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# Evolution of Corporate Social Responsibility

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## ABSTRACT

*In the last two decades, the importance of Corporate Social Responsibility (CSR) has grown dramatically. Organizations have realised that their CSR investment has long-term benefits in terms of brand creation, the customer base, and goodwill, among other things. CSR as part of an organization's approach is becoming more and more brazen. CSR was not discovered overnight. It has been practised in various ways since the dawn of time. The meaning of CSR, as well as its meanings, grew over time. Many other words are used as synonyms with minor variations, such as corporate citizenship, environmental responsibility, and Corporate Social Performance. The aim of this paper is to better understand CSR's development and present trends. This paper studies the past of CSR and establishes a relationship between CSR and the organization's approach towards it.*

## I. MEANING: CSR

Business was described as the act of purchasing and selling goods and services for the sole purpose of profit. As a result, company annual results became filled with information about revenue gains and financial milestones. Businesses did invest for charitable purposes, but they were limited to faith, such as donations to mosques, temples, and orphanages owned by religious institutions. The government has long been regarded as responsible for the welfare of the state. It was never the liability of the company. However, companies who assured that they not only looked after their clients but also their stakeholders created a stronger reputation that remained in the minds of their stakeholders even after many product life cycles. The TATAS is the best example from India.

In basic terms, CSR means that an organisation is morally responsible for all of its operations by incorporating public welfare into its actions by having the triple bottom line in mind: people, planet, and benefit. Organizations are now realising the utility of CSR not only for monitoring and regulatory purposes, but also as a means of strategic advantage with benefits extending across the value chain. This is demonstrated by Michael E Porter's Value Chain (mapping social responsibility to Value Chain), in which each role at each point is seen ethically as well as adding value. This model generates reciprocal benefit, that is, value for both the organisation

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and community as a whole.

CSR, according to Henk Campher, is an adaptation rather than a movement.<sup>2</sup> It existed in some way or another, but due to different factors such as increased stakeholder interest and demands, its relevance has evolved over time.

The term "corporate social responsibility" (CSR) lacks a precise meaning. Its meaning, like its concept, has changed over time. Archie Caroll's CSR Pyramid<sup>3</sup> was the first widely accepted definition, with the pyramid divided into economic, legal, ethical, and philanthropic responsibilities in hierarchical order, with economic responsibilities holding the most weight.

## **II. EVOLUTION: IN BRIEF**

### The Birth of Responsible Organizations around the 1800s

Although the popularity of CSR has recently risen, signs of corporations' regard for humanity can be traced back to activities dating back to the Industrial Revolution. Industrialists began to be concerned with worker well-being and efficiency in the mid-to-late 1800s. Growing critiques of the new factory sector, working conditions, and the jobs of women and children, especially in the United States, were made public. Reformers were unanimous in their belief that existing job policies were leading to social issues such as poverty and labour strife. However, at the time, industrial improvement and welfare causes were seen as a mix of humanitarianism and economic acumen.

The growth in philanthropy was also noticeable in the late 1800s. Andrew Carnegie, an industrialist who made his fortune in the steel industry, was noted for contributing vast sums of money to educational and science research causes. Following in Carnegie's footsteps, oil company magnate John D. Rockefeller gave over half a billion dollars to charitable, cultural, and science causes.

### Modern Corporate Social Responsibility's Catalyst

While conscientious businesses had existed for over a century before, American economist Howard Bowen coined the word Corporate Social Responsibility in his book *Social Responsibilities of the Businessman* in 1953. Bowen is often referred to as the "Father of CSR" because of this.

CSR, on the other hand, did not even take off in the United States until the 1970s. The

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<sup>2</sup>Campher, H., CSR: It's Evolution, Not Revolution. Retrieved from Corporate Social Reality (2011, March) <<http://corporatesocialreality.net/2011/03/24/csr-its-evolution-not-revolution/>> last accessed on 8 May 2021\

<sup>3</sup> Caroll, The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organisations Stakeholders, 1991.

Committee for Economic Development first proposed the idea of a "social contract" between corporations and society in 1971. This contract advanced the notion that businesses operate and exist as a result of collective approval, and that businesses have a responsibility to contribute to society's needs. By the 1980s, early CSR had progressed as more businesses started to incorporate social concerns into their operations while becoming more attentive to stakeholders.

#### Corporate Social Responsibility got Universally Acknowledged

CSR began to gain mainstream acceptance in the 1990s. Donna J. Wood, a University of Pittsburgh academic, published *Corporate Social Performance Revisited* in 1991, which extended and built on early CSR models by offering a basis for evaluating CSR programmes' impacts and outcomes.

Archie B. Carroll, a business administration author and lecturer at the University of Georgia, wrote *The Pyramid of Corporate Social Responsibility* in the same year. Carroll elaborated on aspects he felt were critical when integrating CSR in an organisation in his article. CSR had been an important strategy for many industries by the early 2000s, with multibillion-dollar corporations including Wells Fargo, Coca-Cola, Walt Disney, and Pfizer integrating it into their operations.

