HISTORY OF “CORPORATE SOCIAL RESPONSIBILITY” CONCEPT

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ABSTRACT: With long-lasting debates, corporate social responsibility concept was from the beginning a high-interest subject to all of the stakeholders of the companies: shareholders, public opinion, employees and governments. Based on studies which demonstrates the socially responsible companies have major financial and image-related benefits, we started researching the roots of the concept “corporate social responsibility”. By using qualitative method, hermeneutic perspective, we chose the comprehensive approach of CSR developed by Goodpaster et al. (2005). We analyzed four sides out of five of the concept (economics contributions of companies to society, contextual changing of companies’ development and existence environment, Conceptual evolution and dimensions of CSR, perspective of theories in close connection with CSR) and we proposed a definition of what we believe is CSR. Analyzing the pros and cons of accepting the CSR model as stated nowadays, we concluded as follows: Without neglecting the implicit social responsibility of companies towards others (like human beings) – by means of taxes and social charges imposed by law, and without fully accepting the extreme opinion that presents corporations as entities that indirectly hold all the communities’ political, social and economic power, companies should strictly follow their economic goal, which implicitly fulfils all the additional requirements imposed to companies by some stakeholders.

KEYWORDS: CSR, corporate social performance, corporate social sensitivity, CSR models

JEL Classification: M14, Q56

Introduction

The concept of corporate social responsibility (hereinafter CSR) is so widespread and discussed nowadays that anyone reading a newspaper, a business magazine or financial news could not help wondering on companies’ (disclosed and hidden) goals in terms of protection and welfare for the environment and community in which they are operating. From professional magazines to newspapers, books, dictionaries, encyclopaedias, websites, conferences or blogs, the concept is widely discussed and applied although differently depending on the geographical area.

Over decades, CSR has become more and more important, being subject of notable debates, comments or research. Both in theory and in practice this concept has seen new approaches and developments. Although the basic idea was and is quite practical, the concept was developed only after World War II, especially in the last 50 years.

The involvement of organisations in socially responsible actions brings major financial and image-related benefits for companies and here from the need for research in this field, particularly related to its conceptual dimension. (Dumitraşcu: 2012).

The methodology of this research is based on the qualitative analysis from a hermeneutic perspective. A hermeneutic perspective means understanding a text / text units. As in hermeneutical theory, we will show how the subject is understood in theory over the time.

This theoretical part aims to present the “Corporate Social Responsibility” concept by means of a sneak peek through its development period and will conclude with an own approach in

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this respect.

The essential issue raised by this study can be summarised as following: What other responsibilities would companies have towards the society besides their primarily unanimously accepted goal, namely that a company exists for producing profits?

We will try to answer to these questions in the next chapter: “Evolution of the Corporate Social Responsibility concept”.

**Evolution of the “Corporate Social Responsibility” concept**

For a better understanding of the new CSR features, it is more than necessary to have a sneak peek in the history of this concept.

Also, in order to know how the corporate responsibility concept will develop, it is important to know its origins.

For finding the key moments or “milestones” in the evolution of CSR concept, we refer to innovative practices in the field as information sources, to research studies, legislation, institutional developments and changes in the context in which businesses operate.

According to Kenneth Goodpaster, David Rodbourne et al (Corporate Social Responsibility – The Shape of a History, 1945-2004, 2005), to present the comprehensive evolution of CSR one must see all its 5 sides:

- the fundamental (economic and social) impact of the business environment on the company;
- transformation of the social, political and economic environment/context in which companies “live”;
- evolution of the concept and its definition;
- development of CSR management practices and strategies within companies;
- the nature of subjects under discussion today on CSR.

Our presentation will consider all 5 sides of CSR recommended by Goodpaster et al, except for the analysis on how CSR management practices and strategies have developed within companies, because we believe this topic requires extensive research that is not our main objective.

**Economic contribution of companies to society**

The first aspect to be considered is the economic contribution of companies to society. The main argument for the great importance of this side consists in the allegations of Adam Smith and other academics and practitioners on the benefits brought by the freedom of companies to act according to their own desire. Most researchers recognize the economic function of companies, although many argue that CSR should go beyond this boundary.

A further step in this direction was done by Milton Friedman when he said that freedom of companies leads not only to economic benefits but also to political freedom. Irrespective of the benefits offered to society, all business leaders recognize that companies’ main function is the economic one.

The words of David Kock, president of Emeritus al Graco Inc., are representative: “I often tell to master students and always ask them if they know what the purpose of a business is. I tell them that its purpose is to serve citizens, people, all of us. The founders of our countries knew that we need services, goods, food, and clothing and decided to create a system where people take risks, invest money and compete for satisfying these needs. Founders did not want for only few people to live in prosperity. Their vision was a system that served all people – not just shareholders or management. They knew governments need income from taxes and companies and individuals must be able to pay these taxes. History shows that this business system is the most productive system in the world, producing the highest standard of living.”

To illustrate his point, Kock graphically represented the “contribution” of the Graco Company in 2003.
By analogy, we can say that Graco’s contribution is a small piece of what the contribution of all companies would mean to society. Besides the mere sale of goods, for customers the innovations and services incorporated in these goods are also important. Then, the salaries that ensure the living of these individuals and their families, the costs of professional development trainings and the costs of health and pension insurances represent another major contribution of companies to society.

