluated its CSR-related successes Sushil discussed how others in the industry had complemented the organization and how he was willing to share the organization’s best CSR practices as it is owed to society and frivolous to hold in secret what can impact society in a beneficial manner. To us, this reflects a high degree of transparency with which The Mahindra Group operates in the CSR field because it is highly appreciated by their industrial peers as well as society at large. It also implies that the organization’s peers have taken notice of The Mahindra Group and perhaps see its practices as a benchmark for corporate citizenship and sustainability. Sushil also discussed the importance of third-party audits to evaluate the quality and value of the organization’s CSR engagements for society. We realize that a third-party audit is important because an unbiased third party is brought in with a clean slate to evaluate the work and validate whether the work is worthy of praise or not. The results of the audits conducted on the organization’s project have indeed reflected the high quality in the organization’s work as well as its value to society. We have also noticed that Mahindra ensures that the auditors that run the audit are reputable firms. We noticed that not all the respondents knew how exactly the successes of the organization’s CSR engagements were evaluated. We also got mixed opinions of whether the methods used to evaluate provided the organization with a clear quantification of the successes. However, one thing was clear; quantified at all or not, quantified accurately or not, the organization handles itself very well in the CSR field. Thus when we consider our CSC model we realize how carefully and well organizations handle their filling out the arrow from the organization’s CSR to society’s reciprocity, thus fulfilling its end of the CSC. This supports our understanding of the discussions held in the CSC section where Sushil and his colleagues claim that they are the organization’s part of the CSC is met with sincere commitment.
The professionals at Mahindra & Mahindra are convinced of the position of the organization. For an organization to be able to operate at 99% profit after tax it has to be a very confident company in the most capable of hands. Running a background check through informal conversation at the Mahindra offices we discovered that the chairman, Keshub Mahindra attended school at the prestigious Wharton school of business and handed charge of the company to his nephew 14 years ago. His nephew is Anand Mahindra whose alma mater is the prestigious Harvard School of Business and who graduated magna cum laude. It is due to this that we are led to understand why the professionals the work at Mahindra and Mahindra feel so assured of the quality of the management and the ability to give away 1% of the profits in CSR endeavors.

Giving away this 1% for the benefit of society is not a very common gesture from companies. The employees are quite sure that not many organizations exhibit such confidence and seem to indirectly boast about this by challenging us to find any other organizations that have such a policy. The employees are very clear on the organization’s vision for the future and its pledge to be active in the CSR field for as long as it the organization exists. We believe that this stems from their confidence in the skills of the family that owns the company and their conviction in the thought that the family seems honest in its desire to give back to society.

However when asked for opinions on whether the 1% will increase we received different perspectives. Opinions were mixed; some saying that while the 1% remained the same in percentage, the contribution would increase as the profits increased. There was a lot of confidence placed on the company’s caliber and in the idea of increased profits in the near future. The respondents expressed that it would take some time to increase the 1% to a higher percentage and to us, this sounds fair because the 1% itself is difficult to be found as a policy in other companies. This reflects to us that the organization feels quite content with its current position on CSR and feels it stands as some sort of a benchmark in the industries that it caters to in terms of corporate citizenship and sustainability. We also saw that the importance of the pull factor from society was considered important in the discussion of whether or not the CSR budget will increase in the future. We are led to believe that the degree of society’s appreciation through reciprocity will fall under evaluation if at all the company will decide to increase its CSR budget in the future. This gives our study a lot more validity with companies gaining more power through their bettering financial years. When such companies want to increase the rate of their giving back to society, they will need to evaluate the need for such action. Society stands to lose if it failed to reciprocate in any way while the company was growing stronger through an expression of its unwillingness to pay through lack of participation in the CSC. Our understanding is also supported by other interviewees that believe that the company has to internalize society’s needs as doing so would be the way to the future through the manifestation of the concept of shared value.

4.6.3. Reciprocity

Expectations of society
When discussing Mahindra & Mahindra’s expectations of society and whether or not they had any Sushil said that the organization focused on the CSR mission and not on the recognition. We understand that the organization’s vision thus disallows it to hold expectations from society and ensures that it focuses on the work it has set out to
accomplish. However, he did mention that the organization was very much recognized for its work in the field and that satisfaction came from society’s appreciation some of which was expressed through the several trophies and awards received. These were physical artifacts that reflected proof of excellence in the field of CSR and the recognition of society of the same. We understood that the organization didn’t ask for the appreciation or the awards but that its work in the field commanded sufficient respect to earn those awards. This was also a way for society to take notice and let the organization know by reciprocating to reward the organization’s good work with an award to show its appreciation.

Rick discussed reciprocation in terms of sales and told us how reluctant society is when it comes to reciprocating in that manner. He also discussed the choices that society makes when buying products and how it often picks a lower price over a company that has invested in a sustainable approach to manufacture a slightly more expensive product. We understand what he says to mean that society, as a whole, makes it out to seem like it cares about many issues but when the time comes to put its care into terms of financial support (i.e.: willingness to pay), and the decision of society at large is broken down into the individual decisions of its members, the level of concern seems to diminish drastically.

Valentine expressed that the company does have expectations. We feel that he and Udit make a valid point in discussing the benefits of partnership between the organization and society. This permits the organization to practice as a corporate citizen and help develop society’s standards of life with the involvement of society and in a very effective manner. To have the expectation that society should participate sounds very logical to us.

**Corporate motivation for Reciprocity**

While investigating whether or not the organization does enough to motivate society’s reciprocity, Prince said that much more can be done despite how well things are handled at present. Prince said that the organization needed to make the CSR engagements more attractive to motivate reciprocity. This, we believe is not just advice for The Mahindra Group but also for other organizations as well. He does admit that this is a difficult feat to accomplish, however we feel that once done it will almost ensure a significant increase in the organization’s motivation for society’s reciprocity.

Vijay stressed that the organization tends to work on CSR projects that are closer to its branches to bring direct benefit to the communities residing there which includes its employees and their families in those areas. We understand that Vijay and Valentine are emphasizing that the organization wants to make its CSR engagements personal to the communities in the areas the Mahindra branches exist. We understand that this is something that bodes well with society and motivates its support and desire to approach the organization for help. We agree with Vijay when he said that involvement with society is a smart move on the part of the organization.

Udit had a very interesting point to make when he said that the organization “needs to do more and mobilize opinions.” We understand this to mean that the organization stands to gain not only from the thoughts and ideas of its employees and the needs of society, but also from what people think of possible outcomes of the CSR engagements. Such opinions and other creative ideas may come from outside closed door management
meetings, perhaps from employees that are much junior and overlooked but have varying views on CSR engagements.

**Reciprocity-related motivation to increase corporation’s CSR activities**
When asked about society’s motivation for the organization to increase CSR engagements Prince had a very interesting answer through which he summarized the necessary factors. He discussed the symbiotic relationship between employees and various communities within society. This, we feel, is an important factor before even considering motivation from society. It seems like he tends to prompt a thought that questions whether or not the organization has a worthwhile, valuable relationship with society to begin with. We understand that he implies that if such a relationship that represents value to both the organization and society has been achieved, then motivation in itself has been developed. We interpret this motivation to encourage not only CSR activities but reciprocation from society as well, thereby permitting the two parties to move in the direction of fulfilling CSC.

Vijay is of the opinion that The Mahindra Group is doing enough in terms of CSR and is sufficiently motivated through the combination of internal and external factors. Vijay sees the policies set by the Mahindra family as ones that motivate the employees to work with genuine interest in the CSR engagements that the organization undertakes by spending time and budgets judiciously. We realize that The Mahindra Group is focused on earning the respect of society and ensuring that society noticed that it is part of the organization’s raison d’être to contribute to societal betterment. We understand Vijay’s view as one that helps us understand that society realizes how much is being done and is already appreciative of it, and that there are many factors that serve as stimuli for the motivation of organizational CSR initiatives both from within the organization and outside.

Valentine and Udit seemed to agree that the company could gain a lot from publicity through the media and that support from the government and society would be significantly beneficial to it too. We agree with this point of view as it somewhat supports what Prince said. Publicity to notify society of the opportunity to involve itself in the organization’s CSR engagements and educate it on the benefits of the same would help develop the symbiotic relationship that the two parties require to work their respective ends in the CSC by developing an understanding between the two. We also understand that support from the government and society would motivate the organization to do more in the CSR field by portraying its acceptance as a corporate citizen through this support.

**Society’s response to the CSR projects**
We understood from our respondents’ words and facial reactions that there was a great sense of pride when they discussed the organization’s CSR projects and successes. Sushil put this across to us in the best manner possible when he said that everything done in the CSR field touches life. We interpret this to mean that all the CSR projects undertaken by The Mahindra Group touches life and that all who partook in these CSR endeavors, regardless of whether they were from the organization or from society at large, shared and were party to this life-giving and life-altering experience and were definitely positively-impacted forever.
In a discussion to understand how the organization perceived society’s response to those projects that the interviewees said triggered pride in them, Sushil discussed the amount of time and efforts society has put into the CSR projects that the organization engaged in to make them a success. Prince discussed an example of this through the cochlear implant initiative. We understand this to mean that if society didn’t judge the quality in the CSR engagement based on the organization’s image it would choose not to reciprocate by participating, thereby rendering the CSR engagements meaningless. However, society’s desire to participate (i.e.: willingness to pay) reflects to us that it does trust the company and in the quality of its CSR work due to which it decided to reciprocate. The success of the Lifeline Express project is yet another example of our comprehension.

Vijay also talked about a plant of the company that was located near an area where people had a lot of blindness issues. We understand that due to literacy rates in some parts there was some reluctance to participate (i.e.: reluctance in the willingness to pay with resources of time, trust, etc.) but that the quality reflected in the professionals involved in the CSR projects gave society a lot of reassurance thus turning society’s mentality around to participate and thereby be willing to pay. Vijay stated that such projects as catering to those needs and those met by projects like the Lifeline Express project were not one-time engagements but ongoing ones. This to us reflects determination in the CSR cause and serves as one reason for why society seems to trust the organization and in the quality of its work. Vijay’s discussion of the blood donation through The Mahindra Group’s employees in favor of the girls with a rare blood disease and the corporate flexibility offered to employees to meet these needs of society are also examples of why society seems to hold the organization in high regard. It is also a reflection of how much participation the organization has both from within and how much it has noticed has come from society.

Considering that Mahindra operates with the status of an established organization we understand that society is familiar with the company. We also understand that it is due to this familiarity with the quality of the organization’s work that society tends to reciprocate and has a high willingness to pay due to which the organization hasn’t experienced a lot of reluctance from society in terms of reciprocation and society understands this while recognizing the quality of the CSR projects engaged in by M&M. The organization has been sincere and meticulous in its endeavor to achieve shared value to promote co-operation and benefit both itself and society. The organization also doesn’t ask a lot of society in terms of reciprocation. It is due to this that society reciprocates with participation in CSR projects and the organization is content with the level of the same. And so we understand how the reciprocity arrow is filled out by society and the CSC is fulfilled by both parties.

4.7. Conclusion for Mahindra & Mahindra

Research Question for Mahindra:
How does Mahindra fulfill the corporate social contract and how does it view society’s commitment towards fulfilling its end of the contract?

From what we have learned from our discussions with the professionals at The Mahindra Group, the organization realizes that it can only attempt to fulfill the end of the contract that pertains to the company and that it is determined and consistent in its
efforts to deliver with regard to this half of the contract. Its perspective on Corporate Social Contract is one that reflects a great sense of corporate citizenship and service-related responsibility felt by the organization. When asked whether the organization feels that CSC is fulfilled by both itself and society, responses were very focused on how much the organization is dedicated towards the betterment of society and how its policies reflect the same. Responses also reflected that the organization doesn’t have articulated policies that require society to respond in any particular manner but that its vision focused on how much it could do for society instead.

The organization is focused on CSR and has proven to take this responsibility very seriously indeed. Its various CSR engagements have had a significant impact on the members of society who have witnessed the organization’s CSR projects and the positive results of the same. The Mahindra Group adopts a policy that is rarely seen in other organizations in the world who claim to have a strong presence in the field of CSR; it allocates 1% of profit after tax to CSR. Despite this exhibited commitment some professionals at The Mahindra Group believe that more can and should be done although they generally believe that the CSR allocation permits the organization to deliver its end of the CSC efficiently and effectively.

The reciprocation of society, in its participation in the CSR projects of The Mahindra Group, tends to reflect its acknowledgement of the quality of the undertakings as well as its acceptance of the organization’s various social endeavors. Testament to society’s reciprocation, apart from the its participation in the organization’s projects, is the innumerable CSR awards that the organization has won based on society’s realization of the organization’s achievement of shared value, the audited and verified quality of the organization’s CSR programs, the transparency of the organization’s best business-practices in the field of CSR, and its ever-willingness to teach the same to other organizations regardless of national boundaries. The organization is convinced that it does ample to earn the respect of society and its acknowledgement of the organization’s sincere work in the direction of fulfilling its social responsibilities through CSR in order to thereby fulfill its end of the CSC. Despite this general belief among the professionals at The Mahindra Group some do feel that the CSR projects can be made more engaging and that the government can do much more in the direction of encouraging such organizations to become more CSR conscious and sustainability-driven.

Having considered the current position of The Mahindra Group, with regard to the progress of practical business as well as social engagements, the organization’s representatives are confident that the organization is on the right path for the future. Firstly, and most importantly, they are certain that the organization has a bright future as a result of how it operates in the business world and the social one. It is aware that society stands to gain from its existence and its success because at present 1% of that success is allocated to the betterment of society. So, logically, the measure of The Mahindra Group’s investment, interest, commitment, and contribution towards the progress of society is directly proportional to society’s reciprocal investment, interest, commitment, and contribution towards the organization. This mirrors the logic put forward by Wilson in 2003, that we mentioned in our Corporate Sustainability section; “corporate sustainability recognizes that corporate growth and profitability are important, it also requires the corporation to pursue societal goals, specifically those relating to sustainable development – environmental protection, social justice and equity, and economic development” Wilson (2003, p.1). The representatives of the
organization are very direct when it comes to this logic as well as they all seem to say that the better business is for the organization the greater the increase in the profits and thereby the greater the increase in budgeted involvement in the field of CSR in order to satisfy the organizational side of the CSC. All in all The Mahindra Group is clear on its vision for both present and future members of society; “so long as this company exists we will continue with our CSR initiatives” (Sushil, S. 2012).
5. Presentation of the Empirical Data and Discussion of Vattenfall

5.1. Introduction to Vattenfall

Vattenfall is one of Europe’s largest generators of electricity and heat producers. The company is active in generation, distribution and sales of its main products, which are electricity, heat and gas (sale only). In addition, Vattenfall is also engaged in energy trading and lignite mining. (Vattenfall AB (2012 (a), p.II). Vattenfall counts off its birthday from 1909, when the Swedish state engaged into quite new for those times, hydropower electricity generation technology (Vattenfall AB (2012 (c). Nowadays the company produces energy from six different sources, including coal, natural gas, nuclear power, water, wind and biomass (Vattenfall AB (2012 (a), p.14). As of electricity generation breakdown by sources in 2011, the greater half (51%) was made up of fossil fuels, like coal and natural gas; the other half was divided mainly between nuclear power (25%) and hydro power (21%) (Vattenfall AB (2012 (a), p.II). Though for renewable sources of energy (wind, biomass) fell only 3% of total generation mix (Vattenfall AB (2012 (a), p.II), the company has made big advances in comparison to 2010, when the total share of renewables made up 2% (Vattenfall AB, 2011). Vattenfall’s European expansion was started in 1996 through the entrance to Finnish and Germany electricity markets (Vattenfall AB (2012 (c). In 2011 Vattenfall served approximately 13 million customers across Europe (Vattenfall AB (2012 (a), p30), as in addition to Sweden, Germany and the Netherlands, which are the company’s core markets, operations were also conducted in Belgium, Denmark, Finland, France, Poland and the UK (Vattenfall AB (2012 (a), p.II). Vattenfall Group, as a 100% state –owned company, is one of the biggest employers in Sweden and the EU, with approximately 34,700 employees (Vattenfall AB (2012 (a), p.II), whose operational profit in 2011 made up SEK 23,209 million (Vattenfall AB (2012 (a), p.1).

5.2. Motivation for our choice of Vattenfall

The scope of Vattenfall’s operations, which is a European-wide, the societal importance of services that the company provides, as well as the impact that production process makes on environment have motivated us to include the company to our research. Another reason is that Vattenfall, conducting business in a sustainable way, sets an example in industry and may serve as a benchmark for other companies to operate alike. Thereby increasing the general level of companies’ consciousness. At the same time, we should not forget possible negative environmental impact that Vattenfall’s activities may exert. Bearing this in mind the company published its first sustainability report in 2002, which was transformed into Corporate Social Responsibility Report in 2003. Starting from 2003 Vattenfall has published 9 CSR reports. “In the annual Corporate Social Responsibility (CSR) report we describe how Vattenfall integrates economic, social and environmental concerns in our business activities and in contacts with our stakeholders” (Vattenfall AB (2012 (d).

In Methodology part we have argued for such criteria of a company’s choice as societal recognition, years of operation, employment coverage and impact in general. Having studied Vattenfall AB website, including its CSR report 2011(Vattenfall AB (2012 (b) we have recognized that Vattenfall’s impact on society and the planet may be both positive and negative. Therefore, taking into account positive impact that Vattenfall exerts on society, as provision of heat and energy may be treated as services of public
benefit, as well as being an important job-provider in nine countries across the globe, Vattenfall conducts business responsibly by constantly trying to minimize its negative environmental impact, which the company’s operations may exert on the nature, as well as bearing in mind transparency with regard to these issues, we believe that Vattenfall AB is a right choice for our research.