### **III. FOUR PHASES OF EVOLUTION OF CSR**

The evolution of corporate social responsibility in India is related to changes in cultural expectations of corporations' corporate social responsibility (CSR) contribution over time in India, with CSR referring to how businesses are handled to have a significant collective impact on the markets, cultures, economies, and environments in which they operate. The principles of CSR were built around the premise that not just the government, but also corporations, should be held accountable for solving social issues. As a result, corporations will have to deal with more of the issues and complaints that the states are responsible for. India, among other countries, has one of the most developed corporate social responsibility communities. Despite the fact that much has been done in recent years to increase consciousness of social responsibility as an important part of business in India, CSR has yet to achieve widespread acceptance. Companies must follow a CSR approach that is aligned with their general management practises, such as setting clear targets, making potential acquisitions, and publicly tracking and publishing progress, if they are to accomplish this objective.

The four phases of CSR in India's history coincide with the country's historical development and have resulted in a variety of CSR approaches. The stages, though, are not static, and some

of the features of one phase contrast with those of another.

### **A. FIRST PHASE**

During the first phase, charity and philanthropy were the main sources of CSR. Community, philosophy, family values and history, and industrialization have had an effect on corporate social responsibility. During the pre-industrialization period, which lasted until 1850, wealthy merchants shared a portion of their riches with the larger society by erecting temples for religious purposes. Furthermore, by providing food and money from their godowns, these traders aided the people in combating famine and epidemics, allowing them to play an important role in society. As colonial rule spread through India in the 1850s, attitudes against CSR began to change. In the nineteenth century, industrial families like Tata, Godrej, Bajaj, Modi, Birla, and Singhanian were heavily influenced by economic and social considerations. However, it has been noted that, in addition to selfless and religious motives, their attempts for social and industrial development were influenced by caste groups and political agendas.

### **B. SECOND PHASE**

There was a stronger focus on Indian industrialists showing their contribution to the development of society during the second phase of the independence movement. During this period, Mahatma Gandhi introduced the principle of "trusteeship," which enabled business leaders to exercise power over their wealth in order to benefit the common man. "Just as desperately as the most advanced socialist, I want to bring an end to capitalism. Our methods, on the other hand, are somewhat distinct. My trusteeship concept isn't a ruse, and it's certainly not a mask. It would undoubtedly outlast any other theories, I am sure." Gandhi's remarks emphasise his point in defence of his "trusteeship" theory. Many industrialists were obligated to contribute to the nation's building and socioeconomic development because of Gandhi's intervention. According to Gandhi, businesses in India were supposed to be "temples in modern India." Under his supervision, businesses established trusts for schools and universities, as well as assisting in the creation of training and scientific institutions. The efforts of the trusts were largely in line with Gandhi's reforms, which sought to end untouchability, empower women, and encourage rural development.

### **C. THIRD PHASE**

The "mixed economy" component of CSR, the introduction of Public Sector Undertakings (PSUs), and labour and environmental legislation all played a role during the third era of CSR (1960–80). During this time, the private sector was forced to take a back seat. The government was thought to be the engine of prosperity. Because of the stringent legal rules and regulations

that surrounded private sector activities, the period was called the "day of command and control." A policy of industrial licencing, high taxes, and restrictions on the private sector all contribute to corporate malpractices. As a result, legislation governing industrial governance, labour relations, and environmental issues was passed. The government established PSUs to ensure that resources (such as wealth, food, and other necessities) were provided equally to those who needed them. In the other hand, the public sector has only been partially competitive. As a result, public aspirations turned to the private sector, and their active involvement in the country's socioeconomic development became essential. In 1965, a national workshop on corporate social responsibility (CSR) was convened in India by scholars, politicians, and businessmen with the aim of encouraging reconciliation. The importance of transparency, social responsibility, and regular stakeholder dialogues was emphasised. The CSR was unable to gain momentum during these attempts.

#### **D. FOURTH STAGE - LAST**

In the fourth era (1980 to the present), Indian companies started to drop their traditional CSR commitments in favour of incorporating it into a long-term development strategy. In the 1990s, the first steps toward globalisation and economic liberalisation were taken. Partially abolishing controls and licencing structures resulted in a boost to the industry, the results of which can still be seen today. Increased economic growth momentum helped Indian companies in rapidly expanding, allowing them more likely to invest. As Western markets get more concerned about the labour and environmental conditions in developing countries, Indian businesses selling and importing goods for the developed world must pay close attention to international standards.