The profit of shareholders returns to society through incurred expenses and reinvested amounts. Finally, taxes and contributions paid by employers contribute to a wide range of public services, education and development.

More specifically, the system of business liberalisation provides to companies creativity, innovation, opportunity and production, in a way that cannot be compared with other systems. And all these, through the use of limited resources, by persons willing to take such risks. Problematic or not, these benefits are often hard to quantify or even totally unrecognized.

However, the debates on CSR consisted in: how does the society gain these benefits, if these are properly distributed or accessible, if there is a balance between stakeholders, if there are also negative effects along this route, what is the right relationship between private and public area and how are corporations governed and accounted for.

**Contextual changing of companies’ development and existence environment**

The period from 1950 to now has seen fundamental changes in global politics and economy. For instance, if there was a rivalry between communism and capitalism, today it has turned into a “war” of large multinationals, as Edward Lutwak (considered the father of geo-economy) said. Inside this world of capitalism there is also a dominating political-ideological tension between the American capitalism and the more social and protective economies of the European Union, Latin America or Asia. A defining aspect of the two approaches is also the confidence of communities in their governments versus corporations in communities like those in the European Unions, where governments are hold responsible for researching and insuring welfare of society compared to large corporations. Americans, on the other hand, are more confident in corporations than in government. Two examples that differentiate the two approaches can be: retention of employees versus layoffs and protection of personal data, which are highly normalised by imposing restrictions in “social economies” compared to North America.
There are also signs that Japanese corporations align with European practices on CSR for restoring stakeholders’ confidence.

Although there were intense theoretical debates during 1950 – 1990, the public never had such a global impact than in the last 20 years. This involvement of society in general subjects like social responsibility or business ethics have led to close monitoring of numerous non-governmental organisations, civil organizations or national governments through numerous international institutions (OECD – Organization for Economic Cooperation and Development; World Bank; WTO - World Trade Organization; ONU – Organization of United Nations, etc.). These were set up precisely in order to actively participate in normalising and solving conflicts that may arise.

The factors behind the emergence of new changes were:

a) **Globalization of economy.** At the same time with the opportunity to enter new markets, corporations also face new challenges: legislative differences, different perception of public towards child labour, corruption, human rights, environment protection, etc. Globalization has intensified and increased the legal and economic dependency between countries. Thus, the continuous trend is to bring national and regional laws to a common denominator, by means of which any national case law has the “domino effect” of one country over another country.

b) **Non-government organisations.** Due to the explosion of the number of NGOs and community associations, businesses had to respond appropriately to the situations created by them and to the different approaches of NGOs, some of them attacking the goal of companies to make profits, while others sought cooperation, from isolated NGOs to NGO networks. Traces of these initiatives can be identified particularly in the United States, where both in theory and in practice the CSR concept has been a major concern of business community. According to De Zeinab A. Karake, Zeinab Karake-Shalhoub, government tax relief initiatives for those allocating own resources for society needs were the main reasons that led to the creation of various foundations with this purpose: to support charity, public health, research, lower unemployment rate and to act as “speaking-tube” for those who wanted to express their concerns or proposals for owners of corporations, directors or managers.

c) **Political factors.** Their reactions were soon to appear. Thus, proposals have appeared related to companies’ responsibilities from organizations like the International Labour Organization, OECD, and the governments of Great Britain, France or the European Union. New rules on transparency, human rights, trade, corruption or corporate governance appeared and companies sometimes were hostile, sometimes they answered by social involvement in the community-driven spirit (e.g. by becoming partners with public institutions for the development of codes of ethics in business or for making rules on each company’s CSR strategy reports). A short list of some important codes published over time can be found at: http://www.goodmoney.com/directry_codes.htm.

d) **Public opinion.** Although polls are often presented in an imperfect way, we note a growth of public’s requirement for companies to become socially responsible. One reason is the increasing number of NGOs, the enactment of various commercial rules/codes on social responsibility/sustainability, the development of circumstance marketing and the closer relationship between a company’s reputation and its level of involvement in community. There are numerous studies and researches on the relationship between how customers rate the company’s goods and the involvement of the latter in socially responsible actions - Olson & Haddock, 1971; Holmes, 1976; Shapiro, 1983, Lea, 2002 – Increasing involvement in philanthropy leads to increased perception on the quality of that company’s goods.

We note however that although customers ask for “responsible” goods, they often buy according to the lowest price criteria. Nevertheless, among companies there is an increase in social actions.

e) **Business environment.** Business environment is one of the promoters of this concept, which has led to numerous studies of theoretists on this subject.
Companies’ concern for the community to which they belong dates for centuries and can be traced by diverse and long-lasting actions.

In 1899, Andrew Carnegie (1835-1919), founder of US Steel Corporation, published a book - “The Gospel of Wealth” – where he kicked-off the classical interpretation of corporate social responsibility. His statements were based on two principles: the charity principle and the leading principle. The two principles were the starting point for the analogy between owners of companies on one hand and employers and clients on the other hand, which relationship was resembled with the situation between parents and their children, who lack the capacity of acting for their welfare.

