Globalisation has brought about tremendous changes to the nature and structure of the market. In addition to pursuing attainment of economic gain, market participants both on the demand and supply side directly or indirectly affect and contribute to society. One aspect of such contribution is through Corporate Social Responsibility (CSR). Business ethics and CSR are getting increased attention in corporate decisions and consumer choice. CSR emerges through a social discourse that focuses attention on the fact that business enterprises besides making profits for their investors, have commitments and responsibilities to society. It has come to the forefront of public discussion only after the Second World War especially since the decades of the 1950s and 1960s and has seen significant progress since then. The concept and practice of CSR has moved ahead from mere philanthropy to strategic social responsibility. It is more than a knee-jerk reaction to open market business today i.e. to laissez faire. This transition opens the opportunity and the need to trace the evolution of the concept as well as the practice of CSR by corporates. There is now not only a wide spectrum of CSR system based on civil regulation, but also a rising trend of counter arguments regarding the principles and performance in relation to firms. Hence the main theme of this essay is to trace an evolutionary outline of the phenomenon of CSR and through this chronicle foreground the various nuances of the concept. We attempt to link business environment (including corporate culture, and strategies) with actors, agenda and actions focusing on moral conduct that drive choice behaviour of participants.

**Key words:** Business ethics, choice behaviour, corporate citizenship, Corporate Social Responsibility (CSR), financial performance, philanthropy, strategies
INTRODUCTION

Globalisation has integrated the world economies into a single unit and has evolved into a new economic order for the nations of the world (Rao & Hans, 2015). Globalisation supplemented by innovation has brought about tremendous changes to the nature and structure of the market as well as to the expectations of its participants i.e. business organisations on the supply side and consumers or buyers on the demand side. These market participants seek after multiple objectives. It means in addition to traditional objectives of profit maximisation by business organisations and of the highest possible functional utility by consumers, both the market participants, through their choices would directly or indirectly affect and contribute to society. On the consumers end, motives influencing purchase choices have moved ahead from merely buying for the sole purpose of consumption and materialistic improvement to one’s quality of life, to include purchase choices that would directly or indirectly contribute to social betterment. Preference for a product or service can also be indicative of the preference for the company producing it. There exists a body of empirical literature demonstrating how CSR engagements of corporate enterprises have a bearing on evaluation of the company (Brown & Dacin, 1997) and desire to pay premium (Goett, Hudson & Train, 2000). The criterion consumers use to decide their preference for a company is not limited to its market standing but includes social and ethical practices it follows in the course of doing business. The hierarchy of importance and the magnitude of impact of socially responsible criterion on business behaviour and consumer choices, however, are not so clear enough to make universal claims about them. The reason for this is the conflict between ethical choices and material choices. Individuals face the dilemma of morals versus necessity while business entities face the dilemma of following practices enabling community welfare through philanthropy, social responsiveness etc., versus corporate profit.

At a very micro level what forms of consumption behaviour constitutes ‘necessity or need’ also differs according to the socio-economic class to which one belongs i.e. it is a relative experience. For example, a formal dress is expected of a teaching professional but not necessarily from a daily worker. Even so in the case with corporate profit, how
much of profit and how is it earned are the key questions. These two issues are important because pursuit of profit in business or in economic exchange relations is not intrinsically unethical, but the value questions emerge when decisions have to be made about the extent of profit or gain and the manner of acquiring it. The question is: do a moral code and an ethical philosophy inform and moderate the drive for profit or does profit goal have primacy at all cost. The distinction is between unabated as well as insatiable attainment of profit versus the duty to decide that it is only thus far and no more because the ethical foundations do not permit. In effect the issue is whether to pursue a pattern of life based on maximising behaviour or on satisfying behaviour (Rassendren & Prasad, 2013).

Out of the above introductory observations what is evident is that the goals of choice behaviour in the market have progressed beyond the hedonistic principle of mere material gratification. It now includes, besides the economic dimension, ethical issues and nuances concerning various stakeholders that cannot be ignored anymore. The core ethical issue is whether the conduct of the market participants is socially responsible. This brings in a behavioural dimension and concept called Corporate Social Responsibility (CSR) with respect to business organisations. The concept and practice of CSR has moved significantly forward from philanthropy to social responsibility and to strategic corporate social performance. It now not just a short run reaction to social and regulatory strictures but is evolving into a corporate endeavour of generating long term market value and standing. This progress of CSR as concept, phenomenon, practice and strategy therefore needs to be chronicled and out of this outline unpack its various dimensions as well as delineate its evolutionary phases, which is the proposed endeavour of this paper. This exercise is undertaken under the following heads – on the concept or definition of CSR, on its characteristics, on enterprises’ motivations towards CSR and finally on progress of CSR in India.

**CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY**

Through many centuries, social discourse has focussed attention on the fact that business enterprises besides making profits for their investors
have commitments and responsibilities to society. It has come to the forefront of public discussion only after the Second World War especially since the decades of the 1950s and 1960s (Sechi, 2007; Carroll, 2010). One of the earliest attempts to concretely conceptualise and in fact formulate a coherent definition of Corporate Social Responsibility (merely called CSR), was made by H. R. Bowen. Bowen (1953) defines CSR as, “the obligations of business 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”.

On the face of it, Bowen’s definition maintains a duty based understanding of CSR, but the idea of social desirableness of actions in the latter part, is very open ended with multiple dimensions, not all of which needs to be ethically acceptable. For example, how does one justify the social desirableness of weapons production or electric power generation through nuclear energy? Given this, following Bowen there has been many writings attempting to conceptualise CSR (Godfrey & Hatch, 2007; Lee, 2008; Garriga & Melé, 2004). However, there is hardly any consensus on this aspect. The reasons cited by many scholars for this conceptual lacuna are: (a) continuously new concepts and terms have been coming up about the idea of business being socially responsible in its behaviour which leads to confusion and makes any attempt to form a universal definition an unwieldy enterprise (Godfrey & Hatch, 2007; Kakabadse, Kakabadse & Rozael, 2007; Nijhof & Jeurissen, 2006; Rowley & Berman, 2000); (b) CSR strategies of enterprises are industry context specific and so significant inter industry variations exist in these strategies as well as practices thus making it difficult to evolve an integrating definition (Rowley & Berman, 2000); and (c) even within an industry there are inter enterprise variations in CSR strategies and practices leading to the same difficulty stated in the immediate precedent observation (Basu & Palazzo, 2008; Rowley & Berman, 2000; Smith, 2003). What is clear from the above observations is that the idea of CSR has multifarious meanings, interpretations and is ever evolving.

1*Ethics*: the term here does is not defined as morals but as standards of behavior or conduct.
EVOLUTION AND CHARACTERISTICS OF CSR

In spite of the intellectual challenges in concretely conceptualising on business’ social responsibility behaviour, the discourse proceeded in a more pragmatic manner in that firms began to engage in socially responsible projects in addition to their primary goal of earning profits. In the 1950s, corporate social responsibility was practised dominantly in the form of corporate philanthropy. Subsequently, the type and characteristics of businesses’ social activities came to be influenced by the realities of the social movements of the 1960s like the civil rights, women’s rights, consumer rights and environmental rights movement (Carroll, 1991 & 2008). In addition, during this decade there emerged a serious intellectual debate as to whether making profits for their investors and shareholders or meeting the demands of social concerns and public welfare are really the duties of business enterprises (Levitt, 1958; Friedman, 1962; Davis, 1973). The main reason for this debate was that enterprises were surprised by the surge in social movements, making them respond to this context by trying to incorporate welfare concerns into their business practices and this strategy continued into the 1970s as well. Because of this, these decades are termed as the period of “corporate social responsiveness” (Frederick, 2008), and enterprises were not necessarily focussing on the outcome of their socially responsible activities but only treated them as useful to mitigate any negative social response to business (Carroll, 2010). However, towards the end of the seventies and in the 1980s CSR began to mature and come of age. The focus moved into evaluating the outcomes of the enterprise’s social responsibility policies and practices with respect to its financial performance and market standing; corporate social responsibility (CSR) became corporate social performance (CSP) (Lee, 2008). The protagonist of the change from corporate social responsibility to corporate social performance has been Archie B. Carroll and his CSR Pyramid. The pyramid is a play-off from the Maslow’s epistemic structure wherein four types of socio-economic responsibilities constitute CSR. The first is economic responsibility, second legal responsibility, third ethical responsibility and fourth philanthropic responsibility. The hierarchy of these duties is that economic responsibility for the base foundation of the pyramid and the remaining duties follow in the same
order upwards with philanthropy at the top tip of the pyramid. Figuratively the model posits two discourses i.e. first is the primacy of investors’ gain over well being and second in an implicit manner the need to integrate economic responsibility with social responsibilities be it in its regulatory or voluntary forms. However, the fault line between these two viewpoints is the conflict of interests between a firm’s business constituency and non-business constituency.

