

Historical Development of Corporate Social Responsibility- A Review on Early Studies

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Abstract

In this twenty first century, the term corporate social responsibility briefly known as CSR is becomes the business strategy. Multinational corporations are paying much more attention to publicize their commitment towards CSR. However, none of the early research explores the historical development of CSR in literature. This study highlighted the debate of CSR followed by the literature development.

Keywords: Corporate Social Responsibility, History, Responsible Business, Strategy

Introduction: Corporate Social Responsibility (CSR) has expanded as a form of corporate sustainability, with advantages to the economic, environment and social progress (Kanji and Chopra 2010). Corporate social responsibility (CSR) has emerged with unprecedented prominence in academic and business spheres alike (Kotler and Lee 2005; McWilliams, Siegel et al. 2006) more than ever before. A research finding showed that a majority of customers expect socially responsible development to provide more CSR features (Yam and McGreal 2010). But the idea of CSR is not developed over the night. Hence, it is interesting to investigate the historical development of CSR in literature.

Over the past 50 years, the concept and theorists of CSR have devoted much effort to thinking through the business-society relationship (Carroll and Buchholtz 2008), which led to a consensus in thinking about corporate social responsibility. In fact, large differences exist among business scholars with regard to whom corporations have responsibilities and what are these responsibilities. According to Friedman, Corporation has no responsibility except making profit in a legal way (Friedman 1970). The practice of CSR only incurs additional cost and hence, would jeopardize overall performance and sustainability of an organization (Pinkston and Carroll 1996; Henderson 2009).

On the other hand, some scholars (Freeman 1984; Donaldson and Preston 1995; Carroll 1998; Carroll and Buchholtz 2008) argued that a corporation has numerous responsibilities towards its stakeholder. Other scholars (Kotler and Lee 2005) viewed CSR as a commitment to improve community well-being through discretionary business practices and contributions of corporate resource. Early studies (Makower 1995) found that there is positive relation between CSR and profit making. However, more contemporary researches also had problems in finding relationships between financial performance and CSR (Blowfield 2007). Keeping all these debate in a side, the concept of CSR is becoming more popular today in the business field; more than 80% of the Fortune 500 companies address CSR issues in their webpage (Bhattacharya and Sen 2004). Since CSR is a tool to get global market access (Hossain, Siwar et al. 2012)

Theoretical Development of CSR: It was a period in the late 18th and early 19th centuries when major changes in agriculture, manufacturing, mining, and transportation had a profound effect on the socioeconomic and cultural conditions (Maddison 2009) and the impacts on business milieu were entirely new dimension. The “corporate paternalists” of the late 19th and early 20th centuries used some of their wealth to support philanthropic ventures. The 1920s can be recognized as the beginnings of the “modern” CSR movement by the speech of the Dean of Harvard Business School, Wallace B. Donham: “*Business started long centuries before the dawn of history, but business as we now knows is new in its broadening scope, new in its social significance*” (Young 2008). Business has not learned how to handle these changes, nor does it recognize the magnitude of its responsibilities for the future of civilization.

In 1953, H. R. Bowen wrote in his famous book “Social responsibilities of the businessman”. He is the one who spoke about Corporate Social Responsibility for the first time and this credited him the honour as the father of Corporate Social Responsibility. He helped educate the businessmen in a new sense of social responsibility (Bowen 1953). Followed by Bowen’s work, a number of scholars (McGuire 1963; Davis and Blomstrom 1966) played significant roles in the development of Corporate Social Responsibility (Carroll 1979).

In 1962, Rachel Carson's Silent Spring played a large role in articulating ecology and can be treated as a

derivation of modern Corporate Social Responsibility. Her book is widely credited with helping launch the environmental movement (Carson 1962). In her book, she talked about surface water, underground seas, soil, river, birds, and overall balance of biodiversity. The book argued that uncontrolled and unexamined pesticide use was harming and even killing, not only animals and birds, but also humans. She chose a title that evoked a spring season in which no bird songs could be heard, because they had all vanished as a result of pesticide abuse.

In 1972, “The Limit of Growth” was published by Club of Rome. Donella H. Meadows, Dennis L. Meadows, Jorgen Randers, and William W. Behrens III who were the writers of this book. In this book, they were modelling the consequences of a rapidly growing world population and finite resource supplies. This excellent academic work inspired corporate executives to initiate Corporate Social Responsibility in their organizations (Meadows, Randers et al. 1972). Five variables were examined in the original model. These variables are: world population, industrialization, pollution, food production, and resource depletion. The authors proposed to explore the possibility of a sustainable feedback pattern that would be attained by altering growth trends among the five variables. Chelsea Green Publishing Company and Earthscan published the most recent updated version on June 1, 2004 under the name *Limits to Growth: The 30-Year Update*. Donella Meadows, Jørgen Randers, and Dennis Meadows had updated the original version. The book has been criticized by many prominent economists, scientists, and political figures. They assailed the methodology, the computer, the conclusions, the rhetoric, and the people behind the project (Clavin 2011).