According to De Zeinab A. Karake, Zeinab Karake-Shalhoub, since then and until the start of the Second World War, the model of corporate contribution to social causes became part of the American way of life. The support of US Steel for hospitals, orphanages, museums, libraries, etc., was just an example of the many companies practicing social, economic and business responsibility towards poorer people. Nevertheless, this view is not universally accepted and there is also the view that until after the Second World War there were only social responsibility actions and not a strategy, as the current definition of CSR would involve.

**Conceptual dimension and evolution of CSR**

A comprehensive study, which is also an important source for our research is: Corporate Social Responsibility. Evolution of a Definitional Construct (Archie Carroll, 1999). In this paper, Carroll has analysed the evolution of the concept from 1945 to 1990.

Although the space does not allow an exhaustive review, we propose an overview of the major influences that have played an important role in developing the CSR concept.

Even if the “social responsibility” concept is a “product” of the 20th century, it has been intensely discussed in the last 70 years, thus marking the modern era of Corporate Social Responsibility.

From simple concepts published in the ’50s, the phenomenon has been extended in the ’60s and ’70s, and in the ’80s there appeared concepts such as “corporate social performance”, stakeholders’ theory and business ethics theory.

The concept “business responsibility” started to be known in 1949, when Bernard Dempsey published in Harvard Business Review (HBR) the article “The Roots of Business Responsibility”, where he brings arguments in favour of the concept. Two months later, Donald K. David, dean of Harvard Graduate School of Business Administration, published the article “Business Responsibilities in an Uncertain World”. David said that businessmen should be involved in public activities beyond the well-known economic functions of businesses. Dempsey presented a number of philosophical arguments in favour of social responsibility, stating that such arguments derive from the four concepts of justice: trade justice – confidence in market trade; distributive justice – proper relationship between government and individuals; general justice – accept the legal obligation to act ethically; and social/distributive justice – obligation to contribute to the welfare and progress of individuals and society.

Both David and Dempsey argue about the need for social justice by means of two reasons:
1. No individual or business is an island; all need to live in a community in order to function;
2. Due to the substantial resources they control, companies have great power to contribute to the progress of society and its individuals.

Thus, David and Dempsey appreciated that business leaders have a fundamental obligation to create a just society. According to Kenneth Goodpaster et all. (2005), the two envisioned a future debate on what business responsibility would mean.

Although in the ’50s there were limited debates on the CSR concept, they were still marked by names like Chester Barnard (1938 – The Functions of the Executive), J.M. Clark (1940 – Social Control of Business) or Theodore Kreps (1940 – Measurement of the Social Performance of
Business). It is worth noting that only men were considered executives in those days, while women were not present in such positions; at least not in the academic papers of that time.

Howard R. Bowen, considered by Archie B. Carroll (author of the most comprehensive scientific paper on defining CSR after the Second World War) the father of CSR, marks the beginning of modern CSR by publishing the book “Social Responsibilities of Businessman” (1953). According to it, Bowen believed that the hundreds of large businesses were the vital power and decision-making centres that influenced the lives of citizens in many aspects. In defining CSR, Bowen said that “CSR refers to the obligation of businessmen to follow those policies, take those decisions or follow those action lines that are desired by the objectives and values of our society”. According to a Forbes survey, this definition is approved by more than 90% of the businessmen of that time.

Contemporary with Howard, Morrell Heald discusses the CSR concept mainly in the 1970s. Although not defining the concept, his theory and practice on CSR is similar to what Carroll’s understands of the concept. Among his publications there are “Management’s Responsibility to Society: The Growth of an Idea” (1957) or “The Social Responsibilities of Business: Company and Community, 1900-1960” (1970).

Heald noted that the “trusteeship concept”, respectively responsible management of businesses and responsibility were defined nearly 25 years before the Second World War. Indeed, Andrew Carnagie defined the “manager or management” concepts only in 1989 in North American Review in the article “Wealth”. In 1906, Arthur Hadley, president of Yale University, advised business leaders to remember that they are also managers of the public interest/patrimony and should assess their attitude properly.

In 1920, the concept of “trusteeship” has greatly extended both in theory and in practice. Notable examples are Owen D. Young, manager, and Gerard Swope, president of General Electric, who said that shareholders are only one party to whom businessmen had obligations. The two sought to conclude cooperative partnerships between companies, workers, government and community.

In the business environment we noticed Frank Abrams, former chief executive of Standard Oil Company, New Jersey, who presented the concern for management’s wider responsibilities in a complex world (1951). Abrams said that because management was becoming more specialised, companies should not only think on profits, but also on their employees, customers or the general public.

Not only business environment was involved in CSR activities, but also the justice of those times. In 1953, based on Community Law, New Jersey Superior Court of Justice cancelled the right of a factory to contribute with funds for supporting Princeton University. It did not only cancel this right, but also compelled it to financially support the university on the ground that it is a duty to encourage higher education, thus serving its stakeholders’ long-term interest. They were also told that a company cannot hope to operate efficiently in a society that is not functioning well.

Hay and Gray (1974) characterised the period since 1950 as “Quality of life management”. In the ‘60s there was a significant increase in the attempts to formalise and/or clearly explain the CSR concept, due to the very large influence of social movements and public pressure. In the US for example, the most important social movements were those on civil rights, women’s rights, consumer rights and environment.