5.3. Introduction to the interviewed personnel

Choosing a person to interview within Vattenfall Company we were guided by the idea of professionalism of an employee and the level of a person’s acquaintance with the company’s CSR engagements. Therefore, Magdalena Ellfors, working at the staff function unit of Vattenfall on CSR engagements was our choice. Working with CSR issues, Ellfors (2012) has been involved in coordination of CSR engagements. That is working on recommendations, composing reports and follow ups. According to Ellfors (2012) her sphere of competence has been lying in “…coordination rather than supervising projects …finding gaps where we are not good enough and suggesting measures.”

Table 3: Summary of an interviewee from Vattenfall

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Location</th>
<th>Duration</th>
<th>Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magdalena Ellfors</td>
<td>CSR unit</td>
<td>Stockholm, Sweden</td>
<td>43 Min</td>
<td>English</td>
</tr>
</tbody>
</table>

5.4. Introduction to Vattenfall’s CSR engagements

Taking into account the specificity of services that Vattenfall provides in terms of its value for society, as “access to energy is a precondition for the function and development of society” (Vattenfall AB, 2012 (e), the company partners with society on many issues. Conducting a sustainable business, the company identifies sustainability as reaching a balance between varying interests and sometimes conflicting needs of different stakeholders. Therefore, Vattenfall has classified its stakeholders, according to potential impact that both stakeholders and the company itself may exert, in four major groups: society, customers, internal and financial (Vattenfall AB, 2012 (b), p.5-6). Therefore, “listening to, understanding, and balancing the varied and sometimes conflicting priorities of different stakeholders is a core part of Vattenfall’s corporate social responsibility, and interaction with stakeholders is an ongoing process in almost every part of Vattenfall’s operations” (Vattenfall AB, 2012 (e). Vattenfall’s pursuit of the idea of balancing the company’s operations and investments in energy solutions on economic, environmental and social dimensions, incorporates CSR engagements into sustainable development of business.

According Vattenfall’s CSR Report (Vattenfall AB, 2012 (b), p.4), “overall CSR responsibility at the Group level rests with Vattenfall’s CEO.” At the same time staff function lies only in coordination of practices of CSR implementation by each business division with respect to its area of expertise and responsibility.
**Current initiatives at Vattenfall**

**Sustainable Cities Partnership** is a project directed on coordination of activities in academia, business sphere, municipalities and other stakeholders with the aim of transforming the energy market towards sustainable energy consumption. “To a large extent, this has to do with taking a holistic approach to the municipalities’ energy consumption and finding new solutions” (Vattenfall AB, 2011). Uppsala, Amsterdam Berlin and Hamburg are the cities with which Vattenfall cooperates “on grounds of energy efficiency” (Ellfors, 2012) with the ultimate goal of making those cities sustainable.

**One Tonne Life** project is directed on studying possibilities of cutting ‘carbon footprint’. It is an experiment, which has been started in 2011. A family has been living in an energy efficient climate-smart house in order to research a possibility of decrease a person’s yearly emission of carbon dioxide from seven to one tone without sacrificing the quality of life (Vattenfall AB, 2011).

**Energy Efficiency Education Programme** includes promotion among retail and industrial customers efficient use of energy as a means to reduce environmental impact (Vattenfall AB, 2012 (b), p.8-9). In addition to initiatives and activities to increase efficiency which are performed across Vattenfall’s operations, this programme involves promotion of products and services which help to use energy in a more efficient way.

**Human rights screening** is a process of auditing of Vattenfall’s suppliers’ policies and practices on compliance with human rights support and other aspects of the UN Global Compact, such as labour standards or environmental impact (Vattenfall AB, 2012 (b), p.21). Within Vattenfall (Vattenfall AB, 2012 (b), p.20), “human rights issues are handled as an ordinary part of day-to-day business activities.” Even though the majority of its operations Vattenfall conducts in European countries with well established regulatory basis, in some cases such a CSR due diligence is performed. A year and a half ago, Vattenfall together with seven other European utility companies, have created “Better Coal Initiative”. Members of this Initiative check their suppliers on adherence to human rights, and respect of safety rules, “we are trying to look into standards and auditing schemes” says Ellfors (2012) in order to guarantee that the whole process is sustainable. The same is spread to biomass procurement, as working with developing countries such issues like cutting biomass on protected land areas or unplanned cut of biomass, which may cause land erosion or child labor issues may arise (Ellfors, 2012).

**Sponsorship** activities, as a reflection of the company’s pursuit to become a good corporate citizen, cover the areas of sport, culture, as well as humanitarian and environmental concerns. In addition to sponsorship on a corporate level, which has been marked by partnership with the International Ski Federation and the World Childhood Foundation, Vattenfall has been sponsoring a range of local projects in countries of its presence (Vattenfall AB, 2012 (g)).

5.5. **Presentation of the empirical data**

5.5.1. **CSC**

The discussion on CSC has been started with explanation of special conditions and the uniqueness of Vattenfall’s operations. It was progressed with the interpretation of CSR
engagements and their place within company’s pursuit to sustainable business development. Later on reciprocity concept has come into play. According to Ellfors (2012), the fulfillment of corporate social contract concept as a balance of mutual societal and organizational expectations, “is not the status quo as it is”, because companies have to balance societal needs with their own expectations toward society. The Swedish state, as the owner, requires Vattenfall to be engaged in CSR activities as a range of different practices. Moreover, as a utility company, which satisfies basic needs of people in light and warmth, by provision of electricity and heat, Vattenfall is “dependent on having good long term relationships with society” (Ellfors, 2012). Therefore building good, long-term relationship with society is of a critical importance for Vattenfall. According to the EU legislation, production and generation of electricity should be separated from distribution and sale” (Ellsfor, 2012). Energy business is a subject to many regulations. In addition, investment time horizon is quite long in this business field. Therefore, it is important for electric or energy utility company to have a predictable stable market with known incentives and regulations. In addition to customers, another important block of stakeholders is formed by politicians, legislative and regulating bodies “because they set the framework for our (Vattenfall) operations” (Ellfors, 2012).

Giving a definition to CSR, Ellsfor (2012) has stated that it is hard to clearly define CSR, as there are many definitions of CSR, but the company does not have one. Ellsfor (2012) understands CSR as “… running financially viable business in responsible manner above compliance and doing the right thing in order to earn a license to operate.” Moreover, the company lately has been drifting away from CSR concept toward the concept of sustainability. Vattenfall is aimed at a combination of earning profit in a short-term perspective with earning the trust of society for a long term. Though, in March 2012 Vattenfall produced ‘Corporate Social Responsibility Report 2011’ (Vattenfall AB, 2012 (b), this report did not contain CSR definition. However, through the discussion of impact that the company exerts on society, Vattenfall views its responsibility in contributing “to sustainable development of society while providing energy solutions that meet customers’ – and thus society’s – needs” (Vattenfall AB, 2012 (b), p.22). In other words, organizational responsibility to “manage impact on society” (Ellfors, 2012) has confirmed that being an infrastructure company Vattenfall has a huge environmental and social impact: “… basically we are expected to provide electricity at all times, at no costs, without environmental impact, if we summarize it.” The same is supported by triangulated issues that Vattenfall is trying to resolve in order to correspond with three pillars of the EU’s energy policy; namely: how to stay competitive, secure energy supply, and minimize environmental and climate impact” (Vattenfall AB, 2011).

5.5.2. CSR

CSR budget
Due to the specificity of business, all CSR engagements are conducted within specific business projects and are budgeted from business-related departments. Therefore, Vattenfall does not have a special budget for CSR activities. Because stakeholder dialogue is an intrinsic part of conducting business, “it is difficult to distinguish…this is CSR, this is not CSR” (Ellfors, 2012).

Due to the fact that CSR activities are the part and parcel of each particular business project, it is hard to estimate and predict the total budget Vattenfall spends on CSR
practices. However, at the time when an interview was held, the CSR department had been in the process of reorganization. Though future responsibilities of CSR managers were unclear at that moment, a general direction on department’s enlargement supported by Ellfors’ (2012) words “we were only three people before and now we are going to be seven” has indicated the importance of CSR issues to Vattenfall Company.

**Evaluating CSR success**

It is hard to discuss CSR projects separately, because they are a constituent part of different business projects. “I would not say that it is a CSR, it is just our normal business” says Ellfors (2012). Therefore, it is a responsibility of each business unit to evaluate projects’ success.

According to Ellfors (2012) regulation is not the only stimulus to practice CSR. CSR engagements in terms of sponsorship are driven by the need to have good societal relations, as “if you have a better brand value, than it is easier to do business” (Ellfors, 2012). At the same time, Ellfors (2012) admits that sponsoring a cycle race in Hamburg Vattenfall was interested in promoting company’s brand, so that people would form a positive attitude toward the company. Nevertheless Germany has been identified as one of three core markets, on which Vattenfall keeps its focus (Vattenfall AB, 2012a, p.7), sponsorship engagements have many more reasons than a mere strategy implementation. Another reason is cooperation with other associations while being engaged in sponsorship practices. Thus, people get to know about the company and its CSR activities and may want to start working for the company. In the meantime Ellfors (2012) also considers sponsorship projects as such that are “very difficult to measure” because of their multi-dimensional nature and multiple societal impact.

5.5.3. Reciprocity

**Expectations of society**

Stability, investment in infrastructure (distribution, transition) and long-term incentives (emission trading system, carbon tax, electricity certificates, and green tariff) is the pledge of increase of share of electricity produced from renewable sources of energy. If a person buys Bra Miljöval (good environmental choice) a certificate which confirms ‘green’ origin of electricity issued by the Swedish Nature Association, he/she pays an extra premium for that. Ellfors (2012) has stated that only few customers are willing to pay an extra premium for ‘green electricity’. At the same time she explained that investments in renewable sources of energy are not consumer-driven: “it is rather the EU regulations… and national regulations” Ellfors (2012).

Vattenfall’s expectations of politicians and authorities, engaged in regulating the energy sector lies in having a stable environment to operate: “we need to have long-term perspectives we cannot have subsidies one year and next year do not” (Ellfors, 2012); the same should be applied to environmental regulations and carbon-trading system. In terms of expectations of local communities Ellfors (2012) stated that, “if we are doing what we supposed to…if we are following the laws and regulations we expect to get permits, a license to operate” without any delays or additional requirements. The interviewee corroborates information provided in ‘Corporate Social Responsibility Report 2011’ (Vattenfall AB, 2012 (b) about the importance of having a constant dialogue with society. At the same time Ellfors (2012) admits that requirements and expectations are very context specific. For example, in Sweden, in order to get an environmental permit a company is obliged to have a dialogue with local communities, people who live in a close proximity to a potential power plant or a coal mine.
However, these examples are not CSR representatives, as compliance with laws and regulations is something that each and every company must do, while CSR engagements presupposes activities beyond required level. And Vattenfall has a clear understanding of it.

Vattenfall expects cooperation from “different players of society” (Ellfors, 2012), as agreement on the need to buy hybrid cars should be established, such cars should be available on the market as well as relevant infrastructure should be developed. Talking about societal expectations toward Vattenfall, the company views them in terms of avoiding human rights infringement: “anti-corruption and those things we are just expected to behave as a good corporate citizen” (Ellfors, 2012). The company checks its supply chain for compliance with human rights. Nowadays, the company operates within the EU “were lots of those things are regulated, we are not getting up with developing countries were companies have larger responsibilities because of violations” (Ellfors, 2012).

5.6. Analysis and discussion of the empirical data

5.6.1. CSC

Discussing CSC it has been revealed that the CSC concept unlike CSR, was quite new to the representative of Vattenfall company. Analyzing Ellfor’s (2012) view of CSC as an ideal state of balance between organizational and societal expectations, we can derive that fulfillment of CSC concept by all parties is rather a rare occasion than a practice. This is due to multiplicity of stakeholders groups and their, sometimes conflicting, interests and expectations. Sustainable approach towards conducting a business views CSR as integral part of its day-to-day activities. Environmental concerns, issues related to energy efficiency, as well as constant stakeholder dialogue and supply chain nurturing are the major pillars on which Vattenfal’s sustainable way of doing business is based. As have been discussed CSC is a mutual meeting of expectations by both parties on constant basis. Vattenfall’s fulfillment of its end of the contract is supported by the citation from the company’s website, stating that within the framework set by society, “Vattenfall is committed to meeting society’s need for energy in a responsible and sustainable manner” (Vattenfall AB, 2012 (e). According to Lozano (2009, 2011) CSR is one of the means to do it. Thereby we can deduce that Vattefall’s CSR engagements are conducted with the help of an active interaction that the company has with society with the aim of reconciling and meeting stakeholders’ expectations.

5.6.2. CSR

Vattenfall’s view of sustainability as a combination of earning profit and establishing good, long –term relationship with society through CSR, is what Porter & Kramer (2006, 2011) called ‘shared value’ motive for CSR engagements. Ellfors (2012) has clearly stated that the company is much more readily engaged in those projects which satisfy stakeholders’ expectations and bring benefit to company at the same time. This is corroborated by the sustainable projects that have been implemented by Vattenfall, including Sustainable Cities Partnership, One Tonne Life project, Energy Efficiency Education Programme, Human Rights Screening. Each of the abovementioned projects brings benefit to both society and the organization. Moreover, our discussion has revealed that Vattenfall’s sponsorship activities are triggered not only by company’s desire to become a better corporate citizen, but also self-intrinsic motive of creation of
the company’s positive image. Thereby we may assume that Vattenfall is an adept of those projects which create a ‘win-win’ situation to both, the company and society.

5.6.3. Reciprocity

Increase of the share of renewable sources of energy in total generation mix has been achieved as a part of Vattenfall’s strategy fulfillment and is viewed as business diversification. Ellfors (2012) has explained that only few customers are ready to pay higher price for ‘green electricity’. This corroborates Unruh (2011) statement that people are not ready to pay more for ‘green’ products or services, at the same time readily punish those companies, which do not act responsibly. At the same time Ellfors (2012) does not view an increase of customers’ willingness to buy wind power as a reciprocal action from society. She explained that the company does not expect customers to feel an obligation to buy electricity from renewable sources of energy, as investments in ‘renewables’ to a great extent are dependent on regulations on European and local levels, rather than driven by a customer demand. And therefore, Vattenfall has certain expectations in terms of stable operational environment from politicians and authorities, engaged in regulation of the energy market, as societal representatives. In terms of local communities Vattenfall does not have any additional expectation beyond a ‘license to operate’. Thus, if the company fulfills all norms and obligations as well as is engaged in a dialogue with those affected by potential company’s operations, there should not be any unrealistic expectations or impediments on the company’s way of receiving a permit for doing business. At the same time, some projects demand cooperation of different stakeholders. Here, Vattenfall expects involvement of customers, regulating authorities, politicians and all interested parties in project realization, as only mutual consent can result in a successful and efficient outcome.

5.7. Conclusion for Vattenfall

Research Question for Vattenfall:
How does Vattenfall fulfill the corporate social contract and how does it view society’s commitment towards fulfilling its end of the contract?

The case study of Vattenfall has shown that the CSC concept as mutual and reciprocal support of certain activities by both parts society and the organization has found its practical implementation in sustainability concept and shared value approach toward CSR engagements. Sustainability reflects the need to balance expectations, needs and interests of all stakeholders, while shared value implements this idea in practice by finding those areas were all parties find their own benefit. For example, checking its supply chain for human rights, safety rules compliance, or environmental impact, Vattenfall not only spreads sustainability principle and brings benefit to society, but by nurturing its suppliers the company also secures the constant flow of materials, products and services. Vattenfall understands societal expectations as conducting business with having in mind environmental, social and economic concerns, thereby fulfilling its part of CSC. Engagement into constant dialogue with society helps to identify societal expectations that are to be met. In terms of organizational expectations toward its CSR engagements, as a part of sustainable way of doing business, they do not surpass expectations of having a stable economic environment and obtaining a permission to conduct a business, in an easy and comfortable way. Even though, Vattenfall does not use such terminology as CSC concept, it is an adept of balancing of expectations of different stakeholders with the aim of achievement of mutual benefit.
Vattenfall believes that CSC can be fulfilled only on condition of balancing expectations, needs and interests of both society and organization, which is rather hard to achieve and is unique in each particular case. Vattenfall fulfills its end of the contract by conducting sustainable business where CSR is an indispensable part. In terms of organizational expectations of societal reciprocal activities, they are placed within the realm of a stable operational environment and easiness in obtaining ‘a license to operate’. There is a tendency toward incorporating CSR in business strategy and practicing it in a day-to-day activity.
6. Presentation of the Empirical Data and Discussion of Microsoft Ukraine

6.1. Introduction to Microsoft Ukraine

Microsoft, a young IT company was established in 1975 in the US. Since then the company has grown to the worldwide leader in software, development and provision of services and solutions that help people and businesses realize their full potential. Approximately 95,000 people work for Microsoft worldwide, making the company one of the largest employers (Microsoft, 2012 (b)). Microsoft Corporation offers a wide range of software products and hardware for personal and business use including operating systems; server and productivity applications; business solution applications; desktop and server management tools; software development tools; video games; and online advertising (Microsoft (2012 (a), p.11). The company’s operating income in 2011 made up 27.16 bill USD (Microsoft (2012 (a), p.9). Developing of its geography in 2003 “Microsoft Ukraine” was established. The company’s activity on the territory of Ukraine is directed on development of software market and know-how introduction and localization (Microsoft Ukraine 2012 (a)).

6.2. Motivation for our choice of Microsoft Ukraine

Microsoft exerts its societal impact as one of the biggest job-providers worldwide and the largest IT Company. During past three decades the development of new technologies has changed people’s life style: way of communication, work and recreational activities. Microsoft has been the leader of these changes from the day of its establishment (Microsoft (2012 (c). Nowadays many people are acquainted and use the company’s products and services. Microsoft Corporation being one of the largest companies in the world is fully aware of responsibilities attached to such a high position and contributes to societal development of countries/territories/regions of its presence across the globe.

