The History of Corporate Social Responsibility

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ABSTRACT

This paper looks at the history of corporate social responsibility (CSR), which it identifies as a controversial subject. It acknowledges the fact that some authors think CSR is irrelevant to business, while others think that it is a bad idea for business. However, it takes sides with those who think that CSR is of strategic importance to business. What this paper contributed to the CSR debate is to trace the historical roots of the concept from ancient times to the modern day. The research for this paper was carried out by interviewing individuals, business people, business scholars and thinkers. Considerable effort also went into reviewing a large collection of publications on the subject of CSR. The paper concludes with the suggestion that a more detailed study of the history of CSR is needed. While many authors think that this is a relatively new concept, CSR is perhaps as old as business itself and in some societies one cannot do business without being socially responsible.

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Introduction

Corporate social responsibility (CSR) is a controversial subject that continues to attract a lot of attention – from those who argue that the whole issue is irrelevant to business (Freeman and Liedtka, 1991), through those who see the relevance, but think it is a bad idea for business (Friedman, 1962), to the vast array of writers who think that CSR is of strategic importance to business. While this debate as to the role of CSR in business is not only vital, but also interesting, this paper contributes to it by tracing the historical roots of the concept from ancient times to the modern day.

Since our intention here is to search for the history of CSR, it is important that we look at the etymological definition of the term 'company.' Like many contemporary English words, the word company has Latin roots. It is derived from two Latin words, *cum* and *panis*, which mean "breaking bread together" (Arndt, 2003). Therefore, the original idea of a company has communal or social connotation.

Tracing the etymology of the term 'company' is relevant here because as the words 'corporate,' 'social,' and 'responsibility' rightly suggest, CSR covers the responsibilities that companies or corporations have to the societies within which they are based and operate. From a practical perspective, CSR involves a business identifying its stakeholder groups and incorporating their needs and values within the strategic and day-to-day decision-making process (University of Miami, 2007, p. 1).

There are not many studies that concentrate on the history of CSR in dept. In most cases, researchers or practitioners simply refer to the history of CSR in a paragraph or two (Freeman and Liedtka, 1991; Hamilton, 2003). It is for this reason that we thought it important to make a more detailed study of the concept. Our methodology was mainly qualitative, whereby we talked to individuals, business people, business scholars and thinkers. We also went through a large collection of publications on the subject of CSR. This article is therefore a product of this research, but there is still much that can be done in this area of CSR. But before we get into the depths of the history, let take a closer look at what CSR is actually about.

Defining Corporate Social Responsibility

The concept of a company or corporation, and even business itself cannot be separated from society. However, a business' 'society' within which it operates, which defines the number of stakeholders to which the organization has a 'responsibility' is relative. The society may be broad (even global), as in the case of a multinational oil company that has to be careful of its impact on global environmental conditions, or narrow as in the case of a small mom and pop grocery store. It may also depend on the industry in which the firm operates and its perspective (University of Miami, 2007). It is for this reason that the concept may be seen as vague or imprecise, and why there exist various definitions of the term.

The online encyclopedia, Wikipedia (2007) has one of the best definitions of CSR. It states that it "is a concept that organizations, especially (but not only) corporations, have an obligation to consider the interests of customers, employees, shareholders, communities, and ecological considerations in all aspects of their operations." It further clarifies that this obligation extends beyond the corporation's statutory obligation to comply with legislation. Therefore, for Wikipedia, most of what is called the 'license to operate' or legal argument for CSR, would not pass the test for

CSR. Scholars like Porter and Kramer (2006) do see the license to operate as one of the 'traditional reasons' for CSR, although they argued in their recent article entitled "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility" that the real importance of CSR is in the "shared value" that businesses have with society. The basic premise of the argument is that businesses operate in societies and societies need these businesses – that is, there is a mutual benefit.

The World Business Council for Sustainable Development defines CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (SDU, 2007). This definition has been broadly accepted by CSR practitioners and advocates and has come to define any program or activity engaged by a corporation that does not directly bring profit and at the same time creates tangible and intangible benefits for both the recipients and corporation itself. Scholarship and research grants, environment-friendly practices and advocacy for a societal concern are lumped up into CSR practices. This holistic and altruistic approach to business regards organizations as contributing partners to community development and progress in society, rather than viewing them as money-grabbing, power-hungry institutions whose primary function is to make a buck and serve the needs of their shareholders.

