

## Evolution and benefits of CSR in 21<sup>st</sup> Century

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### ABSTRACT

Corporate social responsibility started as an activity of interest, which also supports certain motives of business; slowly it gained impetus and become vital. CSR is defined as "socially responsible business, it is a concept through which enterprises coordinate their commercial interests with the demands of the society and preservation of the environment. The wide acceptance of CSR is due to its chain benefits toward both shareholders and stakeholders. As the business world evolves with globalization and advanced technology, CSR has developed into a multi-facet disciplinary subject. Consequently, CSR themes emerged from its development. The literatures reveal that there are many CSR themes developed in the human resource with employees being the stakeholder. Through projects of socially responsible behaviour, the firm takes care of the employees, clients and the community"[Lazarevic, 2008]. This paper sheds light on meaning and historical background of CSR, points out features of critical theories available in literature. The paper concludes with the benefits of implementation internal CSR practices to enhance organization performance through influencing employees' behaviour.

### INTRODUCTION

By the term CSR we understated that responsibility of corporations for society and also for environment. A significant role is always played by business for development of society. Donations, charity and other philanthropic works are optimistically expected from institutions. Corporate social responsibility is familiar term in business domain and has become allied with business practices so much that most of the organisations comprise a particular section in their annual report for CSR. Even some companies have entire websites for illustrating their initiatives and emphasizing the importance of CSR activities. Many countries like UK, Denmark and Sweden have been able to break new grounds by framing policies in line with CSR and emerged as pioneers. Varied definitions of CSR has been given by numerous scholar at different point of time for instance few are stated below

Author (year)	Definition
Clarkson (1995)	“corporate social responsibility is a discretionary allocation of the corporation resources in order to achieve social welfare which serves as a means for developing relations with key stakeholders”
World Business Council for Sustainable Development (WBCSD) (1999)	“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”
Hopkins (2004)	“The ethical behaviour of business towards its constituencies or stakeholders”.
Windsor (2006)	“Corporate Social Responsibility, (CSR), is, regardless of specific labelling, any concept concerning how managers should handle public policy and social issues.”
Barnett, 2007	"corporate social responsibility is voluntary activity by the corporation directed at the future welfare of the society"

Table 1: Various definitions of CSR

To date, CSR is not a new concept in the field of management. CSR has evolved to a business concept that had been accepted widely. Business corporations are focusing on CSR due to tremendous pressures from the public. In the society, for instance, consumers are getting more demanding as a result of increased awareness of green product and buying from companies that demonstrate social responsibility by not harming the environment. Therefore, when companies able to deliver what are needed and required by consumers, CSR can emerged as strategic advantage to the business organisations (Mebratu, 2001; Englehardt and Simmons, 2002; D’Souza et al., 2007; Hopkins et al., 2008). More significantly, the society has started to believe that organisations must operate in a different way as compared to the past. This expectation from the public on business organisations has driven them to look into CSR seriously. The public is expecting business organisations to operate in the society’s best interest and this expectation had grown rapidly (McElhaney, 2009). In other words, if an organisation able to develop a sound CSR strategy, the organisation would be able to remain competitive

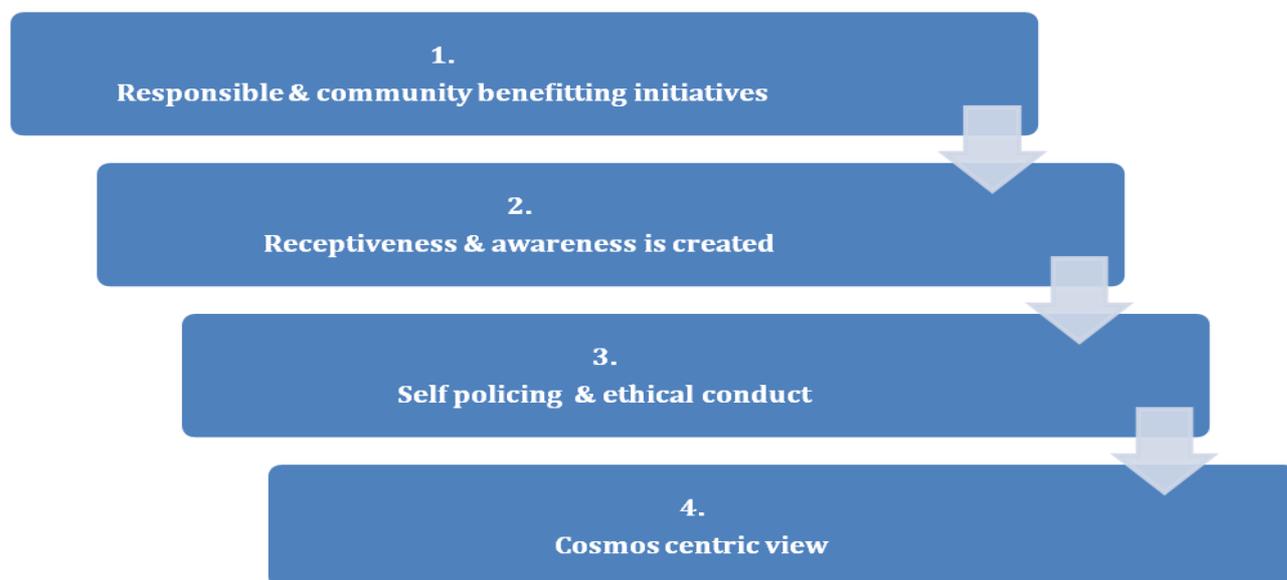
through enhanced customer loyalty and expansion of market share (D'Souza et al., 2007).