Realizing a scale of influence that the company possesses, Microsoft pays back to society through responsible way of doing business and serving communities. Looking for a greater transparency of its business, Microsoft started to publish its “Citizenship reports” in 2003 (Microsoft, 2012 (c). So far 8 Microsoft Citizenship Reports has been published with the latest ‘Microsoft Citizenship Report 2011’ available (Microsoft (2012 (a). Moreover, Microsoft has a good position worldwide in terms of social recognition of its responsible behavior. E.g.: in the ranking CR Magazine’s 100 Best Corporate Citizens, Microsoft was named among the Top 3 Best Corporate Citizens for 2012 (Meisner, 2012).

Even though the branch of Microsoft in Ukraine is not the biggest Ukrainian job provider, it has a centralized approach toward CSR. In 2010 Microsoft Ukraine was ranked 2nd in the Best Employer Study by Hewitt International, “Onlandia” project won the top honors across all nomination categories of National CSR Case Contest; Microsoft Ukraine was named the Philanthropist of the year, thanks to Software Donation Program and NGO Connection (Microsoft, 2012 (d)).

From the abovementioned we can assume that Microsoft Ukraine meets our criteria of company’s choice, discussed in Methodology Chapter, in terms of impact that the
company exerts, the level of CSR engagements, and social recognition of the company’s practices directed on social and economic development of territories of the company’s presence. This makes Microsoft Ukraine a good choice for our study.

6.3. Introduction to the interviewed personnel

Our choice of interviewees was motivated by the professionalism of our respondents and their knowledge possessed within the sphere of our interest. Yaryna Klyuchkovska, in our opinion, as PR and Citizenship Director of Microsoft Ukraine is an appropriate candidate to have a discussion with on corporate social contract and related issues. Being in charge of and supervising the company’s CSR initiatives, as well as staying in constant contact with media, Mrs. Kluchkovska has provided us with a general perspective on CSC, CSR and reciprocity issues. Meeting our request for a ‘second opinion’ on the same issues Mrs. Kluchkovska kindly advised us to conduct an interview with Aleksandra Chuvakova. As an employee, responsible for coordination of social programmes, implemented by Microsoft Ukraine, Mrs. Chuvakova has appeared to be a valuable interlocutor. She provided us with more detailed explanations of social projects, which are currently implemented, at the same time corroborating information provided by our first interviewee. Thus, we have obtained two perspectives on general and local levels which allow us to obtain extensive amount of information to conduct our research.

Table 4: Summary of interviewees from Microsoft Ukraine

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Location</th>
<th>Duration</th>
<th>Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yaryna Klyuchkovska</td>
<td>PR and Citizenship Director</td>
<td>Kyiv, Ukraine</td>
<td>40 min</td>
<td>Ukrainian</td>
</tr>
<tr>
<td>Aleksandra Chuvakova</td>
<td>Social programmes coordinator</td>
<td>Kyiv, Ukraine</td>
<td>1 hour 11 min</td>
<td>Ukrainian</td>
</tr>
</tbody>
</table>

6.4. Introduction to Microsoft Ukraine’s CSR engagements

As a successful corporation Microsoft acknowledges its responsibility to use available company’s resources in order to make a positive impact on territories were the company conducts its operations. “Microsoft’s mission is to help people and businesses around the world realize their full potential” (Microsoft, 2012 (a), p.6). This is achieved through corporate citizenship behavior. Microsoft’s view of citizenship lies in the company’s commitment to serve the needs of communities and work responsibly. Working with partners, applying innovative technologies and using the company’s labor and financial resources Microsoft Ukraine makes its input into solving societal challenges and economic opportunities creation. Following the company’s mission Microsoft Ukraine constantly works on improvement of its CSR activities and creation of new opportunities for people of Ukraine by providing support to NGOs, investing in education, providing assistance to locals, enhancing accessibility to modern technologies and supporting innovative sectors of economy (Microsoft Ukraine, 2012, (d)).
Microsoft Ukraine social initiatives

Microsoft behaves in such a way if the company were a citizen of a country where it operates. There are four main directions according to which the company works in Ukraine. These are:

- Innovations in education
- Electronic government
- Development of labor resources
- Support of IT cluster (Chuvakova, 2012).

Innovations in Education
By establishing cooperation with secondary and higher educational institutions, the company increases the quality of technical education and innovation level of Ukraine. “Partnership in Education” is a project which supports the innovative development of education and for the moment this project has covered 470 000 teachers. One of the participants of “Partnership in Education” Iryna Friedman (history teacher) has developed an innovative project for children to study history with the use of computer technology, and took the second place at the All-European contest among teachers-innovators (Chuvakova, 2012).

Talking about educational sphere it is worth to mention a project called to secure children’ safety online. “Onlyandia” is a joint initiative of “Partnership in Education” programme and socially responsible business, NGOs with the support of public figures. “Onlyandiya” website was established for the use by pupils, parents, teachers and partners. This website holds interactive courses, dictionaries, curriculums and provides free safe e-mail for children on the basis of Windows Live Hotmail. This programme was established in 2008 and have covered 160 000 people.

Electronic government
The idea behind Electronic government is to increase transparency and work efficiency of state authorities. So far only Kyiv and Dnepropetrovsk have been covered by this programme.

Development of labor resources
Working in partnership Microsoft Ukraine pays special attention to people’s education of information technologies, as computer literacy increases competitiveness of a job-seeker on labor market. With the help of IT people can expand their opportunities and change their lives for better. Since 2009, 50 ‘IDEA’ centers have been established. Microsoft Ukraine within its programme “Software Donation” has been granting software for free to public organizations. IDEA-centers have been establishing on the basis of public organizations which have been giving computer courses to population. “It could be work with the youth or work with elderly people, or unemployed people, or work with entrepreneurs, because each organization has its own target audience and they carry out certain courses” (Chuvakova, 2012). By providing such computer courses Microsoft Ukraine serves the needs of population by increasing competitiveness of people on job-market.

Support of IT cluster
Projects within this direction are called to improve quality of technical education in Ukraine, to provide students and young professionals with valuable experience, to
secure free access to new technologies, which is a prerequisite for Ukrainian software creation, as well as to promote innovations, development of Ukrainian IT market, which will result in stable economic growth. The development of an IT cluster is composed of four parts. It is “Dream Spark” programme, innovation contest “Imagine Cup”, IT Academy and also Microsoft Student Partners Programme, Biz Spark.

“Microsoft Student Partners” is a programme which supports students of IT specialties who are enthusiastic about Microsoft technologies. Microsoft Ukraine supports them in conducting seminars or IT clubs. ‘Dream Spark’ promotes student’s personal development based on utilization of Microsoft technologies. ‘Imagine Cup’ is a worldwide contest with social directedness. ‘Biz Spark’ is a programme called to support start-ups by granting a three-year free usage of Microsoft technologies for the purpose of start-up development.

**Employees’ charity initiatives**

Employees of Microsoft Ukraine take part in different charitable actions, directed on improvement of quality of life for people with limited possibilities (Microsoft Ukraine, 2012, (b). According to Employees Voluntarism Programme, there are three days a year, which are paid as additional vacation days, which employees may spend on helping those public organizations, which he/she chooses by him/herself. Another bottom-up Microsoft Ukraine initiative is “Matching Policy” Programme. Within which employees can announce a money raise with a charitable purpose; then Microsoft Ukraine doubles the sum, which has been raised by employees, thus making its own input.

### 6.5. Presentation of the empirical data

#### 6.5.1. CSC

Both representatives of Microsoft Ukraine Klyuchkovska (2012) and Chuvakova (2012) have stated that corporate social contract as meeting reciprocal expectations is not fulfilled by business and society equally at the moment. Different stakeholder groups have different expectations. According to Klyuchkovska (2012), the state views payment of taxes by companies as a part of their CSR engagements in Ukraine. From this perspective, CSR is seen as something that companies are forced to do, unlike CSR as a voluntary engagement. At the same time, the state stays deaf to the company’s presentations of the scope of its social initiatives and problems with violation of intellectual property rights.

Interestingly, the company’s studies have shown that people in addition to some general expectations of companies (paying taxes, being a good employer, providing products/services of a good quality), hold different expectations toward different companies. “They have much higher expectations toward us than to our competitors,” says Klyuchkovska (2012). “Microsoft, give us for free!” is another expectation that society holds towards Microsoft, according to Klyuchkovska (2012). “We just do not have a culture of value” complains Klyuchkovska (2012), supporting her words with an example of the launch of cloud server where people may start using Office online with initial payment of 2 USD per month. However customers view such price as an expensive one. At the same time, towards Google that violates customer’s privacy by screening e-mails to place an advertisement, people have lower expectations than
toward Microsoft. Klyuchkovska (2012) agrees “we want expectations to exist and when they are met we want some reciprocation and gratitude as well.”

Another important expectation, which “many groups of stakeholders do not fulfill” (Klyuchkovska, 2012), concerns people’s consciousness in terms of intellectual property rights observance. By entering Ukrainian market Microsoft felt obliged to put efforts in developing Ukrainian market to create a favorable environment for the company’s stakeholders through CSR engagements. At the same time Microsoft Ukraine observes that people are not willing to pay for software they have been using, thus infringing legislation in the sphere of incorporeal rights. Even though the Law on intellectual property rights was enacted, “nobody abides it” says Klyuchkovska (2012). The state itself is one of the biggest pirates. “The level of piracy in Ukraine is 84%” states Klyuchkovska (2012). Thus, receiving lower income than the company should have, Microsoft Ukraine does not have a possibility to increase its investments into CSR practices with the pace it had planned. It is not only Microsoft Ukraine who suffers from law infringement, basically any industry, any sector where goodwill is present such violations exist. Piracy problem is a global one, but in Ukraine it is especially acute.

With the aim to fulfill its part of CSC Microsoft Ukraine is engaged into CSR initiatives within four main directions outlined in the previous section. These programmes have different target audience and different purposes but common to all of them is coverage and accessibility. Each project tends to cover a large amount of people, thus providing people from small towns with an opportunity to join the company’s programmes. E.g.: approximately 40% out of 50 IDEA-centers “are established in towns with less than 10 000 of inhabitants” (Chuvakova, 2012).

There are programmes typical for entire organization and those which are implemented on local level as well as those, which are directed on a particular stakeholder group. At the moment, Microsoft is in the process of strategy transformation with putting a major emphasis on youth as the key audience. Having identified ‘skills gap’, which “means that skills that people are receiving in the course of academic study and those skills which are demanded by the market are different” (Klyuchkovska, 2012), Microsoft Ukraine has addressed this issue by implementing educational programmes. With the idea to develop labor resources “IDEA” centers, directed on increasing computer literacy of population was established.

According to Chuvakova (2012) Microsoft Ukraine has a system of IT cluster development. Students may take part in ‘Microsoft Student Partners’, ‘Dream Spark’, then IT Academy, participate in ‘Imagine Cup’ contest and keep working on their innovations within ‘Biz Spark’. According to Chuvakova (2012), so far in Ukraine approximately 300 start-ups within ‘Biz Spark’ have been supported. This programme may be seen as a part of developing the company’s partner chain. As in the future those who took part in this programme “may become our business-partners” says Chuvakova (2012). During interview both Chuvakova (2012) Klyuchkovska (2012) have mentioned that a team of innovators, representing Ukraine at ‘Imagine Cup’ contest was among leaders. By the way, after the interview was conducted, Ukrainian team became a winner of ‘Imagine Cup’ contest with “a gadget that translates sign language for people who don’t sign” (Ross, 2011).
Behaving as a corporate citizen, the company believes that it does enough in terms of fulfilling its part of the contract; it is society who does not fulfill its end of the contract thereby breaking the concept of CSC. In support of such a statement Chuvakova (2012) has brought a personal example. As a professional who has a great experience working for different NGOs, she was head hunted by Microsoft Ukraine. The key factor that convinced her to accept a job offer was the company’s interest in cooperation with public sector. “...Well, the thing that business works responsibly has inspired me,” admitted Chuvakova (2012).

6.5.2. CSR

Discussing CSR, Klyuchkovska (2012) and Chuvakova (2012) has stated that corporate social responsibility is a part of a broader notion of corporate citizenship. In this case CSR is about the way of doing business. For example, all the company’s products have accessibility features built-in, which means that people with impaired vision could use them. “And this is a big part of CSR and this is not about events, this is about how we construct our products” (Klyuchkovska, 2012).

CSR budget

The CSR budget of Microsoft Ukraine is not really a discussable figure as Microsoft Corporation produces an annual aggregated figure. “Well, in figures we cannot name the budget... but we are going to continue to allocate money and we are not going to decrease the budget” says Klyuchkovska (2012). Moreover, Klyuchkovska (2012) has declared a clear dependence between a significant increase of the budget and the company’s level of income. “If the state legalizes software, we will invest in certain programmes which will help the state to increase its competitiveness” (Klyuchkovska, 2012).

At the same time Chuvakova (2012) argues that a CSR budget is not a correct parameter of the level of CSR engagements or future plans: “the question is not about the volume of a budget itself, but about effectiveness of its utilization.” In a project success it is not only money that matter, but also people’s time, their expertise. In addition to volunteering for the benefit of NGOs, many Microsoft employees volunteering on Microsoft Ukraine’s social projects, (Onlyandia, IDEA-Centers, Software Donation) in the capacity of trainers, external professional consultants. Moreover, the company has many partners, who invest their time, like NGOs, who spend their own time to conduct trainings within IDEA-Centers or students, who develop their projects which are supported by the Microsoft Ukraine later on.

Evaluating CSR success

In evaluation of the process of social initiatives “the major indicator is a goal which should be attained” (Chuvakova, 2012). Because each project has its own goal, different methodology should be applied. “Software Donation” Programme could serve as a good example of the company’s active engagement into realization of social initiatives. During four years of Programme existence, the company has donated software for 2 mln USD, 1 mln USD of which fell on 2011. Yearly increase of the number of teachers engaged into “Partnership in Education” Programme composes 30%-50% (Chuvakova, 2012). Therefore, the success of these programmes should be measured differently.

Microsoft Ukraine engages in those social initiatives, where the company can bring the highest value to society with its experience and expertise as an IT company: “we do
things which are in our competence”, at the same time trying to look for a benefit for itself (Klyuchkovska, 2012). Therefore, “as a rule, we work within the frameworks of our own projects” states Chuvakova (2012).

6.5.3. Reciprocity

Societal response to the CSR initiatives
According to Klyuchkovska (2012) people have a rather positive reaction on the company’s CSR engagements: “if we ask people which company is more socially responsible, they would answer that Microsoft is ….as we see it from our studies.” A positive reaction of society to the company’s initiatives Chuvakova (2012) sees in success stories. An example of a ‘micro’-success could be a person, who has managed to find a job, having become computer literate (IDEA- Center), an entrepreneur who has succeeded in development of innovative product/business (BizSpark). ‘Macro’-success is recognition of Ukrainian achievement at the international level within “Imagine Cup” or “Partnership in Education” programmes. By providing people with an opportunity to broaden their possibilities, the company develops IT market, nurtures IT cluster and finally increases competitiveness of Ukraine.

Expectations of society
Microsoft Ukraine’s expectations toward society lie in growth of importance of CSR issue among people and increase of societal interest toward the company’s social engagements, “at least those which are visible to people” (Klyuchkovska, 2012). “Yes, people like what we do, and… nothing happens in response” says Klyuchkovska (2012).

Another company’s expectation towards society concerns the sphere of observance of the company’s intellectual property rights by stakeholders. Microsoft Ukraine feels a lack of reciprocity in return to its social initiatives, because people do not fulfill even their obligations, “not to mention some voluntary things” (Klyuchkovska, 2012). According to Klyuchkovska (2012), “neither state observes the norms nor consumers, nor small business, nor sometimes big business; which means that many stakeholders do not abide the norms.” Chuvakova (2012) agrees on this issue, stating that even NGOs, who can obtain licensed Microsoft software for free, simply by making an application, “do not apply for software donation programme…. because of the attitude of society…if you cannot touch it, then there is no value”.

6.6. Analysis and discussion of the empirical data

6.6.1. CSC

Pursuing the idea of corporate citizenship, Microsoft Ukraine is of opinion that the company fulfills its end of the contract by the means of conducting a business in a responsible and sustainable way. “Citizenship at Microsoft is about serving the needs of communities and fulfilling our responsibilities to the public” (Microsoft, 2012, (a), p.6). Because of the multitude of societal issues that are to be resolved a single company does not possess enough resources to solve them all. However, with the idea to bring the benefit to society Microsoft Ukraine chooses those issues which are the closest to the company’s competence. Thus possessing a valuable expertise the company addresses issues in the best possible way. At the same time, an improved business environment
could be the outcome of such organizational engagement, which is beneficial for the company as well.

However, society, according to Microsoft Ukraine, does not fulfill its part of the contract: “we have a feeling that we do some things but there is no any reciprocity in return” states (Klyuchkovska, 2012). This example of CSC non-fulfillment from the societal side supports Bowie’s (1991) assumption of a lack of studies in terms of societal obligations toward business. Moreover, Klyuchkovska’s (2012) explanation that a clear linkage has been established between the company’s income and the level of the company’s CSR engagements shows the rightness of our interpretation of CSC as repeated cycles of interactions between business and society (Figure 1). In other words, company’s CSR engagements should be reciprocated by societal supportive actions.