As the Wikipedia (2007) article clearly shows, some authors think there is a need to distinguish CSR from charitable institutions and arms that sprang from a corporation's conscious effort to create goodwill in its locale. One example that has been put forward is the Ronald McDonald House, named after the food chain's most famous mascot, Ronald

McDonald. Ronald McDonald House is an independent charitable foundation that provides free lodging to parents and relatives of children confined in nearby hospitals across the globe. McDonald's donates the equipment and materials needed to build and maintain the houses but these are not directly owned and operated by McDonald's. The Ronald McDonald House is a nonprofit organization and is dependent on donations from the public. These charitable institutions bearing the name of the corporation that is the principal sponsor are essentially non-performers in the bottom-line. They do not directly add to profits and are normally not included in financial statements. These organizations are registered independently and have their own reports removed from their principal sponsors. They are also managed by a group that is not classified as employees under the namesake corporation.

However, I have argued elsewhere (Asongu, 2007) that there is no need separating this from CSR. According to the four traditional arguments for CSR – moral (or ethical), reputation (or brand image), license to operate (or legal), and sustainability – these activities are genuine aspects of CSR. I have indeed argued that companies should take a strategic look at such investments or expenditures and integrate them into their business strategy. This is what I called "strategic corporate social responsibility," or simply "strategic CSR." I have even at times used the acronym "SCSR" when talking about the concept.

There are corporations that willingly spent money on community projects and donated substantial amounts for certain advocacies such as music and arts. They also encourage their employees to volunteer in community work and thereby create goodwill in the community. This enhances the reputation of the company and strengthens its brand.

Charity is a legitimate aspect of CSR as long as it is approached from a strategic perspective. It requires that a responsible company take into full account its impact on all stakeholders and on the environment when making decisions. This requires the company to balance the needs of all stakeholders with its need to make a profit and reward shareholders adequately.

Other CSR practices include affiliations with other non-profit organizations and major advocacies. For example, The Body Shop has always been an environmental advocate. It claims that Body Shop products are biodegradable as well as animal-friendly. The Body Shop products are not tested on animals and do not use non-organic chemicals. The Body Shop also has an advocacy against domestic violence, especially against women. These practices go beyond the bottom-line and extend to the community and society at large. In essence, CSR calls for socially responsible activities from corporation. These activities are not likely to bring immediate increase in sales and improve returns for their investors (though they sometimes do).

While it is arguable whether or not CSR practices actually add to the company's long-term gain, it is clear that it does generate goodwill. There are other practical and more concise definitions of CSR. According to Michael McComb writing in the *South China Morning Post*:

> The notion of companies looking beyond profits to their role in society is generally termed corporate social responsibility (CSR)… It refers to a company linking itself with ethical values, transparency, employee relations, compliance with legal requirements and overall respect for the communities in which they operate. It goes beyond the occasional community service action, however, as CSR is a corporate philosophy that drives strategic decision-making, partner selection, hiring practices and, ultimately, brand development (McComb, 2002).

Although I usually resist the temptation of excluding profit motives from CSR, I think the above definition captures most of what CSR is all about. Another definition by Archie B. Carroll (1979) suggests that "the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time." This to me is even a better definition than the previous one.

The Institute of Directors, a UK-based trade group, has also presented another good definition of CSR:

> CSR is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organizations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent they attempt to protect the environment (Lea, 2002).

"A Guide to Corporate Social Responsibility (CSR)" has proposed one of the best definitions of the term:

> CSR is a means of analyzing the inter-dependent relationships that exist between businesses and economic systems, and the communities within which they are based. CSR is a means of discussing the extent of any obligations a business has to its immediate society; a way of proposing policy ideas on how those obligations can be met; as well as a tool by which the benefits to a business for meeting those obligations can be identified (University of Miami, 2007).

What makes this definition better than most other definitions is that it acknowledges the fact that corporations have to contribute to society and that making a profit from a CSR activity is permissible.