#### The Development of CSR

The origin of CSR can be traced back to developed countries and reflects the concerns of shareholders in high-income countries. In this context, the dominant paradigm in any corporate management is to maximize shareholder value (Chakraborty et al., 2004). According to Friedman (1970) there is one and only responsibility of business is to use its resources and engage in activities to increase its profit. However, the neoclassical economists (Henderson, 2004; Zajac and Westphal, 2004) claimed that a focus on social responsibility diverts business from its pursuit of profitability which ultimately benefits society as a whole. In contrast to Friedman, Drucker (1997) a scholarly authority in the management, provided another perspective on the linkage between management actions and social impact. In discussing the purpose and objectives of business, Drucker (2001) suggested that the concept of profit maximization is meaningless and may actually cause harm to society by noting that profit is not the explanation, cause, or rationale of business behaviour and business decisions, but rather the test of their validity. Therefore, profitability is not a goal but rather a required outcome to ensure the business continues to achieve its primary purposes of marketing, innovation and sustainability. These discussions started to question the role of business in society.

Businesses are one of the many other social agents that they must assume responsibilities related to their impact on society while pursuing their primary financial objectives. Thereon, parties started to understand and describe the relations between business and society.

During the end of 19 century CSR had become focal point of many researchers and gathered significance at world level. Many scholars asserted that organisations that are socially responsible were reaping numerous benefits from it. These benefits act as persuasion factor for companies to adopt it more. some examples of advantages of CSR are image building (Smith and Stodghill 1994), popularity (Fernando, 2007), getting over competitors (Smith 1994; Porter and Kramer 2002) & getting best employees (Turban and Greening 1997). Gradual evolution happened because of the above said benefits are recognized and appreciated by society. In four stages we can see the entire process of CSR evolution. The very first stage was that in which responsible attitude, charitable and community benefitting initiatives are expected from organization so many organizations follow this approach. Second stage meant that companies show receptiveness as they establish public affairs department, improve relations with labor, try to engage more stakeholder by creating awareness. Thirdstage included phenomenon of self-policing to keep check on its own activities. Rules, regulations and ethical code of conduct are followed completely. In fourth stage view has been broadened and paradigm shift was observed in field of CSR as goal was no more institution centric but welfare of entire cosmos became target of CSR. The very concept of sustainable development was in line with CSR in this stage. Nowadays organizations are enthusiastically trying to work by keeping this very stage in mind.



In the 1950s, Bowen (1953) initially described corporate social responsibility (CSR) as a self-regulation means for business to informally monitor their behaviours without dependency on coercive authority of governments. The period from the 1960s to the mid-1970s was significant for CSR in terms of the development of a consensus that businesses and their executives must be socially responsible (Buchholz, 1991; Mahon and McGowan, 1991). Early in the 1960s, Davis (1960) defined CSR as actions that business persons take or decisions they make for reasons other than their economic or technical benefits. McGuire (1963) distinguished social responsibility which was the early concept of CSR from ethical, economic, technical, and legal obligations. Davis (1973) supported McGuire's view of social responsibility 10 years later by defining CSR as the organisations' responsibilities for issues beyond their economic, ethical, and legal obligations. These authors' definition of CSR had excluded the economic component. Friedman (1970) also started to question whether organisations should take responsible for social issues. However, during that time, no agreement on CSR terminology emerged either in the field of academic or business practices yet.