6.6.2. CSR

Approach to CSR initiatives, as a normal practice of the company’s behavior as a corporate citizen is corroborated by a discussion on corporate citizenship issue by Altman and Vidaver-Cohen (2000), who lifted up CSR engagements from PR practices to strategic level. Each and every of Microsoft Ukraine CSR engagement is directed on solving societal tensions, as the idea of company’s purpose to serve the community’s needs and conduct a responsible business is carved in the company’s mission (Microsoft, 2012, (a), p.6). Social initiatives like developing labor resources through increasing computer literacy of population, developing IT market through developing innovations in education and supporting IT cluster shows that societal issues that the company is trying to address lie within company’s sphere of competence. The company has a clear benefit here as for example students spreading knowledge about Microsoft products enlarge the company’s customer base. Microsoft Ukraine chooses those social projects which lie on intersection of societal and the company’s interests, thus bringing benefit to both parties. Even though Microsoft Ukraine has never explained the rationale behind the motives of such a choice, except serving social need, Porter & Kramer’s (2006, 2011) concept of ‘shared value’ explains it perfectly. Therefore, the company’s programme on IT cluster development, besides its aim of providing opportunities for self-development, simultaneously serves the company’s interests of nurturing a chain of potential partners, as well as creating a favorable environment for innovations development.

The discussion of budget issues and a share of non-financial support which employees and the company’s partners are ready to invest for the good of a programme realization show that the idea of serving societal needs lives at all organizational levels, making CSR a truly organizational commitment.

6.6.3 Reciprocity

As we have discovered, Reciprocity is an important element of CSC fulfillment. Societal unwillingness to reciprocate in exchange to the company’s CSR engagements may be rooted in the concept of distributional fairness (Douglas, 2008). A greater interest and support of the company’s CSR engagements seems to be a fair company’s expectation of societal reciprocatory activity. As putting efforts into people’s self-development and thus solving some societal tension on job market along with development of IT market of Ukraine, the company does not obtain a due level of support. Therefore the company does not receive a fair treatment in return to its CSR
initiatives. It is here, that through reciprocity a balance of mutual meeting of expectations may be restored.
However, a violation of company’s intellectual rights by different groups of stakeholders’ including the state, cannot be discussed from the ‘unwillingness to pay’ concept (Unruth, 2001) or a concept of distributional fairness (Douglas, 2008), because any group of stakeholders is supposed to follow the Law. Moreover, payment for consumed product or a service is something that people/organizations must do regardless a company’s engagements into CSR activities. According to Microsoft Ukraine, there should be a change in people’s mentality, as for now they do not attach value principle to intangible assets. However, an explanation for such an attitude we should look in other concepts on the edge of business ethics and psychology, which is beyond the scope of our research.

6.7. Conclusion for Microsoft Ukraine

Research Question for Microsoft Ukraine:
How does Microsoft Ukraine fulfill the corporate social contract and how does it view society’s commitment towards fulfilling its end of the contract?

Microsoft Ukraine’s perspective on CSC fulfillment as a mutual meeting of societal and organizational expectations is rather negative. The company’s societal initiatives directed on supporting workforce development, development of IT market through support of IT infrastructure, promotion of innovation development, increase the quality of education meets societal expectations in creating a more favorable environment for all stakeholders. In its pursue for conducting sustainable business and serving community’s needs as a true corporate citizen, the company does believe that it fulfills its part of the contract; putting the blame on society for its unwillingness to reciprocate. Because society does not fulfill its part of the contract it disturbs the balance, living organizational expectations unmet. Moreover, expectations that the company holds towards society do not surpass a basic need in earning profit, which is violated by different groups of stakeholders by refusal to pay for licensed company’s software. From one hand, remembering reluctance of some NGOs to obtain free Microsoft software we may assume that it is a low level of maturity of society, which allows for such a behavior to exist. From another, taking into account that piracy problem is a cross-sectoral and of a global nature, which means that companies from different countries and industries (pharmaceutics, publishing business, any sector where intellectual property is present) face violation of the intellectual property norms, this issue requires additional separate research. Because at the moment “CSR is important for all, but to no one in particular” (Klyuchkovska, 2012), another company’s expectations toward society, as a reciprocal actions lies in growth of importance of company’s CSR initiatives among people. Thus we may conclude that Microsoft Ukraine views the lack of reciprocity from society as the main impediment for the CSC fulfillment, stating that the company itself fulfills its part of the contract through CSR engagements.
7. Presentation of the Empirical Data and Discussion of DTEK

7.1. Introduction to DTEK

DTEK is the largest privately-owned vertically-integrated energy company in Ukraine. DTEK’s companies make up a vertically integrated production chain from coal extraction and processing to electricity and heating generation and sales. The company is the energy division of System Capital Management (SCM), one of Ukraine’s leading financial and industrial groups (DTEK, 2012 (b)). According to DTEK’s Annual report 2011: Growth Era (DTEK, 2012 (a), p.10), the company’s share in Ukrainian coal mining business made up 46% in 2011; 29% fell in electricity generation, while electricity sales took 43% of Ukrainian electricity market in 2011.

Though the DTEK Corporation management company was officially registered in 2005, with the aim “to increase the efficiency of the energy business” (DTEK, 2012 (c)). The oldest enterprise which forms DTEK holding was established in 1930. Nowadays DTEK is one of the biggest employers in Ukraine with more than 100,000 employees working for the company (DTEK, 2012 (b)). Even though DTEK’s operational facilities are located in Ukraine, export geography of company’s products (coal) and services (electricity) covers countries on European continent as well as South East Asia (DTEK, 2012 (a), p.14). The company’s net profit in 2011 made up 447 million USD (DTEK, 2012 (a), p.10).

7.2. Motivation for our choice of DTEK

Being one of the largest Ukrainian employers, DTEK is fully aware of the level of responsibility that people’s dependence on the company’s operations imposes on the company. Therefore, DTEK’s sustainable way of doing business and the company’s pursuit of meeting the highest standards in such spheres as environmental protection, labor safety and CSR makes DTEK an industry benchmark.

Bearing in mind environmental and societal concerns as well as striving for a higher level of transparency in company’s operations, DTEK issues corporate social reports once in two years. The first report ‘Energy of a Leader: the Social Dimension’ (DTEK, 2008) was published in 2008. Moreover, DTEK was “the first Ukrainian industrial company to prepare a report in compliance with the international standard GRI”, (DTEK, 2011, p.2), which has been checked by an independent auditor. From the date of DTEK’s establishment two CSR reports (DTEK, 2008, 2010) have been published with the third about to come in 2012.

In terms of societal recognition of DTEK’s CSR engagements, in 2010 DTEK became the winner in nominations “Best non-financial report” (Sustainability Report 2008-2009 Smart Energy Social Dimension of Sustainable Business), “Best project” (Programme of long-term co-operation with the towns) and also won the first prize in the “Labor Relations” nomination. In 2011 DTEK received the highest appraisal for business transparency according to “Ukrainian Business Transparency and Accountability Index” and joined Top 10 transparent companies in Ukraine (DTEK, 2012 (d)).

The scope of societal and environmental impact that DTEK’s operations exert, as well as societal recognition of company’s activities meet the criteria of a company choice,
developed in Methodology part, and make the company an appropriate choice for our study.

7.3. Introduction to the interviewed personnel

Relevant experience and extensive professional knowledge of CSR and related issues practiced within the company were among our major criteria of a choice of interviewees. Alexander Tolkach has been the Head of the External Affairs Division of DTEK since September 2010 (DTEK, 2012 (a), p.16). He is a member of the DTEK Management Board as well as the Chairman of the Sustainable Development Committee. Such a high position of the interviewee allowed us to get a ‘helicopter view’ on the company’s CSR related engagements, company’s strategic choices and the CSC concept. With kind advice of Mr. Tolkach, the second interview was conducted with Yuliya Zayarnaya, a sustainable development specialist of External Relation Directorate. This interview provided us with a more detailed approach towards certain projects implemented by the company. These two perspectives of practitioners on general and local levels have provided us with valuable information for our research.

Table 5: Summary of interviewees from DTEK

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Location</th>
<th>Duration</th>
<th>Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandr Tolkach</td>
<td>Director for corporate affairs</td>
<td>Kyiv, Ukraine</td>
<td>50 min</td>
<td>English</td>
</tr>
<tr>
<td>Yuliya Zayarnaya</td>
<td>Sustainable development specialist of external relation Directorate</td>
<td>Kyiv, Ukraine</td>
<td>1 hour 02 min</td>
<td>Russian</td>
</tr>
</tbody>
</table>

7.4. Introduction to DTEK’s CSR engagements

“The Company’s CSR work is closely linked with its business strategy and is one of the most important factors in its long-term sustainability” (DTEK, 2012 (e). As the company’s services are of a high social importance for lives of millions of people” (DTEK, 2012 (f), CSR engagements form an integral part of DTEK’s sustainable approach towards doing business. In order to comply with international best practices In 2007 DTEK “joined the UN Global Compact, thus adhering to ten principles regarding human rights, labour relations, environmental protection and combating corruption” (DTEK, 2012 (g). Moreover, the company also ensures that partners and suppliers also implement these principles in practice. DTEK understands CSR as the company’s responsibility towards:

- the people living in the regions of the company’s presence (investing in the long-term social and economic development of those areas);
- the company’s employees (ensuring a fair salary and safe working conditions and personal development);
- society at large for protection of the environment (DTEK, 2012 (f).
DTEK social initiatives

**Improvement of business environment:** the aim of social projects within this direction is creation of favorable conditions for SMEs, improving organizational capabilities of local authorities and public organizations; development of competence in project work and international technical support attraction. One of the projects is the establishment of *Agencies of Local Economic Development* aimed at implementation of projects directed on territory development (DTEK, 2012 (h)). DTEK also extends application of principles of sustainable business to its *supply chain*, thus developing its partners and contractors. “Roughly speaking any contract that the company signs, is checked by the Compliance Department” on such issues as labour safety and protection, human rights compliance (Zayarnaya, 2012, Tolkach 2012). Within *Programme of Social Partnership* DTEK is currently working on designing three-year Strategies of Social Partnership with territories of the company’s presence. These strategies will show where and how the company will participate in order to tackle problems in each and every region of its presence. It is planned that these strategies will be implemented by 2015, with constant updating for the future periods. Within three-year strategies, it is going to be decided on several key directions which demand the biggest portion of attention; strategic goals as well as tasks needed to achieve those goals are going to be set. The choice of projects will be guided by the mutual complementarity. The three-year period was chosen because of the scale of problematic spheres (health care, social infrastructure, communal sphere) itself, as it takes time to develop, implement a project, obtain a result and monitor it. “We need a longer period, so that we could see the system in general and piece by piece compose a puzzle in order to achieve a chosen goal” (Zayarnaya, 2012).

**Energy efficiency:** DTEK company along with USAID project ‘Reform of city heating system in Ukraine’ have signed the Memorandum on cooperation on improvement of heating system and cities’ energy efficiency with Kyiv, Dnepropetrovsk, Pavlograd and Kurachovo City Councils (DTEK, 2012 (i). A pilot project was implemented in 2010 in Kurachovo, Donetsk Region. DTEK conducted an energy audit, which revealed problematic areas; an energy plan of how the city was going to solve those problems was developed. Thus, the city had a portfolio of projects which should be implemented in a particular order to update Kurachovo heating system. This project has improved the quality of people’s life and has inspired DTEK to expand the geography of project implementation to other regions of Ukraine.

**Environmental:** Bearing in mind environmental impact that generation of heat and electricity from coal power plant exerts on the nature, as well as remembering a huge loss, approximately 50%, of energy resources because of obsolete systems, DTEK was the first company in Ukraine “who installed big heat pipes in underground mines” (Tolkach, 2012). It turned out to be a combination of a wide environmental project with a form of energy efficiency project.

**Telemedicine:** The aim of the project is the creation of all-Ukrainian telemedicine network in order to help improving diagnoses and revealing of illnesses at early stages, ensuring access to tertiary medical care, as well as decreasing costs on provision of medical aid to people (DTEK, 2012 (j). The idea behind the project was to gather a pull of experts, who via telemetry has a possibility to diagnose an illness, assign a treatment or even control an operation. By connecting doctors from the capital cities with doctors in smaller cities and towns, this project improves the quality and amount of people
treated (Tolkach, 2012). The success of this project has lifted up Telemedicine from a regional to a national level.

7.5. Presentation of the empirical data

7.5.1. CSC

The interviews have started straight away from the discussion of corporate social contract, as representatives of DTEK Company have been acquainted with the CSC concept. Furthermore, it is worth mentioning that the representatives of DTEK were the only professionals, among 12 respondents from 5 companies we have interviewed, who have been familiar with the concept of corporate social contract.

Both Tolkach (2012) and Zayarnaya (2012) have agreed on the fact that CSC is not fulfilled by society and DTEK equally. One of the reasons is that “the society is not that mature to understand what it really expects from us. And second, to accept what we can provide…” has stated Tolkach (2012). Zayarnaya (2012) supports this notion saying that the company has to explain the role that DTEK plays in society, as well as potential benefit that company’s CSR engagements will bring to society.

At the same time Tolkach (2012) admits that it is not only society to blame for CSC fulfillment failure, but also organizations, whose CSR engagements, in the majority of cases, form a part of their PR activities. “Only recently… and we can say that DTEK is a pioneer in the state …We started to think long-term and we started to study what people expect from us ..what the society expectations are…” (Tolkach, 2012). Last year the company conducted a social study in order to find out people’s expectations toward DTEK. With this aim studies in forms of interviews and surveys have been conducted among the company’s employees (who represent citizen’s opinion at the same time), deputies of city councils, experts in medical, education, housing and communal services spheres. According to Zayarnaya (2012), problem identification is not a difficult task “it is quite on a surface…. working out the problems is more interesting stage, because prioritization of what is more acute, of what is more important diverges.” Therefore, a number of people being affected as a result of a problem solution is one of the important criteria of a choice. Another one is solvability of a problem, whether it is possible to solve a problem in cooperation. At the same time DTEK started to analyze the corporate expectations toward society as a reciprocal action of support.

CSR development

Today’s company’s CSR engagements, having passed several stages of development, differ from the very first CSR initiatives. DTEK has been engaged in CSR practices from the date of its establishment: “from the very beginning we have decided that CSR is something that our company should do” (Zayarnaya, 2012). On the very first stage CSR took the form of separate one-time charitable projects (Zayarnaya, 2012).

The scope and complexity of social problems as well as societal expectations that are to be addressed by DTEK, has shifted company’s attitude toward CSR from charity projects to systemic infrastructural projects. The need to address social issues in a more systemic way has marked the shift toward second stage. According to Tolkach (2012) more than 40% of DTEK’s employees are ill in some way. This situation is deteriorated by the fact that some small towns and removed areas do not have specialized hospitals,
equipment or doctors needed to provide medical services on a proper level. In order to address this problem DTEK in cooperation with MTS and Charity Fund of Achmetov has launched Telemedicine project.

DTEK exerts considerable impact on society being one of the largest Ukrainian employers; another reason is the specificity of business, as the majority of population of cities and towns of the company’s presence are DTEK’s employees or members of their families. This means that DTEK exerts enormous societal impact, especially in cases when some of the company’s enterprises are forming a company-town. In order to reduce societal pressure that exists in some regions, DTEK develops projects directed on SMEs development.

Understanding that CSR initiatives should bring sustainable results triggered the development of the Declaration of Social Partnership, and the Programme of Social Partnership, with cooperation as an underlying idea. The process of development of Programme of social partnership includes close work of DTEK with all interested parties, as only by joining efforts “we can achieve some result and effect which will be visible and tangible for inhabitants” Zayarnaya (2012).

However, having implemented a number of complex long-term infrastructural projects, which undoubtedly have brought significant benefit to recipient territories, a lack of strategic vision has been identified. Because individual projects “are quite scattered and uncoordinated…it is hard to estimate what is the outcome of all these projects altogether” (Zayarnaya, 2012). In pursuit of one of DTEK’s values (DTEK, 2012 (a), p.14), which is building a business on the understanding that all company’s efforts should serve the interests of society, the Sustainable Development Committee under the company’s Management Board was established. The major issue which is discussed by Committee members (managers responsible for business operations as well as non-production directors) with Tolkach (2012) at the head, is how to change on systematic bases people’s life in cities of company’s presence for the better. It is this goal which has lifted up CSR to the third stage of a medium-term strategic planning. In the framework of non-market strategy DTEK is currently engaged in designing of three-year Strategies of Social Partnership engaging each city of the company’s presence (Zayarnaya, 2012). Designing strategies, DTEK holds a constant dialogue with society. “Working groups that consist of representatives of City councils, public organizations, business representatives are created in each city” (Zayarnaya, 2012). Moreover, external consultants help these working groups with methodology on strategy development. Because each group participant has his/her opinion about problems that have to be sold, it is very important on this stage to find the most daunting issues that influence a big number of people. DTEK does not try to substitute the state functions, but helping institutionally the company gives a stimulus to a city to develop further. Some of the social projects are financed by DTEK in full, others obtain partial financing. DTEK also helps cities with the search for additional financing by helping attract partners, via co-financing (special co-financing programmes) or credit financing. A good example of successful cooperation of DTEK with City Councils and NGOs is a project on Reform of the city heat supply (DTEK, 2012 (i)).

CSC fulfillment

Having a considerable impact on Ukrainian society, DTEK has tremendous responsibilities attached. “It falls on us to solve most of the problems of people which in
normal conditions would be a part of the government work” (Tolkach, 2012). The company is busy with solving problems with people’s access to clear water, heat, access to medical services, problems with schools and kindergartens. The route of these problems, in the majority of cases, lies in distressed and outdated infrastructure, taking care of which is a duty of the government. “And it turned out that if we want to have sustainable business if we want people to work for us, if we want to keep people; we need to start solving these problems” (Tolkach, 2012). Because of the magnitude of infrastructural problems, DTEK does not have an opportunity to solve them with its own efforts. Only by finding different forms of cooperation with NGOs, donors, partners, local authorities, potential investors, as well as citizens and employees these problems may be overcome.