Davis Keith, one of the most prominent writers of the time, defined CSR as the “decisions and actions of businessmen at least partially due to reasons, other than technical and economic interest” (Davis, 1960, p.70). Moreover, he said that certain social responsibility actions may be motivated by a complex process with long-term effects, such as economic growth, being therefore rewarded. This statement is even more important as in the next 20 years it was fully accepted. Davis also associated “businessmen’s” social responsibilities with their social power, stating that the two are equal, and when the level of social responsibility decreases, the power of that company in
society also decreases. Last but not least, he claimed that the interest of human beings is as important as the socio-economic interest. Continued vitality of business depends upon its vigorous acceptance of socio-human responsibilities along with socio-economic responsibilities. (Davis, 1960, p.74)

Another contributor to the development of the concept was C. Frederick, who said that “businessmen should oversee the operation of an economic system that fulfils the expectation of the public”. Thus, he confirmed Davis’ statement on the socially responsible leaders and their public position. He said that a socially responsible businessman would want to also have a certain public position to advocate for the society’s economic and human resources.

For the first time the notion of obligation arises in the definition of CSR of another prominent author, Joseph McGuire. The vague concept of CSR became more practical due to the statement that the “Idea of social responsibility assumes that corporations do not only have economic and legal obligations but also some responsibilities towards society, which exceed these obligations” (“Business and Society”, 1963, p.144). Later, he said that corporations should be interested in politics, community welfare, education and happiness of their employees, hence acting as an honest citizen. Thus, the suggestion appeared of what later became corporate citizenship.

In 1967, Davis Keith revised his definition and extended the beneficial effect of CSR, stating that its application does not only affect an individual, but the whole system.

In the same year, Clarence C. Walton (a visionary of CSR) introduces besides various CSR models also the concept of “volunteering” as integrant part of what CSR means. Thus, CSR is a very “intimate” relationship between corporation and society, being practically impossible to determine the value of a CSR action based on the cost-benefit variable.

Although it seemed a decade where the debates on CSR have come to an end, they took a new direction due to the amendments of Professor Theodore Levitt on the “dangers of social responsibilities”. He said that social concern and general welfare of the business community are not the responsibility of companies, but of government. Companies should “take care of more material aspects of welfare”. He was concerned that focusing on social responsibilities would distract companies from their primary scope of making profits, which is considered essential for their success. However, there were enough voices to “defend social responsibility”.

Patrick Murphy defined the last period of the 60s and the beginning of the 70s as the “era of awareness and issues” on CSR. This was a period of social awareness and recognition of general responsibility, involvement in business community, concern for urban decay, pollution removal and continuing the philanthropic era. CSR was still seen as an act that does not attract financial benefits. (Lee, 2008, p.59)

If in the ’60, social responsibility of business environment was due to public movements and increasing requirements towards companies, in the 1970s it received a particularly strong interest from researchers, with less influence from practitioners.

A prominent researcher in that period was Carroll, who was interested in how these CSR concepts are applied. Thus, in order to measure the effectiveness of CSR actions, he brought new concepts to the public: corporate social responsiveness or corporate social performance (CSP). Hence, corporate social performance became the centre of the discussions. The distinction between CSR, social sensitivity and social performance was also highly discussed and formalized in this period.

“The Social Responsibilities of Business. Company and Community” by Morrell Heald presents in a historical way a new model for CSR application: community-oriented programmes, policies and scenarios to be elaborated by executives, thus accepting the transition from understanding CSR as a series of actions to CSR as a long-term vision/strategy (Carrol, 1999: 273).

In “Business in Contemporary Society: Framework and Issues” (1971), Harold Johson presented several definitions for CSR, introducing for the first time the concept of “conventional wisdom”. He stated that “a socially responsible Company is one whose management balances a
multitude of interests. Instead of only focusing on increasing profits for shareholders, a responsible company takes into account its employees, suppliers, partners, local communities and nation", being a suggestion for the concept to be used at a later stage as “stakeholders’ approach method”. Johnson (1971) said that companies are managed in a socio-cultural system that outlines different ways to respond to specific situations by means of standards and business roles, namely those general policies outlined above by Morrell Heald.

In Johnson’s second approach to CSR, he presented the CSR programs prepared by companies as programs aimed to bring long-term profits.

In the third approach to CSR, Johnson (1971) introduced the concept of “utility maximization”. He stated that “the third approach to social responsibility implies that companies’ main motivation is utility maximization; companies pursue rather multiple purposes than only profit maximization” (p.59).

Finally, in the fourth approach, Johnson explained another new concept: “lexicographical approach to social responsibility”. He said that the goals of companies are set based on own past experiences and those of similar companies. The lexicographical utility theory means that for companies heavily focused on profit making but still having a social behaviour CSR is no longer a priority when they reach their financial goals.

The major changes in public’s perception on CSR were quickly observed by that time’s professional bodies. A milestone for that period was the Committee for Economic Development (CED) set up in the US and composed of businessmen and representatives from education. In 1971, it published an article which noted the major changes that took place in society further to the growing social responsibility requirements coming from public towards corporations. “Companies are asked to assume widened responsibilities more than ever and serve a broader spectrum of human values”. So, what was CSR for the American population in 1970? Almost 60% of the population believed that companies’ second primary responsibility is to keep the environment clean and unpolluted; 38% held the business environment responsible for hiring and professional development of black people; 36% held them responsible for supporting education, health and charity, and 29% held them responsible for cleaning and reconstruction of large cities’ ghettos.