By the mid-1970s, although the literature base of CSR has grown significantly over the last 60 years (Aguilera et al., 2007; Godfrey and Hatch, 2007) there is still no clear defined and universally acceptable definition of CSR by business executives and business scholars (Votaw and Sethi, 1969; Preston, 1975). For example, a review of the academic literature by Carroll (1999) shows that there are over 25 different conceptual definitions for CSR. Nevertheless, one significant development was that the issues of CSR had moved from certain philanthropic and philosophical issues of the 1960s to the specific societal issues of an organisation's social responsibility commitment.

## II.THEORIES OF CSR

Economies worldwide which are developed have perceived the issues of CSR in different ways (Friedman 1984; Carroll 1991; Freeman 1984) consequently many CSR theories have been formulated by scholars. such as stakeholder theory (Freeman 1984). It is considered as one of the major theory a CSR, mainly because it pertains to structure defined by norms for functioning of responsible business practices towards society (Melé 2008). Even though, it is stated by Donaldson and Preston (1995) that “ the stakeholder theory could be or/and would have been presented and used in a number of ways that are quite distinct and involve very different methodologies, types of evidence, and criteria of appraisal”. For that reason they have classified three categories of stakeholder literature first is descriptive second is instrumental and third is normative approach.

**Stakeholder theory-** This theory describes that company’s main purpose is to maintain equilibrium amongst the expectations of all the stakeholders by managing their operating activities (Ansoff 1965).The main characteristic of CSR approach is the way business engross suppliers, shareholders, employees, customers, NGOs and all other stakeholders (Fontaine et al. 2006). It is implied by Clarkson (1995) that the essential facet of stakeholder theory is to recognise the stakeholders and disclose the responsibility of an organisation for them. Studies have found three stakeholders affected by organisations: Customers, employees, communities along with these an extra aspect of environment was also found .

Table 2 : Stakeholder Theory

<i>Descriptive stakeholder theory</i>	<i>Instrumental stakeholder theory</i>	<i>Normative stakeholder theory</i>
This theory has been used to determine dealing of managers with stakeholders, how their interest are denoted by them and the bearing stakeholder approach has on accomplishment of numerous organisational goals. Donaldson and Preston (1995) acknowledged that descriptive stakeholder theory has been used to explain the following : the	This theory aims to understand that is there a relation amid stakeholder management and diverse corporate goals like growth and profitability. Donaldson and Preston (1995) elucidate that the entire research on CSR uses conventional statistical methodologies for making overt or veiled reference to stakeholder viewpoint. Moreover, few researches have used straight	Normative stakeholder theory ascertain the theoretical modus operandi related to the actions or the management of organisation (Donaldson and Preston 1995). Donaldson and Preston deemed this the centre of stakeholder theory and acknowledged the major goals of normative theory as resolution of _the accountability of the company in relation to

<p>characteristics of an organisations (Brenner and Cochran 1991), the manner in which managers deliberate about managing (Brenner and Molander 1977), how members of board contemplate about the welfare of corporate constituencies (Wang and Dewhirst 1992) and how a number of corporations are in actual fact managed (Halal 1990; Clarkson 1991; Kreiner and Bhambri 1991).</p>	<p>interviews and observations to create inferences, implying that observance to stakeholder principles and practices realize conventional corporate performance goals more than competing approaches.</p>	<p>stakeholders and the causes that why interests of stakeholders should be taken care by companies rather than shareholders interest.</p>
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Table 3: **Different Theories**

Apart from the above stated theory other logical theories like profit maximisation theory (Friedman 1984) have also been formulated by Scholars and researchers of CSR . In consistency with parson in 1961 Garriga and Melé (2004) elucidate four groups of theories namely instrumental, political, integrative and ethical theories. As believed by scholars, instrumental theory linked to the economic attributes of the connections among businesses and society. This is in line with the generation of wealth of shareholders. In Political theory the connection between society and its responsibility in sphere of politics related with this power are highlighted along with the relation of social power of organizations. This theory encourage organizations to fulfill social duties and rights and to play crucial part in certain social co-operations. Integrative theory is third theory which imply that the social demands should be incorporated by business. This theory imply that dependence of organization is on society for continuation, development and survival of business. As suggested by fourth theory, which is a ethical theory that the connection between organizations and business is ingrained with ethical values. This show the way to the idea of CSR from ethical point of view and eventually, as ethical commitment organizations have to accept social responsibility.

**CSR and Employees**

Majority of the past scholarly research on CSR and sustainability focus on the macro level of analysis (Devinney, 2009; Siegel, 2009; Aguinis and Glavas, 2012) and these research emphasis on institutional levels,

such as addressing regulatory elements, normative and cultural-cognitive elements shaped by external stakeholders (Scott, 1995). Despite the wide dissemination of CSR and its cross-disciplinary nature (Lockett et al., 2006) potential relevance for employee management (Brammer et al., 2007) organisational behaviour and human resource management researchers have under-investigated CSR (Rupp et al., 2006; Aguilera et al., 2007).