Another issue, according to Tolkach (2012) is the mentality of people on post-soviet geography, who believe that if a company earns money on their territory, using facilities built during the era of Soviet Union, such a company is obliged to solve societal issues. But the multitude and the magnitude of societal issues in Ukraine are incomparable to DTEK’s financial resources, not to mention that utility companies in developed countries simply do not face such difficulties. In order to address these challenges there should be a match between societal expectations and a company’s resources. According to Zayarnaya (2012), fulfilling its part of the contract, the company faces in regions of its presence with the problem of lack of understanding in society of the fact that CSR is not an ad-hoc charitable action. DTEK is involved in development and implementation of “certain strategic social programmes which are called to improve the quality of life” of all people and expects from society “a partner relationship within this activity” (Zayarnaya, 2012). Therefore, it is important to educate society in terms of what realistic expectations are, and “how they all should behave in order to benefit from the contract” (Tolkach, 2012). DTEK uses different means and instruments, like organizing public hearings on social problems, conferences and roundtables, initiating open local discussions and printing textbooks for pupils, in order to educate society. This work is conducted on different levels and covers different groups of stakeholders, including central and local authorities, NGOs, academia, media, employees, trade unions, citizens.

7.5.2. CSR

CSR budget

Considering the scope of societal issues that DTEK is trying to address, CSR budget “is not enough, but it permits us to move forward and we hopefully will have an agreement with shareholders to increase standards of social responsibility” (Tolkach, 2012). Comparing to 2011, budget on social investments has been increased twice as much this year. At the same time, Zayarnaya (2012), discussing social budget, has placed the major emphasis on projects’ goals and expected results rather than amount of CSR budget. Taking into account that CSR is a part of sustainable business development sometimes it is difficult to make a clear division between activities which are financed from CSR or business operation budget. On purely CSR engagements DTEK invests roughly 10 mln USD (Tolkach, 2012). The figure itself is not an explanatory one, because it is not only money that counts. DTEK views its task in terms of CSR not in spending certain amount of money on social investments, but in achieving an effect by the means of cooperation or with its own efforts only. Moreover, the company does a lot in terms of sharing its business expertise by attracting partners to social projects,
searching for investors, helping local authorities with paper work and drafting their own investment projects.

Discussing future plans on CSR budget, Tolkach (2012) has clearly stated that DTEK is going to increase its CSR budget. At the same time the discussion on allocating a fix amount of money for social investments or designing a percentage of EBIDTA or profit is under way. “We would like to have a percentage of something we could count on” states Zayarnaya (2012). Tolkach (2012) is of the opinion that the decision will be made by the end of 2012 in favor of a percentage ratio.

The scope of a budget increase depends also on the minimum/maximum sums of money needed in order to achieve an effect of projects developed within three-year Strategies of Social Partnership with cities. “So we do not have to budget every year for some new strategy, we have our strategies and we have to fulfill what was planned in these strategies” says Tolkach (2012). If the company takes a decision that the goals identified by these Strategies are important, then DTEK will invest these sums of money. “Our departure point is not a budget, whether we will increase it, for example, in 30% or not, we will depart from an effect which we can achieve” (Zayarnaya, 2012).

**Evaluating CSR success**

In terms of evaluation of CSR projects’ success, DTEK monitors a project implementation process and estimates a project based on a result that has been achieved. Moreover, starting from 2011, DTEK has conducted social studies on yearly basis “which show the level of people’s understanding of what is going on, people’s evaluation whether it was successful or not, of people’s understanding if company is doing what they expect or not…” (Tolkach, 2012). Another form of evaluation of company’s CSR engagements is participation in yearly audit ‘Non-direct economical impact on society’ conducted by Ernst & Young “which shows efficiency of our projects on the development of society in regions where we operate each year” (Tolkach, 2012). At the same time, the company is engaged in development of a range of evaluation techniques, and preparation of a new evaluation system of a project’s implementation effectiveness. A new, refined evaluation system should provide a clear analysis, like “we have invested this much money into this project and have achieved this kind of result”, which can be calculated in absolute or ratio values (Zayarnaya, 2012). Also, a new system should be able to evaluate more complex things like, “how many lives medical equipment purchase an installation has helped to save” (Zayarnaya, 2012). Of course, these soft issues are very hard to evaluate, but there is a need to develop such criteria and approaches that will allow DTEK to do it. Moreover, development of a comparative basis by taking measurements before a project’s implementation is important for a proper evaluation process.

**7.5.3. Reciprocity**

**Expectations of society**

One of the forms of reciprocal support from society DTEK views an understanding by people the need of bills payment. Even though today the population pays only ⅓ of electricity average price and ⅓ of heat production costs, still many people just do not understand why they should pay if these services are at their homes in any case. The remain is subsidized through a special system which actually takes money from
industry, thus making Ukrainian industry less competitive, which in turn means less jobs, taxes (Tolkach, 2012).

DTEK wishes that society at large were more mature. Environmental, public organizations, local authorities should be more active and more professional. “They have to organize themselves in order to find out what they really need and what they need from different corporations” (Tolkach, 2012). It is NGOs, who should approach the company and ask for a dialogue, as for the moment it is the other way around. It is DTEK, who approaches NGOs, explains its social programmes, reasons behind and asks for a constructive dialogue. “We wish we had professional, responsible representatives of society in the form of public organizations, who would really represent societal interests, to whom we could address, which we could engage to our work, and into a dialogue with other stakeholders, which would give us some vectors, some points, where should we pay more attention, where less…” (Zayarnaya, 2012).

DTEK views societal support in terms of understanding by societal representatives their own needs and expectations as well as understanding of company’s capabilities in meeting these expectations.

Another type of understanding is ‘educated understanding’ of company’s CSR engagements and the reason behind is to “…understand what was going on, what is going on and where it is going to lead” (Tolkach 2012).

**Society’s response to CSR projects**

During company’s transition period from CSR as charity towards CSR as complex, systemic projects, the first societal reaction was a total rejection. However, when cooperation and educational programmes which support systemic approach to CSR activities have been started, the company has started to receive “a lot of help from the local community system and local administrations” (Tolkach, 2012).

According to Zayarnaya (2012), in terms of reciprocity issues, it is even better when a social project is implemented by joint efforts, because co-financing and joint efforts bring not only division of financial burden, but also joint responsibility. “This is important, because people have gotten used to take and give nothing in return, and they even do not bother to take care of what they have been given” (Zayarmaya, 2012). But if people invested their time or money they are more willing to keep track on such projects. Talking about shared responsibilities, the company means not only local authorities and NGOs, but also citizens; as joining at the stage of a project implementation, citizens “would see how it is done, so they would become active and ready to change something” (Tolkach, 2012).

**7.6. Analysis and discussion of the empirical data**

**7.6.1. CSC**

DTEK’s perspective on fulfilment of CSC by society and the company is negative. The company does not believe that CSC as a mutual fulfilment of business and societal expectations exists at the moment. At the same time, by lifting up CSR from separate engagements into day-to-day company’s activities, and establishing the Sustainable Development Committee under the company’s Management Board, DTEK proactively follows the advice by the World’s Economic Forum Global Agenda Council (2012) on
making CSR a part of sustainable approach of doing business. Moreover, DTEK has surpassed classical definition of sustainability developed in Brundtland Report (1987, p.41), and took the Lozano (2009, 2011) stance, considering CSR practices as such that contribute to sustainable company’s development.

**CSC development**

As we have discussed in Literature Review understanding of CSR has been changing through time. The same we can witness here. DTEK’s understanding of CSR’s role and place within the company has passed several stages. In pursue for alleviating social problems that people, living in cities of DTEK’s presence encounter, the company has implemented social projects directed on increase of energy efficiency, improvement of medical service provision, development of local SMEs, improvement of social infrastructure, to name some. Even though, such big infrastructural projects has made a positive impact on quality of life of recipient territories, the company making sustainability a cornerstone of each and every activity, has identified a lack of strategic approach. Therefore, DTEK is currently engaged into designing three-year Strategies of Social Partnership with Cities, which are to be implemented by 2015. In its constant pursue for better serving the society’s needs, DTEK by establishing proactive dialogue with society and placing an emphasis on cooperation, educates different societal groups of stakeholders. This is a good example of helping the society to reveal and address the most dire social issues by offering its business expertise and financial support. Such company’s behaviour has surpassed Solomon (1992, p.149) idea of doing no harm, and is a perfect example of a ‘corporate citizen’, who, according to Vidaver-Cohen and Brønn (2008, p.2) proactively engages itself in stakeholder dialogue, financing the development of community infrastructure, promoting cooperation among stakeholders and making such a cooperation a norm of corporate policy. Being a responsible corporate citizen, DTEK tries to reduce the dependence of people on the company’s operations, especially when the company’s enterprises form company towns, by developing SME and nurturing its supply chain. Developing SMEs and nurturing a supply chain is an example of ‘shared value’ creation, as by catering to societal needs the company simultaneously invests in securing its future supplies (Porter & Kramer, 2011, p.64). Here we may argue that depending on the sphere of social project implementation, the company’s motives may be of ethical nature too. A social project directed on ensuring access of citizens to clear water “is nothing to do with our business, we are not water-providers” states Tolkach (2012), at the same time, having identified such an infrastructural problem in cities of DTEK’s presence, the company addresses it in order to improve the quality of people’s life. Such kind of projects corroborate DTEK’s statement about building company’s business “on the understanding that all of our efforts should serve the interests of society” (DTEK, 2012 (a), p.14). Such a sincere concern for addressing societal issues with the aim of “ultimate improvement of society” is an example of an intrinsic ethical motive of CSR engagement (Bansal, 2005, p.1).

**CSC fulfillment**

The study, conducted by DTEK has revealed sometimes unrealistic expectations that society holds towards DTEK. Among reasons is soviet-type mentality that people apply to corporations. Society expects the company to solve problems which lay within social or utility infrastructure, regardless the fact that taking care of infrastructure is a duty of the government. However DTEK does it best in order to meet those expectations by engaging into social projects local authorities, NGOs, citizens. The scope and multitude
of societal issues that are to be addressed, as well as the lack of support from society, do not allow DTEK to make an assumption of CSC fulfilment in the nearest future. According to Tolkach (2012) “... it will be years till we all can say that yes, we are fulfilling this corporate social contract”, taking into account the complexity and multiplicity of challenges needed to be overcome.

7.6.2 CSR

The company’s eagerness to improve its system of social projects’ evaluation is a good example of strategic, systemic approach towards CSR engagements. By showing a real effect that a project has, the company is able to clearly assess the effectiveness of its CSR engagements in terms of benefit brought to society, thus, visualizing the fulfillment of its part of CSC.

Such result directedness the company also applies to budget planning. In order to attain the aim of a project, DTEK uses several options, among which are self-financing, cooperation, knowledge sharing and non-financial assistance. In other words, it is not the CSR budget which defines the success of social programmes, but the aim achievement and actual benefit, brought to society. The current discussion about CSR budgets as a certain figure or a percentage value, as well as the fact that CSR budget has been doubled, in comparison with 2011, show a deep company’s concern about its societal impact and an inclination to increase its level of engagements. This is supported by Tolkach’s (2012) statement that the CSR budget will be increased and the decision will be made by the end of the year. Therefore, considering the horizon of issues that DTEK addresses, in terms of quantity, scale and spheres of company’s CSR activities, DTEK does enough in order to stimulate societal support of its CSR engagements.

7.6.3. Reciprocity

We are aware that a companies’ prosperity depends of prosperous society, and vice versa, society is dependent on business to prosper. Talking about fulfillment of CSC, the other part of the contract, which is societal reciprocal actions, should also be discussed. It is this interdependency which spurs reciprocal support. The company’s assessment of reciprocal actions from society is rather low. DTEK has identified a number of desired by the company societal reciprocal actions, among them are: understanding the need to pay the bill; understanding by society its own needs and having realistic expectations of company’s CSR engagements; understanding of company’s motives and approaches for CSR engagements; readiness to work in partnerships and cooperate.

According to Tolkach (2012) DTEK faces a problem of people’s unwillingness to pay for consumed products. Unlike in ‘willingness to pay’ concept, where consumers may decide not to buy more expensive ‘green’ product and stick to cheaper conventional ones, DTEK faces a situation when services (electricity, heat) have been consumed, but not paid-up. People’s behavior may be explained by applying Douglas et al. (2008, p.4) ‘fairness perception’. As people tend to think that “system is not transparent that there is a corruption” (Tolkach, 2012), they do not think that they are fairly treated, therefore, they do not reciprocate. At the same time we can view such a behavior as a violation of company’s rights or a theft. Low level of maturity of society and unwillingness to take responsibility for his/her actions leads to unwillingness to pay the bills. Here, the mentality of people cannot be changed overnight, therefore DTEK is engaged in
educational actions, trying to explain, first to journalists, of how the system works “so people could see what it is in the electricity bills, how it is linked to the fuel production in our case it is a coal production” (Tolkach, 2012). By educating and increasing people’s awareness, the company may trigger reciprocal actions.

Talking about higher level of maturity of society, DTEK wishes for more active and professional NGOs, knowledgeable in their areas of work and able to organize different societal representatives in such a way to identify societal needs and their expectations of corporations. “We have to see this tension from the bottom” says Zayarnaya (2012), “because for the moment it is DTEK, who enacts a dialogue with society by knocking the doors and asking for cooperation.”

Another type of societal’ reciprocal support that DTEK expects is a mere understanding by society its own needs and how the company can serve them. For example, Zayarnaya and Tolkach (2012) brought an example of people’s refusal to understand the reasons, which have lead DTEK to a decision to cut off charity projects. “People who come to us every day with letters about charity, they think that we have offended them” says Zayarnaya (2012). The company has to approach NGOs, local authorities and explain the benefit for the society that more complex and strategic approach to CSR engagements will bring. A kind of change in people’ mentality has happened after successful implementation of the Reform of the city heat supply (DTEK, 2012 (i)). Societal reaction toward this project was very positive, as the result was immediate and palpable: “having conducted social studies, we see that people are grateful, they understand the essence of the project” (Zayarnaya, 2012). People no longer ask for money, but they are ready to join projects of gradual modernization of facilities in communal sphere.

Readiness for cooperation is another expectation that DTEK holds toward society. The process of development and implementation of a joint project, in addition to educational moment of experience sharing, brings not only combined financial obligations, but also responsibility. As having invested money or time people become more interested in successful implementation of a project. On the contrary, receiving something for free, local community or local authorities do not really bother with taking care of such gifts. “For example, a number of children’s playgrounds, a number of objects which are constructed in cities are allowed to be deteriorated, because a city does not take care of them” (Zayarnaya, 2012).

The company views low level of society’s maturity as the main obstacle on the way of reciprocity. DTEK places an emphasis on work in partnership and cooperation as drivers for understanding of mutual needs, interests, motives and benefits. If each of the parties understands its own benefit as well as the benefit of the counterparty, “we could count on a long-term, sustainable effect of any undertaking” (Zayarnaya, 2012).

7.7. Conclusion for DTEK

Research Question for DTEK:
How does DTEK fulfill the corporate social contract and how does it view society’s commitment towards fulfilling its end of the contract?
According to DTEK’s perspective, the concept of CSC is not equally fulfilled by both parties the company and society. The understanding that “without society we have no business” (Tolkach, 2012) has lead the company toward sustainable way of doing business with CSR as an integral part of day-to-day operations. Being a large utility company, as well as one of the biggest employers in the country, DTEK acknowledges responsibilities that such an impact imposes on the company. Pursuing the aim of improving the quality of life for people, living in cities of company’s presence, DTEK is engaged in multiple infrastructural social projects directed on energy efficiency improvement, provision of medical services, improvement of social infrastructure, development of SME, nurturing its supply chain. Understanding the magnitude and complexity of social issues that are to be addressed, DTEK closely work with City councils, NGOs, employees, and other groups of stakeholders in order to identify those social problems, solving of which will bring the greater benefit for society in terms of urgency and population coverage. At the same time complex strategic approach applied to CSR engagements helps to achieve sustainable results. Fulfilling its end of CSC, DTEK has demonstrated its loyalty toward concept of sustainable development. While initiating active dialogue with society and engaging into CSR activities, that lie far beyond company’s competence, the outcome of which may improve people’s life in regions of company’s presence has portrayed DTEK as a ‘good corporate citizen’.

In the meantime implementation process of CSR practices was not unproblematic. Low level of maturity that society has demonstrated by holding unrealistic expectations toward the company, lethargy, lack of understanding of company’s CSR initiatives, low level of customer consciousness has not allowed society to fulfil its part of the contract. The severity and quantity of social issues that are to be addressed to make territories of DTEK’s operation better places to live in, require joint efforts of both society and the company.

Such expectations that company’s holds toward society like understanding its own, societal needs and forming realistic expectations toward organization’s CSR initiatives, understanding of the company’s approaches toward CSR, and readiness to cooperate do not go beyond a mere assistance to the company’s CSR engagements. Not to mention understanding the need to pay the bills, which is a mere compliance with the Law. Basically there are two major things that the company expects from society. One is the understanding of what the company does and why; and the other is readiness to cooperate on solving social issues together with society.