Another important writer on CSR was George Steiner. Though he tended to contradict Davis and Frederick with the statement that “companies are and must remain fundamentally economic institutions… The postulate of social responsibility is rather an attitude, a way that the manager chooses in the decisions he has to take, than a major change in assessing the decision-making process…” he still stated that “the greater the company, the higher its responsibilities towards community” (1971, p.164 quote from Carrol, 1999: 275).

An important debate between Henry G. Manne and Henry C. Wallich (1972, The Modern Corporation and Social Responsibility) led to the conclusion that in order to be truly socially responsible an action must meet the following conditions:
- be pure voluntarily;
- be regarded rather as an expense than an increase of benefits; however, it is often extremely difficult to distinguish between expenses for actions presumed to be for the benefit of society (thus, fulfilling the legal obligations) and an action done with real charity intentions;

Also at that time, Davis returns with an important clarification on CSR. With his statements on what CSR is and is not, he excludes the performance of corporations of their legal obligations, stating that they must act in the spirit of what social responsibility means: “social responsibility begins where the law ends” (1973, p.313 quoted in Carrol, 1999: 277). Hence, here appears the reference to the concept called “corporate citizenship”.

In 1975, the editor Jules Backman, a professor of economics, brought a considerable progress to the evolution of CSR definition. He said that social responsibility alongside social accounting, social indicators and social auditors are all facets of social performance. Recognizing
that these new concepts were still vaguely defined, Backman provides several examples of what he considered to be social responsibility: “engage minority groups, reduce pollution, significant participation in programs that improve community, improved health care, improved safety” (pp. 2-3 quoted in Carrol, 1999: 279). We note stronger nuances in the definition of CSR.

Also in the ’70s, S. Prakash Sethi brings to the attention of researchers new concepts such as “dimensions of corporate social performance” or the differences between “social obligation”, “social responsibility” and “social sensitivity”. In Sethi’s perception, social obligation represents the corporate behaviour that “responds to market pressures or legal constraints” (p.70). Instead, social responsibility transcends social obligation, being actually “a higher level, where it is congruent with the prevalence of norms, values and expectations in terms of performance”. In Sethi’s view, the third level is social sensitivity, regarded as an adaptation of corporate behaviour to the social needs. This is a step of anticipation and prevention.

Votaw noticed the increasing complexity in social responsibility: “The concept [social responsibility] is brilliant; it means something, but not always the same for everyone. For some it means responsibility or legal duty; for others it means responsible behaviour in the ethical sense … many simply equal it with a charity contribution, others interpret it as a social conscience … some see it as a surface task imposing higher standards of conduct on businessmen than on citizens as a group” (Votaw, 1973 p.11 in Carrol, 1999: 280)

Further to Votaw’s statements, there are the discussions of Preston and Post (1975) on CSR: “we restrain our own use of the term «social responsibility» for only referring to a general and vague meaning that highlights a wide variety of ad-hoc management policies and practices. Most attitudes and activities of this kind are well-intentioned and even beneficial and only few are clearly harmful. Thus, they lack a coherent relationship with the company’s internal activities or with the host environment” (Preston and Post, 1975, p.9 in Carrol, 1999: 280).

In order to create a line between corporate social responsibility and the public one, Preston and Post use the term “public responsibility” (hereinafter referred to as PR), defined as a function of organizational management in the context of public life. They prefer the word “public” instead of “social” in order to rather emphasize the involvement of corporations in the creation of public policies than consider the corporations’ press releases as simple individual or conscience opinions. By this statement they emphasize the practical and measurable character they want to grant to CSR, respectively PR. But later, Jones – 1980, demonstrated the ambiguity that lies in measuring or applying the concept of PR.

In 1976 appeared a new approach to the definition of CSR - “the problem-solving perspective” introduced by H.Gordon Fitch as following: “Corporate social responsibility is defined as a serious attempt to solve social problems caused in whole or in part by corporations” (Fitch, 1976, p.38). In his view, this perspective is exactly what was missing both in the academic and practical environment. He focused on creating an integrated behaviour analysis and management program.

In 1979, Carroll proposed a definition conceived as part of what corporate social responsibility meant. CSR presumed four aspects: economic, legal, ethical and discretionary/philanthropically. The first element concerned the company’s welfare; the others concerned the welfare of society.
As shown in figure 2, the four elements/responsibilities are not seen as processes clearly defined in time, but as processes overlapping each other, while the basis for CSR remains the economic one, according to researchers such as Adam Smith and others in the '50s.

Moreover, Carroll is the author of a new concept called “social auditing & social issues management - SIM”. In his opinion, SIM was seen as a policy together with CSR (seen as principle) and corporate social sensitivity (seen as process). Therefore, old concepts complete the new ones.