There are a number of related terms or vocabulary often associated with CSR. It should not be surprising to have various authors refer to this very concept differently: 'corporate' or 'business responsibility,' 'corporate' or 'business citizenship,' 'good corporate citizenship,' 'community relations,' and 'social responsibility.' Other closely related concepts that are all contained with the total CSR perspective include: social and environmental auditing, stakeholder theory, business ethics, environmental sustainability, sustainable development, sustainability, strategic philanthropy (cause-related marketing), corporate governance, or strategic corporate social responsibility. From the available literature, it is fair to conclude that consistent definitions, labels and vocabulary have yet to be solidly established in the field of CSR.

Tracing the History of CSR

Our research found that the history of CSR is as old as the history of business itself, even though the concept was not formally formulated until recently. Even then as we saw in the review of the meaning of CSR, the concept is still evolving and there isn't complete agreement as to what the concept is all about. We are going to divide the history on CSR into two broad periods – before 1900 and from 1900 to present.

CSR Activities Before 1900

As earlier stated, the history of social and environmental concerns about business is as old as trade and business itself. For example, commercial logging operations and laws to protect forests can both be traced back almost 5,000 years (BRASS Centre, 2007). King Hammurabi of Ancient Mesopotamia in around 1700 BC is known to have introduced a code in which builders, innkeepers or farmers were put to death if their negligence caused the deaths of others, or major inconvenience to local citizens. Meanwhile, history has equally recorded the grumblings of Ancient Roman senators about the failure of businesses to contribute sufficient taxes to fund their military campaigns. In 1622 disgruntled shareholders in the Dutch East India Company, are said to have started issuing pamphlets complaining about management secrecy and “self enrichment” (BRASS Centre).

Talking to individuals, thinkers and business people in Africa, we found out that the CSR concept is very much part of their business history. Our research found that hunters in the Southern Cameroons, as well as other parts of Africa were expected to bring part of their catch to the chief (traditional rulers). Farmers in Eastern Nigeria (Igboland) brought their first harvest for the famous communal “New Yam Festival.” Professional craftsmen were seen as custodians of history and many of their artworks were kept in the palaces of the chiefs (they were not paid for such pieces of arts).

In all parts of Africa that we talked to people, we found out that vital professionals such as doctors were not allowed to charge exorbitant fees for their services. In fact their fees were normally so nominal that no one could say s/he was unable to pay. All these point to the fact that in traditional African societies, businesses were seen first and foremost as providing benefits for the whole society, and the individual businessperson came only second place.

A similar view of business is presented in the Bible, where there is condemnation for charging interests on debts. In addition, Jesus in some of his parables, such as the Prodigal Son and the Good Samaritan, exemplifies the sharing of wealth. The beatitudes too also foster that sense of community. Indeed, CSR can be seen as a very Christian concept. No doubt, many of the social teachings of the Catholic Church support CSR.

The concern on the part of the Catholic Church for the poor and underprivileged has continued even to the 20th and 21st centuries. For example the most recent popes

(Benedict XVI and his predecessor, John Paul II) are known to be supporters of corporate philanthropy. The Catholic Church in Latin America developed “Liberation Theology” in the 1960s to address the social needs of the ‘wretched of the earth.’ Although the theology later ran into conflict with Church authorities in Rome because of its use of Marxist theories, it emphasized the fact that Christ had a ‘preferential option for the poor.’ The Catholic Church also supports sustainable development, a concept which we earlier saw to be closely linked with CSR.

With industrialization, the impacts of business on society and the environment assumed an entirely new dimension. The “corporate paternalists” of the late 19th and early 20th centuries used some of their wealth to support philanthropic ventures.

CSR Activities From 1900-Present

As early as the 1920s, discussions about the social responsibilities of business had evolved into what could be recognized as the beginnings of the “modern” CSR movement. In 1929, the Dean of Harvard Business School, Wallace B. Donham, commented within an address delivered at NorthWestern University as follows:

> Business started long centuries before the dawn of history, but business as we now know it is new – new in its broadening scope, new in its social significance. Business has not learned how to handle these changes, nor does it recognize the magnitude of its responsibilities for the future of civilization (BRASS Centre, 2007).