In 1992, Earth Summit or Rio Conference was organized by the United Nations Conference on Environment and Development (UNCED). Through this conference, the United Nation sought to help Governments rethink economic development and find ways to halt the destruction of irreplaceable natural resources and pollution of the planet (Grubb, Energy et al. 1993). Rio Summit involved more than 100 heads of state, 172 governments participated and 2400 representatives of non government organizations (NGO) and nearly 10,000 journalists (Victor 2006). An important achievement was an agreement on the Climate Change Convention which in turn led to the Kyoto Protocol. The major outcomes from the earth summit are: the Rio Declaration on Environment and Development (Rio Declaration), Agenda 21, and Forest Principles.

Table 1.1 Brief History of Corporate Social Responsibility

Year	Book or Conference	Author or organizer	Publisher and Place	Main focus
1953	Social responsibilities of the businessman	Howard Rothmann Bowen	Harper, New York	Bowen is the first person who talked about social responsibility in his book
1962	Silent Spring	Rachel Carson	Houghton Mifflin, US	The book is widely credited with helping launch the environmental movement
1962	Capitalism and Freedom	Milton Friedman	University of Chicago Press, United States	Social responsibility of businessmen is profit making
1972	The Limits to Growth	Donella H. Meadows Dennis L. Meadows, Jørgen Randers And William W. Behrens III	Club of Rome	Book modelling the consequences of a rapidly growing World population and finite resource supplies
1992	Rio Conference	United Nations Conference on Environment and Development (UNCED)	Host country; Brazil	The UN sought to help Governments rethink economic development and find ways to halt the destruction of irreplaceable natural resources and pollution of the planet
1995	World Business Council for Sustainable Development (WBCSD)	Followed by Rio Conference	WBCSD is based in Geneva, Switzerland with offices in Washington and Brussels, Belgium.	The WBCSD was created in a merger of the Business Council for Sustainable Development and the World Industry Council for the Environment.
1996	The Future of Capitalism: How Today's Economic Forces Shape Tomorrow's World	Lester C. Thurow	Penguin Group, USA	Business has numerous responsibilities towards its stockholders
1997	Kyoto Protocol	United Nations	Kyoto, Japan	It is legally binding for reaction of greenhouse gases.
2009	Copenhagen Summit (COP15)	United Nations	Copenhagen, Denmark	Developed a framework for climate change mitigation beyond 2012

Source: Developed by the Researcher based on literature

In 1995, World Business Council for Sustainable Development (WBCSD) was established followed by the Rio Conference. The WBCSD is a CEO-lead, global association of 200 international companies dealing exclusively with business and sustainable development (Lovins 2008). In 1992, the Rio Summit appointed Stephan Schmidheiny, a Swiss business entrepreneur as chief advisor to WBCSD (MacDonald 2010). The Geneva based WBCSD was created in 1995 to assist companies to reduce the environmental burden of their products and services (Culbert 2000).

In 1996, "The Future of Capitalism: How Today's Economic Forces Shape Tomorrow's World" wrote by Lester C. Thurow explained that a business had numerous responsibilities towards its stockholders (Thurow 1996). His work is considered as the milestone for sustainable development in the research field.

In 1997, the Kyoto Protocol was established. The Kyoto Protocol is a protocol to the United Nations Framework Convention on Climate Change (UNFCCC or FCCC), an international environmental treaty produced at the United Nations Conference which intended to achieve "stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system".

In 2009, the 2009 United Nations Climate Change Conference, commonly known as the Copenhagen Summit (COP 15), was held at the Bella Centre in Copenhagen, Denmark, between 7 December and 18 December. The Copenhagen Accord was drafted by US, China, India, Brazil, and South Africa on December 18, and judged a "meaningful agreement" by the United States government. The document recognised that climate change is one of the greatest challenges of the present day and that actions should be taken to keep any temperature increases to below 2°C (Grabbe 2002).

As the latest update on CSR, a number of current researches are presenting CSR as a green business (Cooney 2009). Green business or Sustainable business is a business that has no negative impact on the global or local environment, community, society, or economy - a business that strives to meet the triple bottom line. Other group of scholars establish the link between CSR and religious point of view (Siwar and Hossain 2009).

Conclusion

Though there are number of challenges involved in practicing Corporate Social Responsibility like huge financial expenses, getting employee involvement and so on (Hossain, Siwar et al. 2012), but the historical development shows that CSR is concept that has been highly accepted by stakeholder. Recent study also proves that CSR bring Image and reputation, competitive advantage and also ensure global market. Further study may look on the factors that encourage corporate executives to practice CSR.

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