The 1980s

The '80s were the years when there were even more discussions on research methods for theories already outlined by additional concepts such as: corporate social sensitivity, corporate social performance, public policies, business ethics, stakeholders'/shareholders’ theory, etc. Frederick defined the 1980s as the beginning of the stage “corporate ethics/business ethics”, when the main concern was to promote corporate ethical cultures (Frederick, 2006). Meanwhile, studies on the link between CSR and corporate social performance have “exploded” in this decade. The link between CSR and the company’s financial performance has become a daily practice. (Lee, 2008)

Jones (1980) summarized the debates on CSR by presenting a list of pros and cons. Among the debates of those times, we mention the following:

![Figure 2. Elements of the CSR concept](source: Carroll, 1991: 42)

<table>
<thead>
<tr>
<th>No.</th>
<th>Cons</th>
<th>Pros</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The economic model works only if corporations accept the interest of shareholders above other interests. This ensures optimal use of society’s resources.</td>
<td>The economic model does not work now; there are many oligopolistic industries; owners do not control the company; government is deeply involved in economy.</td>
</tr>
<tr>
<td>2</td>
<td>Managers are not prepared to pursue social objectives; if forced to do so, there will be serious inefficiencies and inequalities.</td>
<td>It is possible that managers are not prepared, but the political and social impact of their actions is inevitable; it is too late to...</td>
</tr>
<tr>
<td>3</td>
<td>CSR reduces shareholders equity, because managers waste/steal money belonging to shareholders.</td>
<td>CSR does not steal money, but corporations that act responsible do only pay to society the costs associated to the permission to do business there.</td>
</tr>
<tr>
<td>4</td>
<td>CSR can lead to political tyranny; it will be a clear threat to political pluralism and democracy.</td>
<td>Political pluralism may well be embraced by adopting CSR, especially if government has the central power. Democracy is already threatened by large corporations, who take political and social decisions in a manner that is not democratic at all.</td>
</tr>
<tr>
<td>5</td>
<td>The society’s proper functioning depends on the specialization of each institution. A corporation is an economic institution and it will serve society best in an economic way; profit involves an example of social behaviour.</td>
<td>Specialization of institutions, though desirable, cannot exist in modern industrial economy. Corporations have a political role, governments have an economic one. Only profit no longer means an exemplary social behaviour.</td>
</tr>
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Source: Jones, 1980: 61

Jones also has a major contribution in defining the concept. He presented CSR not as a result but as a process. In his opinion, it would be more easily to achieve and assess in this way.

Last but not least, he demonstrated the need to consider the criteria underlying managers’ decisions on CSR. One example is that of Polaroid (1970), when various groups invited the company to move out from South Africa due to the very corrupt government. Rather than doing so, he did an analysis of all criticism and decided to keep the factory on African territory, but ceased sales to the South African government, adopted a remuneration policy based on performance, granted equal pensions for black people, etc. Hence, if criticism against Polaroid was correct, than the company did not act socially responsible; but if we objectively evaluate the situation, Polaroid acted fully responsible, and did not contribute to rising unemployment and did not adhere to the corruption dominating the community.

Frank Tuzzolino and Barry Armandi (1981) sought to develop a better method to evaluate CSR. They proposed a model based on hierarchy of needs by using Maslow’s pyramid of needs (1954). To facilitate the operationalization of CSR they tried to suggest that organizations, like people, have psychological needs, security needs, affection needs, self-esteem needs and personal development needs that must come true. Thus, they presented the hierarchy as “a theoretical instrument by means of which social responsibility could be reasonably assessed.”

In 1982, without a notable contribution to the definition of CSR, Dalton and Cosier presented a model 2x2, with “legal” and “illegal” on one axis and “responsible” and “irresponsible” on the other axis, thus resulting 4 facets of social responsibility represented by the 4 cells. It was not surprising that the recommended result was cell “legal-responsible”. The conclusion is that a company is socially responsible when it acts within the law and accountability, although we have seen that this boundary has been and remains difficult to achieve.

A step forward in understanding the concept compared to its definition in 1979 was done by Carroll in 1983 when he said that “CSR involves leading the business in a way that is economically profitable, legally persistent, ethical and socially helpful. Social responsibility means that profitability and perseverance in law enforcement are prerequisites of the discussion about company ethics” (Caroll, 1983, p.604). However, he still remains of the view that CSR is made up of four parts: economic, legal, ethical and charity/philanthropy.
An interesting idea on how CSR should be seen by companies belongs to Peter Drucker (1984). He stated that profitability and responsibility in the company actually means the same notion. This idea has been discussed before and it was concluded that there is no relevant starting point in this respect. However, we should note the “brick” laid by Drucker for building the CSR concept by stating that “a business’ social responsibility means to tame the dragon, respectively to transform the social problem into an economic opportunity and in economic benefits, productive capacities, human skills, well-paid services and welfare” (Drucker, 1984, p.62).

A major concern is to demonstrate a relationship between CSR operationalization and financial performance. Two notable empirical studies have validated the existence of such a link. Philip Cochrans and Robert Wood (1984) studied various ways for the operationalization of social and financial performance in the past and decided to use the Moskowitz index. According to this index (invented by the writer Milton Moskowitz specifically for evaluating CSR), companies were ranked as excellent, honourable and very bad. The authors concluded that the method is still deficient.

The second study belongs to Apparel, Carroll and Hatfield (1985). It tested the theoretical concept of CSR developed by Carroll, which was saying that CSR comprises four elements: economic, legal, ethical and discretionary. As expected, the interviewed managers have confirmed that they cannot say that all four elements are concerned only for society’s welfare, thus validating Carroll’s theoretical concept from 1979.