In the 1990s and early 2000s, there were several corporate scandals, for example the Enron debacle in the international arena and the Satyam Computers fiasco on the domestic front. These events created the need for business enterprises to conduct themselves in a manner that makes their existence and continuance in business activities legitimate, genuine and socially rational. The era of corporate citizenship had emerged (Frederick, 2008). Both in academia and in the intellectual sphere this idea of corporate citizenship has been put forward through the proposition that CSR is made up of several interrelated activities with economic, legal, ethical and philanthropic dimensions in an horizontal space rather than an ascending hierarchy in a vertical space. Two CSR models influenced this change over from the idea of responsibility to performance to corporate citizenship. The first model is an improvement over CSR pyramid and the second is CSR DNA 2.0 model. With respect to the first model the pyramid has been replaced with a Venn diagram on a flat space with three dimensions – the ethical, legal and economic aspects of business conduct (see Figure 1). This is taxonomy of the dimensions of CSR (Schwartz and Carroll, 2003).

![Figure-1: The Three-Domain Model of Corporate Social Responsibility.](image)

The CSR DNA 2.0 model has listed four components of CSR like the five constituents of the DNA. Just as DNA’s four constituents guide the development and working of any organism, the four CSR components does likewise to the business firm. The four CSR components listed in this model are value creation, good governance, social contribution and environmental integration (Visser, 2011). Using an economics – ethics interface, the four components address issues related to material return, transparency, public good and internalisation of externality respectively. Similar to the DNA strand business strategy can approach these four components individually according to each equal significance and also interlinked strands as in for example economic - ethical depending on what a firm’s corporate strategy is dominantly focussing on given realities of its market dynamics. While the events of the 1990s and 2000s in the corporate world lead to the emergence of the idea of corporate citizenship, the idea did not crowd out consideration of market forces but rather it has turned out to be an attempt to incorporate market value dimensions into corporate social projects.

MOTIVATIONS FOR CSR AND ENTERPRISES’ ECONOMIC FORTUNES

This brings in the need to identify the real reasons why business enterprises engage in CSR. Whether there is a connection between CSR activities, the stated reasons for being involved in them and the financial performance of the enterprise, are important relations that need to be interrogated. Several studies have shown that there are social and moral as well as strategic reasons that motivate enterprises to engage in CSR activities. When it comes to the latter, the connection investigated is between socially oriented activities and financial performance of the enterprise (Marom, 2006; Garriga and Melé, 2004; Berman et al., 1999; Rowley and Berman, 2000; Weber, 2008; Carroll and Shabana, 2010; Carroll, 2008). It indicates business enterprises have responsibilities with multiple dimensions i.e. economic, legal, ethical and voluntary (Carroll, 1979). Due to the interest in discovering the above interrelations, the concept of Corporate Social Performance (CSP) has emerged, but there is no consensus as to what makes up CSP except that it is understood as a multidimensional concept and phenomenon

The four constituents of the DNA are adenine, cytosine, guanine and thymine.
made up of principles, responses, policies and practices. However, in reality the idea of performance in socially responsible behaviour has been observed mostly with respect to a company’s financial performance (Sethi, 1975; Carroll, 1979; Wartick & Cochran, 1985; Wood, 1991; Gond and Crane, 2010).

There are many studies examining the relationship between enterprises’ social responsibility activities and their financial performance. They have empirically found both a positive and a negative relationship between corporate social responsibility and corporate financial performance. The positive relationship is in the potential for CSR behaviour to create and strengthen an intangible economic asset called goodwill. This economic asset by its fundamental quality of being abstract is uniquely differentiated, that is to say, it is difficult to be imitated by other enterprises even within the same industry, by means of their socially responsible behaviour. On the negative side, engaging in socially responsible behaviour constraints the short run returns due to the initial cost of such activities (Bowman & Haire, 1975; Waddock & Graves, 1997; Husted & Allen, 2000; Rowley & Berman, 2000; Margolis & Walsh, 2001; Marom, 2006; Weber, 2008; Carroll & Shabana, 2010). While being responsible to society becomes a strategic exercise through its link to the financial fortunes of an enterprise, it consequentially creates an institutional economic trajectory. It is important to ask whether investors, especially institutional investors who are themselves organised business enterprises, use CSR evaluation of an enterprise to make their investment decision or is it driven by a short sighted profit maximisation model (Laverty, 1996; Soppe, 2004; Neubaum & Zahra, 2006; Menz, 2010). Putting it another way, we need to explore whether enterprises face explicit and implicit hurdles to their engagement in socially responsible policies and practices due to the business evaluator paradigm followed by their investors. The core question is what the ultimate motivation of firms is when they undertake socially responsible activities. Is CSR behaviour directed by philanthropic inclination? Or is it strategic – driven solely by commercial goals or legal compulsions? Or is it also partly motivated by an individual entrepreneur’s or a manager’s personal pro-social orientation, more specifically altruistic concern (Fitzgerald, 1975; Bar – Tal, 1986; Khalil, 2001; Kritikos &
Bolle, 2005). The challenge CSR – either as charity or strategy – is facing now is to develop a business case for it.