Viewing reciprocity as a kind of payback in exchange of a good turn, DTEK, as a good corporate citizen, establishing a constant dialogue with different stakeholders groups, educating and cooperating with them, hopes that there will be a feedback from society in a form of fulfillment of its part of CSC.
8. Presentation of the Empirical Data and Discussion of McDonald’s Ukraine

8.1. Introduction to McDonald’s Ukraine

With the first McDonald’s restaurant being opened in 1954 in the US, McDonald's has transformed into the “leading global foodservice retailer with more than 33,500 local restaurants serving nearly 68 million people in 119 countries each day” (McDonald’s, 2012 (a). Since 1985 McDonald’s has been one of the 30 companies of „Dow Jones Industrial” list, serving as an indicator of the state of the national economy. According to “Better Investing Magazine” McDonald’s is the most popular company across the globe (McDonald’s Ukraine, 2012 (b). According to Annual Report (McDonald’s, 2011, p.1,7) McDonald’s operating income in 2011 made up 8,530 bln USD with Europe providing 40% input share to the company’s revenue.

In 1997, Ukraine became 102nd country in the world where McDonald’s has marked its presence. Since then more than 72 McDonald’s restaurants have been opened in 22 Ukrainian cities, offering 70 dishes for almost 400 000 customers a day (McDonald’s Ukraine, 2012 (a). As one of the biggest foreign investors in Ukraine, McDonald’s Ukraine has invested more than 200 mln USD in the development of a restaurant chain and infrastructure. The company is one of the largest taxpayers of Ukraine, with 38 mln USD paid as taxes and charges in 2011 (McDonald’s Ukraine, 2012 (a). Moreover, in 2010 and 2011 McDonald’s Ukraine was recognized as “The Best Ukrainian Employer” and was awarded the second place in 2011 as “The best Employer of Central and Eastern Europe” with more than 7 000 of people working for the company (McDonald’s Ukraine, 2012 (c, d).

8.2. Motivation for our choice of McDonald’s Ukraine

McDonald’s Ukraine exerts a significant influence on Ukrainian society as one of the largest investors and taxpayers, as well as one of the best employers. Being aware of its place and role in society, McDonald’s Ukraine tries to leverage its scope and size in order to serve societal needs, which makes the company a perfect match for our research.

Pursuing the goal of conducting business sustainably and with the aim of adding transparency to its operations, McDonald’s has started to publish CSR/Sustainability Reports from 2002 (McDonald’s, 2012 (c). So far 6 reports have been published. This year a shift of material presentation has been made. McDonald’s has moved from publishing CSR/Sustainability Report toward shorter, Sustainability Scorecard, focused on showing progress in five areas of the company’s focus (McDonald’s, 2012 (b). Talking about social recognition of the company’s achievements in CSR sphere, in addition to best-employer awards, in 2011 McDonald’s Ukraine became a winner in nomination “Philanthropist of the Year” for “Happy Day” charity project (McDonald’s Ukraine, 2012 (d).

Taking into account that McDonald’s Ukraine exerts on society a significant impact through conducting a sustainable business, providing employment opportunities, meeting social needs through CSR engagements and being recognized for those, as well
as making information available, the company is fully match our methodological criteria of a company choice.

8.3. Introduction to the interviewed personnel

Possession a specific knowledge in CSR and related issues was the criteria we were guided by in our search for the choice of a person to conduct an interview. Mykhaylo Shuranov, as a Communication Director of McDonald’s Ukraine is responsible for coordination of charity and sponsorship projects, communication with state authorities and media, internal communication, development of PR strategy as well as issues of a general management. Thus, staying in the loop of the needs, interests and expectations of a wide range of the company’s stakeholders, including employees, customers, NGOs, state authority; as well as being aware of the company’s CSR engagements and reciprocal societal support, Mr. Shuranov is an appropriate candidate for an interview. Moreover, the duration of interview (more than an hour) has let us to discuss all relevant issues. Therefore, Mr. Shuranov’s professionalism, deep knowledge of the subject and the time spent on the discussion has provided us with valuable and sufficient information for our research.

Table 6: Summary of an interviewee from McDonald’s Ukraine

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<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Location</th>
<th>Duration</th>
<th>Language</th>
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<tbody>
<tr>
<td>Mykhaylo Shuranov</td>
<td>Communication Director</td>
<td>Kyiv, Ukraine</td>
<td>1 h 13 min</td>
<td>Russian</td>
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8.4. Introduction to McDonald’s Ukraine CSR engagements

During its 58-year history McDonald’s has developed a well-recognized brand and become the leader in a fast-food restaurant business with both power and responsibility attached. Being socially responsible from the very beginning, McDonald’s constantly strives to sustainable future for the company and communities where it operates (McDonald’s, 2011). McDonald’s Ukraine views CSR as an integral part of company’s activities. This means that the company performs certain social functions within the scope of existing legislation and taking into account expectations of society. The major emphasis in McDonald’s sustainability efforts is placed on continuous improvement in the following five areas.

**Nutrition & well-being:** Being a foodservice retailer, for McDonald’s Ukraine safety of food products is a must: “in the product we invest in as an element of social responsibility” (Shuranov, 2012). The company’s goal of providing quality meal has been renewed with the aim of delivering balanced and diverse dishes. Taking into account concerns of the company’s stakeholders on state, non-governmental and private levels about health risks related to excessive or unhealthy food consumption, McDonald’s in order to positively influence the situation is constantly improving its Menu in close cooperation with nutrition experts, as well as informs its customers about caloric content of a meal. According to Shuranov (2012), “in Ukraine McDonald’s sells 100 tons of fresh vegetables per month”, this is much more than any other chain of fast-
food restaurant. “We know we cannot address this problem alone, but we are committed to being part of the solution” (McDonald’s, 2012 (d).

**Sustainable supply chain:** Because McDonald’s does not produce, neither grow any foodstuff, cooperation with suppliers is a very important element of the company’s activities. And it is here, that the company can make a positive impact by developing its partners. While developing its supply-chain McDonald’s focuses on three major areas of responsibility, which are ethics, environment and economics. By ethical part, the company envisions purchasing from suppliers that follow practices that ensure the health and safety of their employees and the welfare and human treatment of animals. Being a socially responsible business itself, McDonald’s Ukraine requires from its suppliers to comply with the Labor Code and having a food safety HACAP system implemented. It was McDonald’s Ukraine who has brought this system to Ukraine. Nowadays “this system is recommended for food companies by the Ministry of Ukraine and the Ministry of Public Health of Russian Federation as an effective one” (Shuranov, 2012). This example vividly shows that McDonald’s not only develops its supply chain, but also sets standards in the industry in terms of quality and safety issues.

The company’s environmental concerns include activities directed on minimizing life-cycle impact of company’s products up to the stage of sourcing materials. Improvements in economic area lies in provision affordable food, engaging in equitable trade practices, limiting the spread of agricultural diseases, and positively impacting the communities where the company’s suppliers operate (McDonald’s, 2012 (e). For example, ‘Sustainable coffee’ project means that all coffee served at McDonald’s restaurants, was bought from suppliers certified by ‘Rain Forest’ organization. Such a certification guarantees that coffee had been grown with the compliance of International ecological and social standards. Moreover, all key Microsoft Ukraine suppliers are checked by an international auditor for observance of safety norms for food production, technological issues and a level of social responsibilities toward employees and toward the environment, where suppliers operate.

**Environmental responsibility:** In pursuit of reducing environmental impact McDonald’s aim to use less and spend less through three areas of activity. Which are Sustainable Packaging and Waste Management, Energy Conservation, Green Restaurant Design. The rationale behind these endeavors is twofold: from one hand, it is an understanding that it is good for the planet, from the other, it is identification of its input for the company’s long-term financial success (McDonald’s, 2012 (f). On local Ukrainian level, certain environmental projects are being implemented. Cardboard recycling, processing of sunflower oil for biodiesel are some of them. A project of separating plastic, paper, cardboard and liquid wastes from organic garbage accrued at the restaurants’ lobbies is about to start. Another project which currently underway is a regular cleaning of a territory adjacent to McDonald’s restaurants (one block) from wrappings left by the company’s customers. McDonald’s Ukraine being a part of European company’s branch is engaged into calculating its carbon footprint in order to identify the areas, which makes the biggest/smallest input in terms of CO2 emission.

**Employee experience:** For many people across the globe, including Ukraine McDonald’s has become the first place of work. In order to develop and retain a diverse, engaged and talented workforce, McDonald’s focuses its employee’s policies on three major areas. Respect & Inclusion directed on creation a culture where
everyone feels valued and respected. Employee Value Proposition is concentrated on enhancing high levels of employee commitment. Talent Management is called to attract, develop and retain the most talented people at all levels (McDonald’s, 2012 (g)). By responsible employer Shuranov (2012) understands that all requirements of Labor Code and labor legislation are kept when people officially become employees of McDonald’s Ukraine. In addition to ensuring employees’ rights, the company also develops motivational programmes directed on developing enjoyment of work. A number of scholarships as well as motivational and educational programmes are implemented with the aim of provision of opportunities for employees for self-development. Therefore, McDonald’s Ukraine “was among the best employers of Ukraine and Eastern Europe” (Shuranov, 2012). E.g. Company’s study center, using scientific materials of internal corporate ‘Hamburger University’ (for top-managers), has developed methodological programs for education of employees at any level. And this makes the company an exemplary employer.

**Community**: Giving back to the community is an essential part of McDonald’s CSR engagements. This is achieved through regional and global partnerships and sponsorships, charity programmes, the company’s owner/operators involvement in their local communities; and disaster relief (McDonalds, 2012 (h). A “Happy Day” is one of the most notable charity initiatives of a global scale. This programme has been practicing in Ukraine for 10 years and mostly has taken place in cities of the company’s presence. When a certain sum of money by McDonald’s Ukraine and customers’ donations with the course of this initiative is generated, special medical equipment ordered by doctors, are bought on a tender basis, and granted to regional and municipal children’s hospitals for free. “Last year we raised 3million of UAH (375 000 USD) and covered nearly 30 hospitals”, Shuranov (2012) has informed.

Promoting a healthy life style by doing sports, McDonald's Ukraine is engaged in a range of projects like Olympic Running Day, which was conducted together with the Olympic Committee. The company was also a EURO-sponsor, mainly through a programme for children, who escorted football players.

**8.5. Presentation of the empirical data**

**8.5.1. CSC**

The discussion of CSC concept has been started with explanation of company’s CSR engagements, followed by the discussion of reciprocal support from societal side. However we have not received an explicit and clear answer whether McDonald’s Ukraine believes that both society and the company fulfill corporate social contract.

Being among 50 biggest advertisers of Ukraine, McDonald’s Ukraine has a responsible attitude toward information communication. McDonald’s has developed a list of principles of responsible marketing, which by its limiting conditions is even stricter than EU Pledge, signed by food-manufacturing companies, including McDonald’s. Such a voluntary limitation placed on advertising and promotion activities along with an attempt to convey a certain idea behind, forms a part of company’s CSR engagements, according to Shuranov (2012).
Shuranov (2012) admits that a restaurant itself, as a location, ties up McDonald’s Ukraine environmental activities to a certain place, “we try to start improvements from the place of the physical presence of our restaurant.” In pursuit for becoming a greener company, McDonald’s has refined its marketing mix by adding ‘Planet’, to ‘Place, ‘Product’, ‘Promotion’, ‘Price’ and ‘People’ (Shuranov, 2012). Therefore, implementing environmental projects the company fulfills its social responsibility of future generations.

Because McDonald’s Ukraine is a branch of the MNC there are CSR engagements developed on central level and those which the company is free to choose. Some charity actions are implemented worldwide and some of them are of a local nature.

In addition to obvious positive input of a charitable action, another positive outcome of “Happy Day” project is a yearly growth of a number of people willing to participate. One of the reasons for that could be the trust that the company has established through years being “accountable for each step” (Shuranov, 2012). Thereby by conducting this project on a constant basis, the company teaches people to administer charity. At the same time, Shuranov admits that a “Happy Day” is on the intersection of PR and charity initiatives: “from one hand it is a charity action, on the other hand, we advertise our charity.”

McDonald’s Ukraine is also engaged into projects on a local level, when a decision is made by directors of local restaurants. For the most part, such projects are directed on helping different public organizations “who are engaged in solving issues of poor children, ill children, children from disadvantaged families” (Shuranov, 2012). Each restaurant has a certain amount of money allocated for such charity projects and it is a decision of a restaurant on how to implement such activities.

For example, children with Down’s syndrome not everywhere are treaded naturally, thus they feel a lack of communication. By organizing charity holidays, for children with Down’s syndrome McDonald’s Ukraine helps to alleviate a child’s integration to the society. The company is going to put this programme on a constant basis.

Another project which is worth to mention is orphan visits. In this case orphan homes contact McDonald’s directly and arrange a visit to have a meal. According to Shuranov (2012), McDonald’s Ukraine sponsors more 10 000 of children yearly. Another branch of local projects is the support of local cultural or sports events, conducted according to the decision of local authorities.

Therefore, being engaged in different CSR initiatives McDonald’s Ukraine exerts positive social and environmental impact on society. However, discussing CSC concept Shuranov (2012) has not voiced the company’s perspective of societal attempts to fulfill its part of CSC. At the same time societal reciprocal support is going to be presented in ‘Reciprocity’section that will allow us to interpret the data and draw our own conclusions on CSC topic.

8.5.2. CSR

CSR budget
As a large company, McDonald’s possess of quite a large and transparent CSR budget, comparing to other chains of fast-food restaurants (Shuranov, 2012). Only on
philanthropic activities worldwide, McDonald’s Corporation spent 24 mln. USD in 2010 (McDonald’s, 2011, p.7). However, taking into account that McDonald’s Ukraine is a country branch of the MNC the budget is centrally allocated, thus the figure has not been voiced. Being content with the company’s social initiatives, still McDonald’s Ukraine is planning to increase CSR budget in the sphere of charity projects and implement some new ones. The budget increase will comprise 5-10% (Shuranov, 2012). Such a significant increase will be made due to the need to finance new projects, like sorting garbage at the restaurant lobbies.

Evaluating CSR success

According to Shuranov (2012), the evaluation of effectiveness of projects implementation is conducted quarterly based on “changes in people’s attitude toward this or those elements of the company’s work.” “In modern society there should be bilateral communication” agrees Shuranov (2012). With this in mind, a number of surveys and studies are conducted. One of which is a ‘mystery-customer’ study. When a ‘control purchase’ is made, a restaurant’s work is assessed against approximately 100 criteria. It is good to know, says Shuranov (2012) that “McDonald’s in Ukraine is among …the top three leaders of European McDonald’s branch.” Another way of receiving a feedback on the company’s work is surveys, conducted among the company’s customers and people, who visit other fast-food restaurants. According to Shuranov (2012) the latest results of such surveys were quite good.

In addition to visitors’ books review and surveys McDonald’s is also engaged in an active information exchange on the company’s Facebook page: “We make an assessment and try to respond” states Shuranov (2012).

8.5.3. Reciprocity

Society’s response to the CSR projects

As an example of positive attitude that society holds towards the company, Shuranov (2012) brought a figure of 80% of respondents who believe that McDonald’s Ukraine makes “a weighty input into the society where it operates.” Moreover, the company is of opinion that charity and social activities of McDonald’s Ukraine has made a big input into formation a positive societal assessment.

Predicted positive social reaction to the company’s activities, according to Shuranov (2012), McDonald’s obtains in a form of gratitude, diplomas, certificates and awards that the company’s employees and McDonald’s Ukraine as a company receives. Among them are: certificates granted by City Councils, or recognition of McDonald’s Ukraine as a good taxpayer and exemplary employer by the state organizations, as well as gratitude of public organizations. For example, CAFÉ organization, which represents interests of physically challenged people, has audited McDonald’s restaurants at the time of EURO Championship in Ukraine. “We were glad to find out that in three among four host cities, our restaurants have received special certificates, as restaurants which are equipped according to requirements of people with special needs” declares Shuranov (2012).

Another way to find out about societal assessment is surveys, held on a constant basis with quarterly aggregated results. “The attitude toward McDonald’s in Ukraine is good, and on average is better than in the majority of European countries and the US”, says Shuranov (2012).
Expectations of society
Talking about reciprocal societal support Shuranov (2012) has mentioned that McDonald’s Ukraine expects society to show a bigger interest toward the company’s CSR engagements. Talking about future CSR projects, Shuranov (2012) has admitted that they would need societal support in realization of garbage sorting initiative. A major challenge lies in convincing people in a necessity to separate garbage. According to positive societal assessment of the company’s work, Shuranov (2012) believes that McDonald’s Ukraine does enough in order to motivate support from society, stating at the same time that “it does not mean that we have to stop at what has been accomplished.”

8.6. Analysis and discussion of the empirical data

8.6.1. CSC

Even though, we have not received the answer whether CSC is fulfilled by both parties, still we may build our own conclusion, based on the discussion of the company’s CSR engagements and reciprocity concepts. Taking into account sustainable way of doing business and a place of CSR engagements in the day-to-day company’s engagements, through which societal expectations are met, we may conclude that McDonald’s Ukraine does fulfill its end of the contract.

Pursuing sustainable business, McDonald’s Ukraine defines its CSR engagements as a component part of company’s activities. Such an approach corresponds to Lozano (2011) view of sustainability as a concept called to meet the needs of a company’s stakeholders. Moreover, interview discussion has corroborated statements and information materials on CSR issues, placed on the company’s website. This means that the company embodies sustainable approach toward business de jure and de facto.

Having discussed the need of provision quality and safe products and its relation to one of five company’s areas, which is the Development of a Sustainable Supply Chain, we may see that in pursue for safe and quality provision of foodstuff, the company simultaneously nurtures its supply chain by developing its suppliers, as well as setting the quality and safety standards on the state level. Thus pursuing its own interest, McDonald’s serves societal needs. It is here that “shared value” concept discussed by Porter & Kramer (2006, 2011), as one of possible motives for CSR engagements, finds its implementation in practice.