Another term of the '80s is “corporate social performance”. As Mihalcea said in 2012, “corporate social performance” was first mentioned by Sethy (1975), then developed by Carroll (1979), and then “refined” by Sohn, 1982; Walton, 1982; Mintzberg, 1983; Chrisman & Carroll, 1984 and is still a highly debated topic - Wartick and Cochran (1985).

The '80s end with a statement of Epstein (1987), which combines the two already defined concepts, namely corporate social sensitivity and business ethics, into a new term, generically called “corporate social policy process”. He added that “part of corporate social policy process is the institutionalization within companies of the three elements… business ethics, corporate social responsibility and corporate social sensitivity” (p.106).

As a general idea, the ’90s were a period when additional concepts (corporate social performance, stakeholders’ theory, business ethics, etc.) similar to CSR have been extensively debated.

Corporate ethics was the hottest topic in the ’90s as well, according to a study conducted by Carroll in 1994. Based on a questionnaire sent to 50 top academics with the question “In your opinion, what are the most important research topics on social problems in terms of management during the ’90s?”, the first three topics were: business ethics, international social problem and society and business issues; corporate social responsibility was ranked four out of 12.

With an uptrend in demand, CSR achieved its global limits. The ’90s and 2000 became representative for the global corporate citizenship era (Frederick, 2008).

2000 to present days

Due to Enron and other companies’ scandals during 2000 and the financial Wall Street collapse of 2008, CSR continued to find legitimacy in business. Business ethics has become the hot topic of that period. Social responsibility has been left behind. However, UK and continental Europe continued to develop the concept (Moon, 2005). Also, “business case” was highly discussed at that time.

In the early 2000s, the business community became fascinated of the new concepts of sustainability or sustainable development, all of which became integrant part of the debates on CSR (Carrol, 2008, Oxford).

The Green Paper, a report prepared by the European Commission in 2001, stated that during that period most CSR definitions describe it as a concept whereby companies voluntarily integrate
social and environmental problems in their operations and in the collaboration with their stakeholders.

Gariga and Mele (2004) classify the theoretical conceptualizations on CSR into four groups: instrumental, political, integrative and ethical approaches. The instrumental approach sees CSR as a direct or indirect mean for ultimately making profits. Political theories emphasise social rights and activities associated with social organization power, while the integrative approach includes theories that argue that organizations should integrate the community’s social needs because they depend on the society in order to continue their activity and develop. Finally, ethical theories assert that business environment and society are or should be driven by ethical values; therefore organizations should adopt social responsibility as an ethical obligation, beyond other considerations. Although there are attempts to define a whole theory of the CSR concept, we still note developments in different directions on CSR as a voluntary action (Kotler and Lee 2005) or CSR as a moral obligation towards society’s expectations (Carroll 1979; Jones 1980). Generally, as Martin said in 2002, the prevailing theories are based on the social expectations of the company’s environment. Thus, companies acknowledge that they operate in a network of social, political and financial members that put pressure on it in a way or another.

Debates on the relationship between CSR and financial performance also hold a central place. There were the concerns of researchers and practitioners alike. CSR professionals have tried to demonstrate to practitioners that volunteering, budgets allocated to community are justified by a higher potential of profit making\(^3\).

De Zeinab A. Karake, Zeinab Karake-Shalhoub defines social responsibility as “waiting for companies to act in the public interest”. According to them, it has always been assumed that companies provide jobs and goods and services for clients, but social responsibility suggests more than that. Today, examples of social responsibility include: reducing pollution to protect environment, sell safe goods, be honest with clients and fair with employees. Basu and Palazzo (2008) presents social responsibility based on the link between stakeholders. Kotler and Lee (2005) characterise social responsibility as one that contributes to community prosperity. Other CSR definitions or issues are mentioned by Todt, 2009, Visser, 2008, Kotchen and Moon, 2008, Wu, 2006, Orlitzky, Schmidt and Rynes, 2003, Margolis and Walsh, 2003; Herrera et all, 2011; Cochran, 2007).

Today, the concept of CSR is discussed in terms of several approaches: the pragmatic/rational approach of CSR (companies assume additional responsibilities and engage in social projects to gain long-term competitive advantages); ethical approach of CSR (companies must assume additional obligations due to their special role in the community) and CSR approach in terms of social pressure (companies must respond to the growing social demands of the community in which they operate).

With these approaches already present in literature, Galbreath develops in 2006 four strategy models on CSR, each of them described and analysed by means of the 6 components: purpose, instrument, measuring unit, beneficiaries, corporate benefits and periods of time.

The first strategic model is based on the shareholders’ strategy. It exclusively assumes maximization of shareholders’ revenue. Some rules may force companies to engage in socially responsible strategies, but they are only initiated if they bring financial benefits. This approach is thought for short-term only.

The second model, the one based on altruistic strategy, starts from the idea that there must be a positive implication in the development of the community in which the company operates. Usually, this implication is only limited to donations or philanthropy. “Doing the right thing” is the company’s thought. Company’s benefits may not be measurable, and in this case the beneficiaries are community groups and causes.

\(^3\) http://www.forbes.com/sites/richardlevick/2012/01/11/corporate-social-responsibility-for-profit/2/
CSR Model based on Reciprocal Strategy is represented by self-interest and is considered as a means to solve the conflict between economic objectives and social, environmental and moral pressures. CSR is associated with the corporation’s central activities and is seen as a middle and long-term investment. The corporation’s benefits consist in financial performance, achieving marketing objectives marketing and human resources development. CSR instruments are partnerships, CSR forms and CSR activity is measured by its specific reports.