**CSR IN INDIA**

Against the backdrop of the evolution of CSR in the international sphere, it is now appropriate and logical to trace its evolution in India both in the colonial period and in the post-independence period so as to juxtapose it with the international scenario. The progress of CSR in India is intimately connected with its political and economic history. Philanthropy was the main characteristic of CSR in India till the middle of the 19th century. Most of the enterprises were family owned businesses and so family as well as religious norms influenced socially beneficial activities of firms. Focus was on charitable donations to open schools, religious places of worship or health centers.

When the freedom movement began to gain momentum after the reorganisation of the Indian National Congress into a mass organisation in the 1920s the socio-economic ideologies of the nationalist movement started to impact the nature of CSR in the country. The linchpin of this form of movement of businesses being socially compatible was Mahatma Gandhi’s ‘Trusteeship Theory’ which he espoused through his writing in Harijan. The thesis of the theory is clear in his own words when he wrote, “Supposing I have come by a fair amount of wealth – either by way of legacy, or by means of trade and industry – I must know that all that wealth does not belong to me; what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community” (Harijan, 1939). Gandhi proposed the idea that business enterprises are to accomplish two responsibilities namely produce wealth and also benefit the common man irrespective of whether he or she constitutes the firm’s immediate market or not. He even forecasted the possibility of civil strife resulting of concentration of wealth when in another edition he wrote, “As for the present owners of wealth, they would have to make their choice between class war and voluntarily converting themselves into trustees of their wealth” (Harijan, 1946). Gandhi was actually unpacking the fact that trusteeship of wealth is the way
society offers owners of wealth the appropriate chance to manage it for the sake of long term common good and the fullness of this principle is reflected in corporate social responsibility (Pachauri, 2004). He goes on to forecasts the danger of a class based civil disharmony consequent to concentration of wealth and proposes how socially compatible use of wealth and economic power can avert it. Gandhi has thus, transformed ‘voluntariness’ with respect to socialisation of business wealth into ‘rational choice’ and in turn into a significant aspect of ‘business strategy’ both in the short as well as long run.

The trusteeship discourse initiated by Gandhi and put into practice through the Civil Disobedience and Satyagraha movements did have its impact on the industrialist of that time. They eventually began to follow a socio-economic development approach rather than pure profit maximisation approach to the way they conducted their business. The most important event demonstrating this shift is the Millownerrs Association of Ahmedabad recognising the Textile Labour Union as well arbitration as means to solve labour-management dispute (Frankel, 2005). In other CSR in this phase involved matters of internal corporate governance such labour rights, propagation of collective bargaining, restrain from the practice of untouchability in the place of work, attempts to bring about gender equality within the enterprise and such concerns.

The above manner of evolution of CSR in the Indian context continued till the first few post-independence years, in fact till the onset of the second five year plan. Since the advent of the second five year plan and until the 1980s policy making in the country was directed to practicing the ‘third way’ which consists of the twin strategies of increasing production and reducing inequalities to be simultaneously followed. The visible personification of this model has been the Public Sector Enterprises (PSEs) where socialist labour and production practices have been pursued. In this period regulatory mechanisms have been put in place by the promulgation of several legislations labour standards, environmental sustainability and industrial business activity through industrial licensing and inheritance laws. But these regulatory measures did not solve the problem of poverty in the Indian society and
it became clear to businesses that when society fails business will also fail as more poor people with even diminishing income implies shrinking demand and profits. A business case for CSR had started to evolve even if it be in very narrow financial parameters and this meant idea of voluntariness as to CSR as rational choice began to get strengthened. Another view that emerged was that pursuing social goals and business ethics were a natural corollary of pursuit of wealth. As a result during organised forms of social self-regulation through the formation of councils and associations by corporate enterprises occurred. An example that can be cited is the founding of The Council for Fair Business Practices (CFBP) and The Advertising Standards Council of India (ASCI) by Ramakrishna Bajaj of the Bajaj group. Such endeavours illustrate induction of the principle of social responsible business behaviour as part of corporate governance because the core objective of such formations is to ensure corporate enterprises are lead and managed ethically from within.