### **IV. CURRENT PRACTICE**

#### **1. Implementation of Reporting Requirements**

Companies and organisations are being asked to check on their CSR and CSP status more often. Companies' annual reports detail their various CSR operations, as well as their CSR expenditures. The recent business act mandate in India is the first of its kind in the country, requiring companies to invest at least 2% of their profits on CSR.<sup>4</sup>

#### **2. CSR being demanded by consumers**

More than 88 percent of customers want companies to meet their targets by strengthening society and the environment, according to a Forbes survey from 2010, and 83 percent want

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<sup>4</sup> Our Work: Global CSR Disclosure Requirements. Retrieved from Initiative for Responsive Investment: <<http://hausercenter.org/iri/about/global-csr-disclosure-requirements>> last accessed on 8th May 2021.

businesses to fund charity and non-profit organisations. Without a large customer base, a company cannot thrive. As a result, investors favour a socially conscious company over a traditional business.<sup>5</sup>

### **3.Strategic Objective of CSR inclusion in relation to company's objective**

Strategic CSR provides a win-win scenario for both the company and the community. It is the company's CSR aligned with a) its key strategic goals and b) its core competencies. Toyota's Prius car is the perfect example of strategic CSR. With rising environmental issues, Toyota developed a hybrid vehicle that emits just 10% of harmful pollutants. It has ensured not only environmental sustainability, but also space competitiveness. Toyota's rivals are borrowing their technology from them because of the proprietary technology.

### **4. CSR score rating agencies**

The number of independent companies that rate a company's CSR or CSP is rapidly growing. These companies also assist businesses with obtaining ratings in order to determine where they can be listed.

### **5. Communication relating to CSR**

To create favourable stakeholder expectations and greater funding, CSR programmes must be conveyed to stakeholders. The category of stakeholder, the CSR initiative, the social problem orientation, and other factors should all be considered when choosing a CSR contact mode. In a nutshell, CSR must be geographically placed. HP lost out when it refused to articulate its recycling policy, while Dell promoted the planting of trees on any printer purchased by its customers, rendering it an environmentally conscious company.

### **6. Corporate Social Responsibility as a source of competitive advantage**

A company's incorrect marketing practises are held accountable by the media, the legislature, social activists, and society at large. It has the potential to severely harm the company's brand reputation. Consider the following scenario: The use of child labour at Nike's outsourced factories sparked worldwide outrage. The Pepsi Plant in India was found to be contaminating water in the same way. As a result, companies must be socially conscious in order to maintain and increase market share. Michael Porter's model examines how businesses can achieve a comparative edge by being socially conscious. The model outlines how each external environment aspect, such as encouraging testing, job preparation, openness, adhering to

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<sup>5</sup> Epstein-Reeves, J., Consumers Overwhelmingly Want CSR. Retrieved from Forbes (2010, 12 15) <<http://www.forbes.com/sites/csr/2010/12/15/new-study-consumers-demand-companies-implement-csr-programs/>> last accessed on 8th May 2021.

requirements, and valuing local needs, will help combat competition.<sup>6</sup>

## **V. BENEFITS ENSUING FROM CSR**

### Companies may learn from CSR both externally and internally

Externally, the benefits are overwhelmingly favourable for the employees and colleagues. It may build short-term jobs by participating in municipal programmes such as the construction or maintenance of city parks and sports complexes, for example. Working with the local community's needs in mind has a wide variety of market advantages. Businesses have an impact on the atmosphere as well. Many businesses engage in plantation and farming operations, as well as recycle used goods, which are highly regarded initiatives. And further contributes to the reduction in waste.

Internally, the benefits include improved efficiency, quality, revenue, and financial improvement for both, as well as the attraction and retention of talented and professional workers, as well as employee satisfaction. Most notably, it provides a break from routine working activities and offers the whole workforce a sense of self and significance. Apart from that, CSR benefits businesses in areas such as market sustainability, strategic edge, and simpler regulatory enforcement.

## **VI. CONCLUSION**

Corporate Social Responsibility is no longer synonymous with philanthropy, the practise of contributing a part of a company's income to help the needy. Making a judgement necessitates a great deal of thought:

- How to align goals and strategies with CSR, such as community growth, sustainable development, and environmental stewardship, to name a few.
- on the amount of funds to be spent on corporate social responsibility
- how to publicise it in a non-obtrusive but successful way for brand growth, customer retention, stakeholder satisfaction, and so on.
- on CSR hiring in order to ensure that the organisation is aware of social issues that impact its corporate social outcomes.
- to measure the long- and short-term CSR investments, as well as the key CSR takeaways such as a cost advantage, a strong market name, and a dedicated client base.

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<sup>6</sup> Kramer, M. E., *Strategy and Society: The link between Corporate Social Responsibility and Competitive Advantage* (Harvard Business Review, 2006).



The paper's chronological timeline, which allows for the study of the concept's evolution, makes a major contribution. The findings show a connection between social expectations of corporate behaviour and how CSR is perceived and implemented, paving the way for more research. As a consequence of this study, it is clear that there is a gap in the literature on CSR in terms of relevant studies on how to use CSR to handle core market practises. This seems to be one of the reasons why CSR can only be applied in part, and it can also cast doubt on its advantages.

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