Moreover, a range of educational and motivational programmes directed on employees self-development is the appropriate examples of the company’s pursue of becoming a responsible and exemplary employer within Employee experience area (McDonald’s, 2012 (g), showing a ‘shared value’ motivation of CSR engagement. It should be noted, that McDonald’s Ukraine has a clear understanding that following the rules and norms of Labour Code by Company itself, is not a CSR engagement, while requesting the same from suppliers can be viewed as a part of CSR in the area of Sustainable Supply Chain development.

Voluntary limitations that McDonald’s imposes on its communication practices, being engaged in advertisement and promotional activities witness ethical motivation of company’s CSR initiative. Sustainable way of doing business, as a stakeholder-based management approach (Freeman, 1984) spurs the company for a higher level of societal
engagement. Thus, meeting societal expectation out of intrinsic ethical (Bansal, 2005) motive.

Environmental projects conducted by McDonald’s Ukraine perfectly match the Company’s Environmental Responsibility (McDonald’s, 2012 (f) area within all three directions. Moreover company’s strive to improve its environmental performance is another supportive evidence for sustainable business development.

Another form of giving back to communities where the company operates is charity projects conducted by McDonald’s Ukraine (McDonalds, 2012 (h). We may argue about motivation of such charity projects. From one hand, being one time initiatives, regardless the aim of their implementation, they do not bring systemic changes to society, from another; they still improve to some extent the environment of its presence. A “Happy Day” charity initiative, being a borderline action, which contains both PR and charity elements rather serves for the company’s reputation improvement, than brings a systemic change to medical sector of Ukraine. Making all steps of the programme transparent, the company has built the trust among society, thus increasing societial involvement, and along with money raised, a “Happy Day” project has definitely brought a certain benefit to society. However such ad-hoc donations do not change the situation in general in medical sector.

Moreover, diversity of meals and inclusion of fresh vegetables to McDonald’s menu serves rather company’s business interests than makes an input into a shift of people’s food preference toward a healthier one. Still other charity projects directed on a healthy life-style promotion is an attempt to change societal perception of the company as a junk-food provider with a relevant life style attached, but do not exert significant impact on general situation at the state or population’s engagements in sports activity. Therefore, we may conclude that these types of projects lack a systemic approach and as a consequence are less beneficial for society than those developed and applied on the local level.

Positive impact of the company’s CSR activities lies on the local level, as local public organizations may directly address McDonald’s and together in cooperation starts solving them. Operating locally, the company is aware of societal issues of local communities. Having discussed charity programmes on local level, we may assume that they cater to the needs of local communities and meet expectations of certain less fortune societal groups, like orphans, or children with Down’s syndrome. Here, McDonald’s Ukraine works within its competence, doing what it does the best: providing meal and entertaining children. Moreover, a motivation of such projects is of a pure ethical nature.

CSR programmes, which are developed at a central level, are based on McDonald’s assumptions about implicit societal expectations toward certain type of the company’s behavior, or based on studies, which cannot give a full picture of social needs, interests and expectations, taking into account multiplicity of stakeholders groups. Charity initiatives, which are developed locally, though in a reactive form, still meet direct and explicit societal request.
8.6.2. CSR

Evaluating CSR success
Basing its evaluation system on data gathered via surveys, McDonald’s Ukraine has an opportunity to keep tracking projects’ success constantly, which gives an opportunity to make amendments according to changes in people’s attitude. This in turn witnesses systemic approach toward CSR initiatives as a part of day-to-day operations.

CSR budget
Substantial financing (Shuranov, 2012) that the company allocates for social activities, as well as plans to increase CSR budget in terms of existing charity projects and launching new environmental ones, witnesses McDonald’s Ukraine readiness to study and meet changing societal expectations. This is another corroboration that McDonald’s mission to conduct profitable business and serve societal needs by the means of the company’s CSR engagements is put into practice. At the same time, Shuranov (2012) admits that sometimes, even small things like equipping restaurants according to requirements of people with special needs, or mere establishment of cycle parking lot do not require a huge budget, but even with small investments it is possible to cater to the needs of certain stakeholder groups. Thus, meeting societal requirements in economic, environmental and social spheres, McDonald’s Ukraine fulfills its part of social contract.

8.6.3. Reciprocity

Society response to CSR engagements
According to Shuranov (2012), society holds a positive view towards McDonald’s Ukraine. One of the reasons for that is a high quality of services that the company provides. At the same time, people who consider McDonald’s Ukraine as a valuable part of their community life are rather triggered by the company’s CSR engagement and charitable projects. This means that people feel that they are treated fairly and their reciprocity has a form of the company’s support by staying McDonald’s customers. In other words, the concept of ‘distributional fairness’ has found its place. Thereby, people acknowledge the success of the company’s CSR practices.

A number of awards and recognitions that McDonald’s Ukraine is rewarded by different stakeholders groups, like NGOs, media, local and state authorities as well other beneficiaries of the company’s CSR engagements is another positive societal assessment of the company’s activities. McDonald’s Ukraine utilization of surveys and social networks, as a means of finding out societal reaction on and expectations of the company’s activities, witness proactive willingness of McDonald’s Ukraine to serve societal needs. Moreover, the idea behind finding out societal assessment lies in pursuit for excellence in conducting sustainable business and satisfying societal expectations.

Expectations of society
According to Shuranov (2012) McDonald’s Ukraine does not really have general expectations of society except being more interested in those CSR projects that the company is engaged to. This may mean that McDonald’s Ukraine perceive societal support as sufficient one. At the same time talking about garbage sorting project, as McDonald’s Ukraine environmental engagement, and the company’s need for societal support signifies that there are some projects, success of which directly depends on societal readiness to reciprocate. Moreover, it is not only the projects itself that matters,
but being a leader in a restaurant sphere, the company sets a fashion for social responsibility. Thus, if a project is successful, other restaurants may start to implement the same. The constant search for improvements and understanding that societal expectations change is what helps the company to fulfill its part of the contract, trigger a positive societal assessment and motivate societal support.

8.7. Conclusion for McDonald’s Ukraine

Research Question for McDonald’s Ukraine:
How does McDonald’s Ukraine fulfill the corporate social contract and how does it view society’s commitment towards fulfilling its end of the contract?

Having a clear understanding that the scale and scope of the company’s operations exert significant impact on society, McDonald’s Ukraine puts significant efforts to make this impact positive. The company fulfills its end of the contract by conducting sustainable business. This means that CSR is viewed as an integral part of the company’s day-to-day operations, with the aim of constant improvement of McDonald’s Ukraine social and environmental performance.

Sustainable concept of doing business requires that the company meets its stakeholder’s expectations. McDonald’s Ukraine, being an active follower of Sustainability, tries to bring benefit to society by the means of nurturing and developing its supply chain, holding environmental responsibilities, being a responsible and exemplary employer, following standards of responsible communication, as well as paying back to community by charity projects implementation. At the same time, being a leader in a fast-food restaurant business, the company spins over CSR effect through successful implementation of its CSR projects; as McDonald’s Ukraine successes may trigger other restaurants in industry to follow. Moreover, the company’s plans to increase its CSR budget in the next year by 5-10%, signifies a continuation of existing trend of society-oriented approach of doing business in Ukraine.

At the same time, addressing societal expectations, the company expects to see certain reciprocal activities from society-part in a form of support and growth of interest toward the company’s CSR engagements. Moreover, McDonald’s Ukraine holds a proactive expectation toward societal support needed for successful implementation of one of company’s environmental projects. In the meantime current societal support McDonald’s Ukraine explains with ‘willingness to pay concept’, by citing Japanese marketer Nishikawa: “a client is sincere when he votes with money” (Shuranov, 2012). As a measure of success of the company’s CSR engagements may serve a wide range of awards and certificates, granted to McDonald’s by different groups of stakeholders. Such a positive societal assessment from one hand, may serve as another corroboration of the fact that the company fulfills its end of the contact, on the other, such a support and recognition of the company’s CSR initiatives may be perceived as a societal input toward fulfillment of its end of the contract.

McDonald’s Ukraine has not discussed any severe problems, which would prevent the company from conducting successful business in Ukraine, or vital expectations that have not been met by societal side, therefore our opinion, as researchers, is the following. We believe that the company’s view of CSC as a mutual fulfillment of societal and organizational expectations is positive.
9. Conclusion

Our research question was posed with the idea of investigating the organizational perspective of the fulfillment of corporate social contract by both the organization and society. This was done in order to investigate the CSC concept in its wholeness as a mutual and reciprocal meeting of societal expectations by businesses, as well as a meeting of organizational expectations by society. Taking into account our multiple case study approach, and our decision not to compare cases, we have ensured that our research question: ‘How do organizations fulfill the corporate social contract and how do they view society’s commitment towards fulfilling its end of the contract?’ has been answered within each company’s respective section.

Our empirical cases have brought forth the reality that both organizations and society have their own reasons for why they should or shouldn’t invest their resources in each other and these reasons are important to understand to realize why and how our model resembles CSC in its perfection, why this perfection is so difficult to achieve, and how the cycle between organizations’ CSR engagements and society’s reciprocity can be increased. The cases further the model in the sense that it places our theoretical concepts into the puzzle of CSC fulfillment. Through the cases we understand how organizations do their best to identify societal needs seeking to address them in the manner that the organization deems best thus also seeking to be good corporate citizens, device novel ways in which to develop or maintain corporate sustainability, and strategize for shared value. All of this is included in the development of each CSR project that seeks to attract the attention of society and its desire to involve itself in the CSR engagement through its willingness to pay. The cases place our model in the practical business world removing it from the controlled academic lab to test it among practical variables as this has not been done before and CSC, as a concept, is in itself very new. Our conclusion section will be concerned with how our thesis furthers the current knowledge on CSC within academia and the practical business sphere.

9.1. Furthering current knowledge on CSC

9.1.1. CSC model

As have been argued in the Background and Literature Review the CSC concept is quite new for academics and practitioners. As we have mentioned, Bowie (1991), was the only academic, who brought up the need of CSC fulfillment from both sides. Moreover, he discussed ‘Reciprocity’ as a means from societal side to fulfill its side of the contract, stating that companies fulfill their side by means of CSR engagements. We have taken these thoughts and furthered them considerably with the development of our CSC model and the empirical evaluation of the same.

Our empirical study corroborates what our literature review suggests which is that the idea that society also holds some obligations toward businesses is quite new and under researched not only among academics, but among practitioners too. This triggered us to develop our CSC model, which depicts the need to meet expectations of both parties of the contract, business and society, on a constant basis through CSR and Reciprocity respectively (Refer to Figure 2). This model thus depicts CSC in its ideal state. Our approach places equal emphasis on both concepts CSR and Reciprocity in our study of the organizational perspective on how CSC is achieved.
9.1.2. CSC fulfillment

Having analyzed our empirical data we may conclude that organizations have different perspectives on CSC fulfillment due to a range of contextual factors, like the level of maturity of society, a number of contextual factors inherent for local environment of a particular company (the scope of social problems that each company has to solve is unique to each); individual circle of stakeholders, to name some. We have found that the low level of societal maturity may hamper CSC fulfillment as the lack of reciprocity influences companies’ ability to do business and thus their willingness to increase CSR engagements. Both Microsoft Ukraine and DTEK are facing challenges with collecting payments for services rendered to and consumed by society. This is the result of the low level of maturity of the Ukrainian society and this factor may prevent society’s CSC fulfillment with Microsoft Ukraine and DTEK. We learn in the case of M&M that when catering to the medical needs of a community close to Hyderabad that suffered from a lot of blindness issues, the organization faced a bit of reluctance in terms of society’s reciprocity to the CSR engagement of the firm. When asked why, Vijay linked it to the level of education and thus the maturity of society in those areas. However, we learn that when the people of this community understood the quality and value of the CSR engagement they did reciprocate. Thus we see how the low level of maturity of society plays an important role as a factor in the fulfillment of CSC and how it can either challenge CSC fulfillment at times or be turned around into societal willingness to pay through educating society and increasing its awareness about the CSR engagement the firm is involved in. Our model emphasizes the idea of a continuous flow between organizations’ CSR engagements and society’s reciprocity for meaningful CSC fulfillment, however, this continuous cycle is difficult to achieve and our cases bring out the reality of just how difficult this cycle is to achieve every time an organization engages in CSR activity. We thus contribute that CSC is perceived as ‘achievable’ by organizations but is not achievable at all times.

We also understand that CSC fulfillment may change from social project to social project, depending on how attractive a project may be perceived to be by both parties. This means that organizations and society may have different expectations toward each other over time and in each separate case. This can be seen in our cases. Despite M&M having slight hiccups in Hyderabad when executing its CSR engagement to the community that suffered from blindness issues, it had no trouble finding massive amounts of societal reciprocity in other projects like the Hariyali project. Through other examples, we learn that DTEK also has the challenge, in hand, of convincing society to accept strategic approach to CSR instead of ad-hoc charity activities. However, DTEK has did obtain societal support once the project on reforming the communal heating system was implemented. Thus, we may conclude with our contribution that CSC fulfillment is a highly context dependent concept due to which the parties involved may not always find interest in fulfilling their end of the contract. This interest, we believe, must be established through educating society, increasing its awareness about the CSR engagement of the firm, and making CSR engagements attractive. The method used by M&M to raise the level of societal maturity in Hyderabad involved using these techniques and resulted in an increase in societal reciprocity. Thus we see how these factors are the decisive factors in empowering CSR engagements to attract reciprocity, thereby resulting in the fulfillment of CSC. We thus contribute that CSR projects differ in their abilities to successfully satiate the
expectations of society and trigger reciprocity. Therefore, CSC is perceived as ‘achievable’ by organizations but is not achievable at all times.

9.1.3. CSR

We have revealed from literature review that academics believe that CSR should become a part of companies’ business policies. However, academics believe that it generally isn’t common practice. Our empirical data portrays that companies have already incorporated CSR into their business policies as day-to-day activities through the development of sustainable methods of business or corporate citizenship behavior. This allows us to conclude that companies that we have studied take a proactive stance in the fulfillment of its end of CSC through CSR engagements. Thus our contribution furthers academic thoughts as it portrays that organizations that are heavily engaged in CSR have integrated CSR into their business policies thus actively and consistently fulfilling their part of CSC by their very own policy.

9.1.4. Reciprocity

Discussing organizational perspective on CSC fulfillment, we have discovered that organizations under study have claimed that they are fulfilling their part of the CSC through CSR engagements wishing for a greater societal support in response. We have found out that one of the factors which contribute to the uncertainty of the fulfillment of CSC is that organization’s expectations of society are implicit implying that they are not explicitly articulated in company’s policies. Therefore companies are not sure about their own expectations of societal support or how to measure the same. This makes the measurement of societal reciprocity difficult and thereby skew the organizational perspective on CSC. At the same time, it is worth mentioning that a study of companies’ own expectations toward society will bring clarity to organizational expectations of societal support, thus, companies will be able to realistically evaluate the level of reciprocity and tie it to their CSR engagements. Therefore a measured increase in reciprocity would trigger companies’ willingness to increase CSR activity, thus seeking to achieve the CSC in a more consistent manner.

We have been familiarized through reviewing academic literature (and this was supported by our empirical data), that society may have some unrealistic expectations toward organizations. E.g.: a food company, mentioned in Literature Review, was made responsible by activists for the global scarcity of fresh water, even though it uses less than one-millionth of total fresh water consumed worldwide (Nestle Group, 2012). This example has found its corroboration in our empirical data where an energy company was expected by society to decrease heat loss through the renovation of the state’s energy system despite the fact that infrastructure maintenance is the responsibility of the government (Tolkach, 2012). These unrealistic societal expectations may hamper CSC achievement as companies’ inability to meet societal expectations breaks the distributional fairness concept. Thus society is not willing to reciprocate as it does not feel that it is treated fairly; while lack of societal reciprocity may lower the level of CSR initiatives. It is here that we see our input into developing insights into the CSC fulfillment through understanding some of the difficulties in balancing CSR and Reciprocity.

CSC can be restored through cooperation from both sides. Companies, by educating society about its organizational capacities in terms of solving societal issues may
increase societal reciprocity. E.g.: Within the Programme of Social Partnership DTEK engages representatives of the state, businesses, and NGOs to the work on the developing of three-year Strategies; thus, raising awareness and the level of societal activity. Society’s interest in companies’ opportunities for CSR engagements may help CSC achievement too.

We are aware and fully understand that having studied organizational perspective only, we cannot claim for objectiveness of our results. However, we do believe that results of our work at least have shed some light on to CSC concept in its wholeness as well as the place and input of CSR and Reciprocity in fulfillment of CSC by both sides business and society. We do agree that in order to obtain a more comprehensive view on CSC there is a need to study societal view on CSC fulfillment by companies as well. And this theme will be developed in ‘Future research’ part.

9.2. Motivation for society to act

Bad politicians are chosen by good people that do not vote. The field of academics, and the professionals that work towards its progress, are often accused of talking the talk but not walking the walk. We want our thesis to be a document that not only presents facts and academic discussion but also motivates proactive behavior from its readers. The fact of the matter is that choosing not to act serves but as a contribution to the problems that society faces. A lot of good work is done in the practical business field, in terms of corporate social responsibility, and is often passed off but to be categorized by academics and society at large as marketing tools. Is this all our eyes can see? Is this the extent of our vision? We, the authors of this thesis, would like to mention explicitly that our use of material that was published by the organizations was solely for the purpose of understanding the CSR-related undertakings of the organizations that occurred in our absence and to gain further insights into the discussions engaged in throughout the interviews that the organizations were kind enough to permit us to conduct.

Society has within it corporations that are investing the expensive and scarce resources of time and money to take up onus as vicegerents of the earth. We need to stop looking at good corporate social-work from the perspective of a lesser being and acknowledge, support, and reciprocate through involvement in these endeavors.