In 21<sup>st</sup> century, growing attention is directly to the internal stakeholders, specifically the employee, through the field of organisational behaviour and human resource management (Aguinis and Glavas, 2013). Even though some studies of CSR are adopted in organisational behaviour perspective (Albinger and Freeman, 2000; Greening and Turban, 2000) but these studies focused on how CSR affecting prospective employees to increased corporate attractiveness. Based on few empirical studies investigating the internal impact of CSR on employees, they tend to focus on specific dimensions of organisational commitment (Maignan and Ferrell, 2001; Paterson, 2004; Brammer et al., 2007). As the nature of CSR is multidimensional (Husted, 2000) it can also influence a wide range of organisational attitudes and behaviour beyond organisational commitment. To this point, there is absent of sufficient theoretical consolidation and synthesis the impacts of CSR on employees attitudes and behaviour which is then ultimately affect the organisation sustainability.

Employee is often a central feature of stakeholder theory and CSR research and practice. According to Barnett (2007) CSR is a form of corporate investment characterised by a dual orientation towards the improvement of social welfare and stakeholder relations. Stakeholder relations explain why employees being the stakeholder impact the CSR policy. Firstly, employees can act as agents for social change when they pressure corporations to adopt socially responsible behaviour (Aguilera et al., 2007). Secondly, environmental policy demonstrates that employees' support is necessary to ensure effective CSR programs and policies (Ramus and Steger, 2000). Thirdly, employees as a stakeholder group perceive, evaluate, judge and react to CSR programs and actions (Rowley and Berman, 2000; Rupp et al., 2006). From a theoretical perspective, employees are the stakeholders, can be seen as an independent variable that explain the emergence of CSR (Aguilera et al., 2007) and as a dependent variable that influenced by CSR (Maignan and Ferrell, 2001; Paterson, 2004).

Employees as a unit of analysis have not been receiving much attention in the past CSR research (Rupp et al., 2006; Aguilera et al., 2007). Majority of past CSR and human resource management research focussed on the relationships between leadership and corporate social behaviour (Waldman et al., 2006; Swanson, 2008). There are also some corporate social performance models that explicitly included employees as a level of analysis (e.g. (Wood, 1991)) few studies have investigated CSR's influence on employees' attitudes and behaviours. Table 3 illustrates studies conducted in the past in CSR research in relation with employees. Studies conducted focus on the external aspect by looking at the influence of CSR on prospective employees which based on social identity theory. These studies show how a socially responsible reputation of organisation influence the corporate

attractiveness for prospective employees (Albinger and Freeman, 2000; Greening and Turban, 2000). Past research also demonstrated that by enhancing corporate image and reputation, CSR can be a magnet for prospective employees. However, all these research say little about CSR influence on incumbent employees. Indeed, Riordan et al. (1997) used external corporate image as a proxy for social performance and found that employees' perception of corporate image can positively influence job satisfaction, and negatively influence turnover and turnover intentions.

Previous research on socially responsible behaviour explains the present of knowledge gap on CSR's influence on actual employees (Swaen et al., 2003). Macro-level research by Margolis et al. (2007) and Margolis and Walsh (2003) examined organisations as the main unit of analysis which focused on CSR's financial impact. Meanwhile, the micro-level approach that took individuals as the unit of analysis did not refer explicitly to employees' socially responsible behaviour (Schneider et al., 2004; Treviño et al., 2006). These past research pointed out the absent of established research in the micro-level analysis by examine the CSR practices on actual employees' attitudes and behaviour.

Followed by the past CSR research in relation to employees, the researcher attempts to fill up the existing knowledge gap on the influence of CSR practice towards employees. In the following section, theories underpinning CSR and employees are being explored to establish the theoretical background for the understanding of internal CSR.

### **III.CONCLUSION**

The benefit of adopting CSR had been well-acknowledged. It is a form of value creation that has the power to reconnect businesses and society in a way that ultimately leads to the next wave of global growth. When an organisation is doing for the society, it pays back by enhancing the organisation business performance because consumers are supportive of organisations that care for the society and environment other than profit maximizing. The evolution and development of CSR also enlighten corporations not to overlook on the crucial human resource, the employees, while exercising their CSR practices. CSR can be integrated into workplace and leave substantial impacts on the employees' attitudes and behaviour that ultimately foster the performance of the organisation.

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