While there are new concerns about the role of business in society – from internet “spam” to genetically modified foods – many of the issues under discussion are not very different to those being raised in the 1920s. The BRASS Centre (2007) thinks that the social and environmental concerns about business are perennial problems, which like sex every new generation thinks that it has discovered.

The Kellogg Company is a good example of how CSR has been practiced by a modern company for over a hundred years. The company claims that since its founding in 1906, it has been conscious of its social responsibility. The company understands that its social responsibility extends to the quality of its products, and states that Kellogg is a company its customers can rely on for “great-tasting, high-quality foods.” The company’s 2006 sales stood at almost $11 billion, making Kellogg Company the world’s leading producer of cereal and a leading producer of convenience foods, including cookies, crackers, toaster pastries, cereal bars, frozen waffles and meat alternatives. Its CSR activities have contributed to this success story, as the company claims that it “has a rich history of corporate social responsibility, a history that has grown and evolved to meet the complexities of today’s business world and the challenges of a global society” (Mackay, 2007).

The company states that its founder, W.K. Kellogg, sought to “invest my money in people,” and that legacy continues to guide the company and its people. It further claims that “social responsibility is a way of life at Kellogg,” and it involves “investing in and enriching our communities,” “encouraging employee volunteerism,” as well as a “commitment to being a good corporate citizen.” Broad areas of the company’s CSR activities include: protecting our environment; selling nutritious products and advocating healthy lifestyles; acting with integrity and adhering to the highest ethical standards; promoting diversity in its work force and partnering with diverse suppliers; and ensuring a safe, healthy workplace (Mackay, 2007). Indeed Kellogg Company has a robust CSR program.

The current emphasis on the role of businesses in society has been promoted by increased sensitivity to and awareness of environmental and ethical issues. Issues such as environmental damage, improper treatment of workers, and faulty production that inconveniences or endangers customers are highlighted in the media. In some countries like the UK and other EU member states, government regulation regarding environmental and social issues has increased. In addition, standards and laws are often set at a supranational level – for example the European Union has its own set of law about the environment. Some investors and investment fund managers have begun to take account of a corporation's CSR policy in making investment decisions – this is called "ethical investing," or "socially responsible investment (SRI).

According to Freeman and Liedtka (1991), the idea of corporate social responsibility has its roots in the writings of Andrew Carnegie and others in his time. Carnegie, who founded U.S. Steel, articulated two principles he believed were necessary for capitalism to work. First, the charity principle required more fortunate members of society to assist its less fortunate members, including the unemployed, the disabled, the sick, and the elderly. These "have nots" could be assisted either directly or indirectly, through such institutions as churches, settlement houses, and other community groups. Second, the stewardship principle required businesses and wealthy individuals to see themselves as the stewards, or caretakers, of their property. Carnegie's view was that the rich hold their money "in trust" for the rest of society. Holding it in trust for society as a whole, they can use it for any purpose society deems legitimate. However, it is also a function of business "to multiply society's wealth by increasing its own through prudent investments of the resources that it is caretaking."

It is speculated that the reason why these ideas found popularity over the years is because corporations, especially multinationals operating in several countries worldwide wish to preempt government intervention and regulation. By actively participating in local community development and spearheading projects that advocate societal change, these corporations can focus on one aspect or responsibility and veer away from others.

Freeman and Liedtka (1991) have also pointed to the now-famous argument by Milton Friedman (1962) that corporations should pursue their economic self interest, and that any attempt to promote corporate social responsibility, however it might be defined, amount to moral wrong. Friedman questioned the logic of CSR as it had developed, insisting that in a democratic society government was the only legitimate vehicle for addressing social concerns.

Friedman's thinking on this issue is very conservative, restricting corporations to the sole economic purpose of guiding supply and demand. It is the government's purpose to act as guardian and create legislation to regulate its citizens as well as its corporations to impose order and balance within society. By engaging in CSR, corporations have found a burrow through which they can escape from the hound dog sniffing of the government's regulating bodies.