Post 1980s the philanthropic orientation of CSR began to gradually change into strategic CSR. It formed an important part of a corporate’s strategic business plan. The boom in the service sector especially the IT industry, general diversification of corporate business, diversification in shareholding with increasing number of retail shareholders, increasing social consciousness of institutional investors as a pre-emptive measure to ward off intrusive government as well as legal supervision and shift in macroeconomic policy paradigm from a controlled system to a market system pushed Indian corporate enterprises to align the model of their social policy to the global model of strategic CSR and eventually towards corporate citizenship (Sood & Arora, 2006). This movement in Indian CSR phenomenon has been strengthened and given a legal locus standi by enacting Clause 135 in the Companies Act of 2013 which makes CSR obligatory for companies with annual turnover of Rs. 1000 crores and more or a net worth of Rs. 500 crores and more or a net profit of Rs. 5 crores or more. Companies fitting any of the above three criteria must contribute at least 2% of their past three years net profit on CSR. However, they are free to contribute more as well. This legal legitimacy to CSR has also been internalised into the company’s management by making it statutorily necessary for

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such companies to set up a CSR committee made up of board members with at least one independent director (Companies Act 2013). These legal and political conditions stand upon and reflect appreciative cultural values and social arrangements too (Rao & Hans, 2015). They can potentially get internalised into the community’s system of production and distribution if CSR matures to its logical end into a cooperative form of governance. Cooperative style of governance is very democratic because it is founded on mutuality and foregrounds the individual rather than capital. Since the individual enjoys primacy in a cooperative style of governance, information and communication technology can be of immense help to create the right kind of networking and coordination at the least possible marginal cost. Nevertheless it is essential to point out that this governance style will emerge only when the ethos of being socially responsible becomes an element of the organisations’ corporate culture. That is to say when CSR is inducted into the firm’s philosophy, vision, mission and even bottom line goals such that it turns out to be organisations’ share norms both implicitly and explicitly seen in decisions as well as actions of corporate policy makers, managers and employees (Culler 2010). This depends on the condition of the national economy including its production patterns, the nature of the workforce and social maturity of consumers. For example consumers’ collective consciousness of their rights and obligations can create societal conditions that enjoin corporates to consciously create interface between CSR, corporate culture and corporate governance so that ultimately business strategy is achievable, transparent and responsible (Gill, 2008 & Rahim 2013). The argument is that many Indian corporates especially the better known ones like Bharat Petroleum Corporation, Maruti Suzuki, Bosch India, Unilever India, as well as the numerous companies in the services are still practicing CSR by means of Corporate – NGO interface model. Although an obvious claim is the non-government or civil society organisations are better equipped to handle social issues due to their grassroots experience it is undoubtedly evident that Indian corporates are yet to graduate from a bottom – line orientation of CSR to a corporate accountability or moral commitment orientation of CSR (A D Gupta, 2014 & Hartman, Rubin & Dhanda, 2007 as quoted in D’Amato, Henderson & Florence, 2009).
Until this level of socio-economic progress is achieved suffice it to still say on a positive note that corporate socially responsible business behaviour has graduated to being a part of business strategy and is slowly becoming a component of corporate governance. Attempts to develop participatory interactive CSR are also on. From a rudimentary trusteeship-based CSR to today’s network-based CSR, it has been a long transformational journey. Indians are progressing from the conventional 3 Rs (reading, writing and arithmetic) to 3 Cs: critical reasoning, creative thinking and communication. In all these areas of action, the role of civil society is of utmost importance because there cannot be a healthy substitute for community. Life in social responsibility depends on an ‘engaging’ social innovation. CSR thus, may change its form, not necessarily its functions altogether.

CONCLUSION

The above brief chronicle of the evolution, development as well as progress of corporate social responsibility is an exercise in tracing how this concept, phenomenon and practice underwent transformations over time. One can infer four phases of the formative evolution and the first three are in the form of: (i) charity, (ii) conscious responsibility, and (iii) a critical component of business strategy. In these three phases a uniting behavioural quality has been voluntariness and specifically in the third phase voluntariness progressing into rational economic choice. In the fourth phase CSR as philanthropy has matured into CSR as business strategy while beginning to graduate into a form of corporate governance which in the Indian case is also supplemented by legal validity.

REFERENCES


**Web Resources:**