The Nanhi Kali project, for example is one of many that have been initiated by organizations and have encouraged participation from the public to join forces, through cooperation, in favor of a common cause. Reciprocity through involved support, in the absence of self-initiated engagements, is the key to a sustainable present for a livable future. Get involved. Don’t be a part of the problem; be a part of the solution. Doing nothing is no longer an option today.
10. Future Research

We do understand the importance of contributing our thoughts to future research. We considered many of the following concepts for our thesis but due to the necessity to narrow down our focus and the many limitations we faced; these were pushed into our ‘future research’ section. However, future researches must bear in mind that the following ideas have very close links to the research work that we have completed and that these thoughts had been initially devised and intended to take our research to the next level. A thorough perusal of our research will assuredly deliver to future researchers the sturdy foundation, readied launch pad, and the focal lens that will direct their vision for their research.

10.1. A Single case study

Our thesis focuses on how companies in many industries go about handling themselves socially. This involves how they deliver their CSR activities to society once they have identified the needs of society and evaluated their CSR budgets. One must bear in mind that the companies we discuss are from different industries and are headquartered in different countries.

Our thesis also focuses on how companies measure the successes of their CSR engagements and what they expect from society in terms of society’s reciprocation in response to their CSR engagements. One must bear in mind here that the perspective we are researching is the organizational perspective.

What we would like to suggest to future researchers is to investigate CSC in one organization. This would involve arguing for why they have chosen that organization and why they have picked the industry or industries in which the organization operates. A suggestion in this direction would be to research CSC in an organization that has its hands in many industries. An example of such an organization could be Mahindra & Mahindra. Considering that we have already researched this organization one could take our research and build on it if they investigated CSC in the same organization. Another suggestion would be to investigate CSC in an organization that has its hands in one industry, e.g.: Vattenfall. To investigate CSC at a company we have already worked with already answers many of the research questions that future researchers could have come up with and so to develop more questions that require more in-depth answers secures more contribution to the research area.

Such questions would include:
1) What kind of methods are used by organizations to make CSR engagements seem attractive to society so as to increase the chances of fulfilling what the CSC demands of both parties?
2) How does society view organizations’ commitment towards fulfilling the organizational end of the CSC?
10.2. Threshold

www.businessdictionary.com, states that in order for a threshold to exist, either the ‘threshold criterion’ of the minimum acceptable benchmark or the maximum permissible limit, against which actual performance is to be measured, should be met. We find that the dictionary defines the term ‘threshold’ as a boundary. It is past this boundary that a radically different state of affairs exists. Having understood what is meant by the term ‘threshold’ it is important to comprehend the meaning of the term ‘threshold effect.’ This term describes the point at which the threshold level (i.e.: the point after which radical changes are likely to occur) is crossed. It is in the threshold that our interest for research, and suggestion for future research, lays. It is by defining this threshold as ‘reciprocation’ that we proceeded to develop the following research questions.

Research questions

1. How does ‘reciprocation’ explain the threshold between shareholders’ and stakeholders’ expectations of organizations’ CSR engagements?
2. How does the threshold explain the degree to which organizations decide to engage in CSR activities?
3. How does shared value assist reciprocation to serve as a solution to this imbalance?
11. Quality Criteria

11.1. Trustworthiness

Because of interpretative, context-dependent nature of our qualitative research, which has been conducted within ever changing social settings, such criteria as external reliability and external validity (quality criteria used in quantitative study), are not applicable to our research. According to Bryman & Bell (2011, p.394-395) there is a group of scholars (LeCompte and Goetz, 1982; Guba 1985, Guba and Lincoln, 1994; Mason, 1996; in Bryman & Bell, 2011, p.395), who has adapted quality criteria used for quantitative research to assess qualitative research, by developing alternative quality criteria for qualitative research evaluation. According to Lincoln & Guba (1985, p.290) trustworthiness in qualitative research is related to the ability of a researcher to persuade the readers that “the findings of an inquiry are worth paying attention to, are worth taking account of.” In other words, the researcher should argue that not only findings of qualitative research are sound and reliable but the whole study is also conducted according to the methodological rules and norms. Therefore, in order to overcome a problem in qualitative research associated with the lack of objective evaluative instruments, four main criteria against which trustworthiness is measured - credibility, transferability, dependability and confirmability - have been developed by Guba (1981, in Lincoln & Guba, 1985, p.119). From this set of criteria the trustworthiness of our work will be evaluated.

11.1.1. Credibility

In order to show that our study presents the idea initially planned, we are going to show the level of congruence between our findings and the reality. In other words we have to persuade our readers in the “truth” of our findings. This is going to be achieved through ensuring credibility of our research.

Taking into account the importance of “the development of an early familiarity with the culture of participating organizations” (Shento, 2004, p.65), prior to address a particular organization with an enquiry to participate in our study we have been familiarizing ourselves through company’s documentation collection whether an organization meets our selection criteria (for more information see paragraph 3.4.3. Choice of company). Thereby, by the time when the primary data collection via semi-structured interviews has taken place, we had been equipped with the knowledge about organizational culture, approach to business policy and CSR initiatives. This helped us to conduct interviews in such a way that has covered peculiarities of the organizations of our choice, namely Mahindra & Mahindra, Vattenfall, Microsoft Ukraine, DTEK and McDonald’s Ukraine.

According to (Lincoln & Guba, 1985, p.213) credibility “…cannot be well-established without recourse to the data sources themselves,” therefore we have applied triangulation as one of the operational techniques that facilitates establishing of credibility. With the aim of cross-checking the findings while studying CSC, as a social phenomenon, we have used several techniques of data collection. In addition to semi-structured interviews, physical artefacts as another method of data collection was applied to compare information provided by interviewees with the actual organizational culture of Mahindra & Mahindra. While conducting interviews we visit companies’ sites, thus being able to check the natural settings of an organizational life. Even paying
a short visit we are able to discern whether companies’ devotion to CSR engagements is of a true nature or merely for the sake of appearance. For example, existence of different kind of awards obtained by a company for active CSR engagements, as well as companies logo with ‘green marks’, any other objects that call to join a ‘green club’ or put more effort into other CSR activities could serve as support/disapproval of information obtained while conducting interviews. Unlike interviews that have been held at Mahindra & Mahindra respondents’ offices, interviews with respondents from Vattenfall, Microsoft Ukraine, DTEK and McDonald’s Ukraine have been held at conference rooms, preventing us from the observance of physical objects that support companies’ CSR engagements. A range of companies’ documents, like CSR and sustainability reports, companies’ brochures and information placed on the companies’ websites were used to support, explain or verify information obtained via interviews. In order to ensure that answers of our interviewees are honest we have applied a tactics of “iterative questioning” (Shento, 2004, p.67). E.g.: discussing companies’ fulfillment of its part of CSC, we have been paraphrasing questions as well as asking questions relating to companies’ CSR engagements, budgets, projects, etc. Thus we have tried to assess the level of current companies’ CSR involvement as well as companies’ future trends with this respect.

“Member check”, according to Lincoln and Guba (1985, p.314), as “one of the most crucial techniques in establishing credibility”, should be applied to the whole process of data collection, analysis and conclusion drawing. However Marshall (1995, p.336) conducting her qualitative study argued for the need of establishing boundaries for participants’ ‘right of veto’ on researcher’s analysis. Being aware that possible defensive reaction of respondents on our analysis of data obtained through interviews may lead to censorship, we have limited the extent of respondents’ influence on parts of interpretative discussions and conclusions to suggestions. If some discrepancies in views have taken place they were discussed to satisfaction of both parties. At the same time, we have provided our interviewees with due level of freedom in corroborating information concerning a company’s description and empirical data presentation. Herby, we have obtained not only an external perspective on the issue under consideration, which is CSC concept, but also have secured the research findings against any possible data misinterpretation; at the same time having an opportunity to exercise our right, as researches, to conduct analysis from academic standpoint. Moreover, Linkoln and Guba (1985, p.299) accentuate close ties between dependability, confirmability and credibility of qualitative research, by noting that by ensuring credibility researchers cater to dependability and confirmability promotion. E.g.: ‘Member check’, discussed as a technique to ensure credibility of study serves the same purpose in promoting both dependability and confirmability of our research.

11.1.2. Transferability

Our choice of a multiple case study as our research strategy was dictated by the two provisions: idea to study CSC, as socially constructed phenomena and the uniqueness of the context in each particular case. According to Linkoln & Guba (1985, p.124), the degree of transferability has a direct correlation with similarity and fit of social settings. A ‘thick description’ of settings is needed to provide the readers with information on possibility to translate research findings to other contexts. In other words, if another researcher will conduct alike study he/she should obtain the same results. Providing a thorough description of each company as well as portraying unique operational contexts we have made it clear that CSC concept should be studied appreciating peculiarities of
each particular organization and is not applicable to cross-comparison of companies under study. At the same time impossibility of comparison has not prevented us from making a theoretical generalization. In this case a stringency of argumentation and material presentation is the criteria to test against (Walsham, 1993, p.15). We believe that the way of material presentation that we have chosen along with hermeneutic approach to empirical data analysis as well as our conclusions allows us to claim for a theoretical generalization of results of our study. We leave it to our readers to decide on the level of transferability of our research findings.

11.1.3. Dependability

Dependability of results relates to the issue of ensuring that complete records of data, methods and interpretations are kept in accessible manner for external ‘auditing’ (Linkoln & Guba, 1985, p.299). In other words, that presented findings are consistent and can be repeated by other researchers. Of course, taking into account the peculiarities of organizational context we cannot argue for a high level of dependability of our research. However we have put our efforts with the aim of ensuring a certain level of dependability and leave the evaluation for the readers to judge. Yin (2011, p.19) states that “the research procedures should be transparent”, so that peers, researchers or participants have a possibility to scrutinize the work. Therefore, in order to ensure transparency and achieve dependability, we have documented of what has been done and why. In other words we have described qualitative research procedures of our study.

Another step that we have taken in order to ensure transparency was recording and transcription of all conducted interviews. This allows any researcher interested in the topic to turn to the primary source of empirical data collection, which in our case is represented with semi-structured interviews. Thereby we have made the data used in the current study available for the inspection by other researchers, on a kind consent of interviewees. In the meantime, we are aware that potential difficulties that future researchers may come across while examining our primary sources of data lie within language proficiency. Unlike those interviews which were conducted and recorded in English language as well as transcribed in the same, there were interviews conducted in Ukrainian and Russian languages, for the convenience of interviewees, and transcribed in English. Thus, only those researchers who are proficient in Ukrainian, Russian and English languages will have a possibility to compare the data obtained during interviews and textual representations of the same. In order to tackle this potential problem, close-to-original transcription was made. Moreover, as Ukrainian and Russian languages are both native to one of the interviewers, we may argue that information have not been distorted during English-Ukrainian-English and English-Russian-English translation process.

Methodical approach to qualitative research, in addition to following pre-defined procedures, consists of granting a certain degree of freedom for discovery of unpredictable events (Yin, 2011, p.19). The description of procedures of our qualitative research as well as following of those research procedures have taken place in Methodology Chapter. A case study, as our research strategy has been defined, articulated and followed throughout our research. A semi-structured interview, which has been chosen as a data collection method has allowed for a certain degree of freedom for us and our interviewees. Nevertheless we have had a set of questions, developed with the aim to answer our research question in the best possible way, still within each area of our interest, CSC, CSR and ‘Reciprocity’ concepts, the order of questions may
have differ from interview to interview. Moreover, the interview guide was enlarged with additional questions. This difference has appeared due to organizational peculiarities in terms of conducted operations and organizational context. Because we, as academic researchers, (have not had a business perspective) could not celebrate all possible diversity of CSC, CSR and ‘Reciprocity’ issues, therefore we have provided a certain degree of freedom to our interviewees, as business representatives, to express their thoughts freely and comprehensively. We believe that such an approach did not only hamper the overarching goal of interviews – to research CSC concept from organizational perspective – but also have developed and enriched it with a business-wise perspective. At the same time, the interview guide served us as a road map which we used in order to keep the discussion within our main areas of research. Keeping all ethical norms, (for detail discussion see Interview guide of Methodological Chapter) while addressing companies for interviews, conducting interviews as well as presenting and analyzing the data obtained, we have put our efforts to give completeness to our research.

11.1.4. Confirmability

Confirmability is called to ensure that research findings are the outcome of respondents’ ideas and perspectives, “rather than the characteristics and preferences of the researcher” (Shento, 2004, p.10). Nevertheless objectivity is not a criterion against which qualitative research is usually evaluated, but in order to secure a certain degree of neutrality of findings presented in our study we have developed a thorough Literature Review, by scrutinizing established body of knowledge in business field. Thus, interpreting findings of conducted interviews as well as information from companies’ websites we have referred to established theoretical concepts, like CSC, CSR, Reciprocity, Sustainability, Corporate Citizenship, Willingness to Pay and Shared Value. Thereby, we have put our efforts into giving an academic interpretation of organizational perspective on CSC fulfillment by business and society and tried to escape bias immanent to pure reflection of researchers’ preferences. Among other methods used to ensure confirmability, which have been already discussed, were method of triangulation and validation of data by respondents.

As our study was conducted by two researchers, a peer review of each other work has also taken place. We constantly have been updating each other with the ongoing process of interpretation, thereby influencing each other’s conduct. According to David and Sutton (2011, p.329) communication among members of a research team is highly advisable as “this allows for coordination as well as deepening the process of reflection by which new insights” are shared and developed. Thus we may conclude that comments and suggestions on thesis improvement, taken from a perspective of both researchers during joint work, have also made its input into establishing confirmability of the current study. Therefore, we believe that our study as a process, as well as our research findings and conclusions are able to withstand a scrutiny by researchers, peers and colleagues.
12. Reference List


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**Personal Communication**


Appendix 1: Letter of Informed Consent

Dear __________________________,

Thank you for allowing me to schedule this interview on _____________________, 2012. As you’ve already been briefed, through my earlier mail, the purpose of the interview and its design is to permit me to gain an understanding of ___________________ perspectives on the concept of ‘Corporate Social Contract.’ The concept of ‘corporate social contract’ is composed of two parts:

a) society’s expectations of organizations (my research focuses on organizations meeting these expectations through CSR)
b) organizations’ expectations of society (my research focuses on society being expected to meet these expectations through support and reciprocation towards organizations’ CSR engagements)

The interview will most likely take less than an hour. All responses will be kept confidential. This means that your interview responses will only be shared with research team members and we will ensure that any information we include in our report does not identify you as the respondent. However, if you feel that you have no reservations in this regard, please tick the boxes below.

The boxes below are with regard to confidentiality. Please tick the following boxes if:

- [ ] You have no reservations about being mentioned as a respondent.
- [ ] You have no reservations about having __________________ being mentioned as the organization being researched.
- [ ] You have no reservations with me recording the interview to ensure I don’t miss your thoughts (as taking notes may not be a fast enough option to capture your thoughts)

If you have any questions before or after the interview you are more than welcome to direct them to me.

Signature of consent to the utilization of the interview for the purpose of research:

Interviewee: ___________________

Interviewer: Ganna Vlyalko/Rummenigge Wilson
E-mail Address: gvlyalko@gmail.com/ ehth4@hotmail.com
Witness/es (If other parties, silent or otherwise, are present):

__________________

__________________

Date: ______________
# Appendix 2: Interview guide description

<table>
<thead>
<tr>
<th>Interview guide</th>
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<tbody>
<tr>
<td><strong>Part I: Corporate Social Contract (CSC)</strong></td>
</tr>
<tr>
<td>As we have discovered from literature analysis the idea of CSC in its wholeness has not been studied well in academic camp. Taking the organizational stance we aim to identify whether the concept of corporate social contract, from practitioners’ point of view, is fulfilled by both sides: business and society. This permits us to comprehend whether organizations generally believe that they, and society, are fulfilling this contract and if they believe this contract can be fulfilled at all.</td>
</tr>
</tbody>
</table>

| **Part II: Corporate Social Responsibility (CSR)** |
| Taking into account that CSR is a means that companies use in order to fulfill its end of the corporate social contract, we believe that it is important to find out how companies define, implement and evaluate their own CSR activities. By doing so we will gain an understanding whether and how companies fulfill its part of CSC. This section helps us understand the organization’s view on the CSR engagements. It gives us an insight into critical discussions of business practices and issues that are important to understand with regard to CSR. Such discussions include topics like the ways organizational evaluation of their CSR successes, and its allotment of a budget for CSR. This will help us to answer the first part of our research question about fulfillment of CSC on business hand. Moreover, in order to understand how ‘serious’ companies are, talking about fulfillment of CSC and whether their CSR initiatives are ad-hoc activities, or meeting societal needs is a part of a company’s business policy, we need to know a company’s future plans. These types of questions were designed to extend the validity of our thesis past the year in which it was written. It permits professionals to provide us with their vision on the organization that they work for and provides insights into the future of CSR with regard to their respective organizations, industries, and countries of operation. Thereby, answering our research question about fulfillment of CSC, such information will allow us not only to picture the current state of affairs, but also to make an assumption about future directions of its development, which adds credibility to our research. |

| **Part III: Reciprocation** |
| This section involves discussions to gain an understanding of what organizations expect from society. Analysis of organizational aspirations with regard to reciprocal actions from society in support of companies’ CSR engagements includes not only pure |
organizational expectations toward societal reciprocal actions (if there are any), but also helps us identify current level of societal support to assess whether organizational’ CSR engagements can stimulate such a societal support. In other words, whether companies are doing enough to earn and/or command such reciprocal support for their CSR engagements, and how they feel about the current levels of support from society and the government. Understanding the current and a ‘wish’ level of societal reciprocal support will provide us with information necessary to answer the second part of our research question about organizational perspective on societal input toward fulfillment of its part of CSC.