> The response of management thinkers was to develop more sophisticated models of corporate social responsibility, variously called corporate social responsiveness, the social policy process, social issues in management, business and public policy, corporate social performance, and so forth. While there are real and relevant differences among these models, they share an important common ground. They seem to accept the terms of the debate on Friedman's ground: that business can (or cannot) or should (or should not) address social issues in addition to economic ones (Freeman and Liedtka, 1991).

Murray (2003) has observed that the public discourse on CSR has evolved into a quite stylized debate which tends to focus on one particular facet of multinational economic behavior. This has to do with the treatment of workers in manufacturing factories in the developing world producing goods for multinational enterprises with particular attention the manufacture of textiles, clothing and footwear. This has brought with it renewed interest in "sweatshops," the concept of extreme exploitation of vulnerable workers in terms of living wages and dangerous working conditions. The resultant effect of the focus on this aspect of CSR, especially by the media, is that more is known about this sector than just about any other, and theoretical work tends to deal with the subject of corporate self-regulation through the lens of the production and consumption of these arguably idiosyncratic goods. For Murray it is important to identify the potential distorting power of this emerging discourse and to broaden the attention to labor markets conditions in general.

In "Corporate Social Responsibility as Business Strategy," Rowe (2005) basically supports Murray's view in his treatment of CSR. He thinks that corporations do not have a genuine intention of being socially responsible and their CSR programs are basically designed to prevent government from implementing compulsory regulation of businesses with regards to their contribution to society. By implication, there are no truly good corporate citizens, just clever executives or managers trying to avoid government regulations. In Rowe's contribution to *Globalization, Governmentality and Global Politics: Regulation for the Rest of Us?* he analyzes the corporate response to the global justice movement, from intent to impact, over a 40-year span. For him, CSR isn't about business ethics – it is about a business strategy to forestall popular power that might result in effective regulation. He thinks that if corporations were serious about social responsibility, they would support having these responsibilities formalized in law.

The importance of Rowe's work to this paper is that it outlines an aspect of CSR history over a 40-year period. He calls the global justice movement the "second wave" of public outcry over corporate malfeasance. The first wave took place in the 1960s and 1970s following revelations about corporate corruption, tax evasion, and involvement in clandestine political activities, including the U.S.-backed coup that ousted Chilean president Salvador Allende. These ills fueled populist attempts to rein in corporate power and increase accountability, and in 1976 the UN began negotiating a binding international code of conduct for corporations.

The pro-business Reagan administration created a stumbling block as they accelerated deregulation. Corporate profits soared as global markets opened up in the 1990s under free-trade agreements negotiated by the Clinton administration, meanwhile negotiations on the UN code stalled permanently in 1981, after it had been made voluntary instead of binding. Since then the quest for profits has encouraged corporations to spread across the globe in search of cheap labor and lax environmental standards. Social, environmental, and human rights protections have largely neglected in the absence of strong government regulation (Rowe, 2005).

Prior to the September 11, 2001 terrorist attacks, international organizations such as Amnesty International, Friends of the Earth, and the International Confederation of Free Trade Unions had initiated a program to develop voluntary codes of conduct with industry that will focus on improving wages, working conditions, and environmental degradation. The terrorist attacks shifted attention and resources away from concerns about corporate behavior, but the spotlight is focusing once more on corporations. The consensus now is that voluntary CSR isn’t working, and these organizations are ready to bring government back into the marketplace to protect workers and the environment (Rowe, 2005).

Conclusion

Almost every company worth its name has developed some sort of CSR program. These programs vary from company to company, but there seem to be no way to avoid CSR. In countries like Germany and United Kingdom, there are regulatory bodies involved in pushing for regulations of certain CSR practices in order to create a more harmonious relationship between the corporations and the society at large.

This paper has shown that the concept of CSR is not new. However, it only became a serious academic discipline being taught in most business schools within the last decade. The history of CSR has not been exhaustively treated, not even in this paper – thereby giving an opportunity for researchers to further look into this aspect of the subject. It is my hope that this paper at least provided a basis from which future research can be carried out.

Companies should be encouraged, if not forced through regulations, to improve their operations to become more environmentally sound, to create programs that benefit their community, and to push for practices that develop the society. CSR may have a few kinks to iron out, but it should not be eradicated, rather it should be advocated and improved to benefit more people globally.

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