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# History and Dynamics of Corporate Social Responsibility

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## Introduction

Although corporate social responsibility (CSR) is currently the subject of much debate in the contemporary global business environment it is not a new phenomenon; rather, it has a historical dimension. Despite its current growth and popularity, there is plenty of historical evidence of the concerns of businesses and businessmen for their employees and the communities in which they operated (Carroll, 2008). Indeed, as Chapter 2 illustrates, social accountability and CSR practices and reporting have evolved considerably over several decades. In order to appreciate the current debate on CSR and the context in which it has developed and flourished, in both developed and developing countries, it is necessary to have some understanding of the historical underpinnings of the concept. This chapter therefore, provides a historical perspective on CSR, beginning from the mid-19th century industrial revolution when commercial activities began to expand considerably, and the forms of business ownership started changing. It was during this period, that social inequality, employee welfare, working conditions, education, environmental concerns and the responsibilities of business gradually became important issues that required attention. A primary focus of this chapter is a discussion of the dynamics of social responsibility practices and concepts, in order to demonstrate how they have grown and shaped business practices and corporate regulations and reporting. Within this discussion we trace the evolution of CSR from the 1850s to present day. A range of issues from employee welfare, corporate philanthropy, social activism through to environmental and social impacts of business and the response of the state to these wider social issues are identified.

Following this, the chapter considers changes, practices and developments within organisations, society and regulatory bodies that have led to the institutionalisation of CSR in contemporary business environments and reporting frameworks. CSR practices and reporting abound in many countries of the world, but in terms of scholarly debates, are more evident in Western economies. Early writings in this area originated from the United States, however, over the last three decades, increased attention has been given to this topic in Europe. In developing economies, there has been an ongoing debate about CSR, particularly over the last decade and in the context of globalisation, corruption and transnational business and reporting. It is, therefore, also important to understand the social impact of negligent or deliberate actions of organisations, and steps that can be (or have been) taken to increase the social responsibility and CSR of organisations. The chapter considers the key players in CSR's growth and development and their roles in shaping CSR globally. We begin our investigation into the history and dynamics of CSR by looking at the origins, changes in meaning, practice and reporting of CSR practices.

## The development of CSR – a brief description

Scholarly debates on the historical development of CSR have revolved around theory and practice. CSR as a business or management concept and practice is viewed from various perspectives and has been quite amorphous. Thus, it is difficult to arrive at a generalised definition of what CSR is, and the definitions keep evolving as the debate continues. In the last seventy years, several authors and businessmen defined CSR in diverse ways. Likewise, the practice of CSR has been described using different concepts. In the early years of the conceptual debate on CSR it was often referred to as social responsibility rather than as CSR (Carroll, 1979), because of the forms of business ownership during that period. Other concepts include the social responsiveness of businesses, corporate social performance, and so on. Possible definitions of CSR which may capture the social sensitivity of businesses are Davis and Carroll's definitions. Davis defines CSR as "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (Davis, 1960:70). He argues that in the long run, the social contributions businesses make to society would bring economic gains, thereby paying it back for its socially responsible outlook. Apparently, this is a major argument in contemporary debates on the usefulness of CSR to businesses themselves (Carroll and Shabana, 2010). Carroll defines CSR as "encompassing the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time" (Carroll, 1979:500). CSR therefore, challenges businesses to look beyond the interests of shareholders and incorporate the changing needs and opinions of the wider society in which they operate.

CSR activities commenced long before the 19th century as business motivations during that period was mixed with public interest objectives and private economic objectives. Moreover, charters of corporation in developed societies were mainly given to businesses that were socially useful. That is, the law encouraged and permitted businesses primarily because they were of service to the community, rather than because they were a source of profit to their owners (Avi-Yonah, 2005). Therefore, businesses have historically made both economic and social contributions to the communities they operate in, but CSR in contemporary times focuses more on the social and environmental impacts of businesses. However, it is important to note that the economic impacts of businesses, when viewed in a wider context, are equally social contributions to society (Carroll, 2008), especially in developing economies. For example, economic impacts in terms of employment, provision of goods and services, tax revenue, research and development for improving the quality of products and services are social contributions to society in their own way. Therefore, when analysing CSR from a historical perspective, it is important not to lose sight of these dynamics.

Several factors have contributed to shaping CSR practices and reporting across the world at various times in history. The changing nature of business ownership and practices, as well as the political environment in which businesses operate, have shaped the development of CSR globally. Thus, the development of CSR practices and reporting originates from the interaction of various stakeholder groups and actions. This is depicted in Figure 3.1



**Figure 3.1:** The development of CSR in a wider context