CSR Model based on Citizenship Strategy considers the convergence of the different interests of stakeholders and shareholders. However, the company fails to equally meet the requirements of all stakeholders and therefore they need to be prioritized. The measuring unit is “holistic” (considers social, environmental and economic objectives), and the corporation’s benefits are tangible and intangible. With a long-term view, CSR is applied by means of corporate governance, business ethics and dialogue with stakeholders.

Under these circumstances, Maon et al. 2010 developed the integrative CSR model in seven stages. In turn, these are split into three cultural phases: (CSR reluctance, CSR grasp and CSR embedment), presenting also the dimensions of CSR development. The assumption underlying this model shows that the development of CSR in a company reflects some features of the company’s cultural, morale, strategical and organisational sides.

The first phase – CSR reluctance – CSR is ignored and considered only in terms of restrictions; the second – CSR grasp – the organization becomes familiar with the CSR principles; the third – CSR embedment – the organization fully integrates CSR principles based on moral, which influence its results.

The model differs from the previously developed models because it emphasizes the importance of the development of organisational culture that does not support CSR-unsupportive culture based on a CSR-supportive culture; this development is achieved by means of CSR integrating programmes and policies (Maon et all, 2010: 22)

CSR today. Perspectives of theories in close connection to CSR

Because today CSR is a concept closely related to many other concepts, we consider it appropriate to review several connections of CSR therewith.

According to R. Edward Freeman, who is considered the father of the stakeholders’ theory, CSR is only part of the well-known stakeholders’ theory along with concepts such as strategic management, corporate planning, systems theory, organisation theory.

Stakeholders’ theory is an organisational management and business ethics theory addressing morals and values in company management. Contrary to the shareholders’ theory, where only the company’s shareholders are important and the company has the publicly expressed obligation to increase its value for the shareholders, the stakeholders’ theory assumes that in fact there are also other parties involved in a business, namely: employees, clients, suppliers, creditors, communities, government institutions, political groups and trade unions. Even competitors are seen as persons who could influence the company or its stakeholders.

Seen as an integrant part of the stakeholders’ theory, CSR development led to the concept of “socially responsible investing”, sometimes also found as “ethical investment”. This refers to the integration of social, environmental, ethical criteria in financial investment decisions. While conventional investment refers to financial risks and benefits deriving therefrom, SRI takes into account both society’s welfare and financial benefits. Seen as a way to develop relationships between the company and its internal stakeholders or a way to benefit from facilities and deductions from government agencies, this concept is today in the attention of researchers through topics such as: the link between CEOs’ personalities and socially responsible investment factors (type of CEO, etc.)

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type of corporate governance) (Borghesi et al, 2014) or ethical investment – a new approach to the management of the investment portfolio (Ballestero, 2012).

Another research direction on CSR is CSR communication. There are many means for communicating information included in the Corporate Social Responsibility Reports: on-line reports (very present today), communication with employees (through the company’s internal reports), CSR advertising services and products, and public consciousness, which are reached by the actual socially responsible actions. (Mihaela Dumitraşcu, 2011).

Another research direction is the relationship between stakeholders’ expectations on CSR and the different cultural and socio-political environments. An example is the book of Gilbert Lenssen and Volodja Vorobey, The Role of Business in Society in Europe. The differences between countries on the topic “What is the companies’ responsibility?” lead to corporate governance. Two types/systems of (corporate governance) are particularly distinguished: “market-oriented/Anglo-Saxon” and “Network-oriented/Rhineland”. The classification criterion seems to be closely related to Hofstede’s cultural dimensions. Hence, in the first category the shareholders’ theory prevails, although companies encourage attraction of new shareholders and investors into the company, thus streamlining in their view its governance system. In the second category however, the company is seen as an independent socio-economic entity, made up of shareholders, management, employees, suppliers or clients. This is prevalent in Germanic or Nordic countries, where capital market does not have a great influence and the motto “an action means a vote” (characteristic to the first category) is not a habit.

It seems that a new research direction on CSR arises by means of other concepts (Frederick, 2006): understanding CSR by means of natural science and religion. For Frederick, this new perspective means partial rejection of philosophical notions on the theories of rights and obligations applied in different countries and the search for new CSR integrative models from the perspective of different sciences and even spiritual curiosity. In other words, the quest for understanding corporations’ socially responsible initiatives through the CEOs’ religion and even their emotional structure or sentiments and other decision makers involved in such actions.

**Conclusions**

As a conclusion of the theoretical study on the CSR concept, we state the following:

1. Both globalization of economy and the campaigns for promoting CSR initiated by non-governmental organisations, politics, public opinion and last but not least the business environment, represented important “pawns” in the development of the CSR concept, bringing it to the current form: an important component of the strategy of any company that wants to resist in the very bitter competitive economic environment;

2. The concept of CSR arose in America in the late 19th century, but due to the two world wars it did not present a major interest to society until 1950-1960; Adam Smith’s theory, “laissez-faire”, dominated the whole civil society during this period;

3. Although the concept of CSR was not defined and understood in many parts of the world, there is a modern understanding for that period (the ’50s) in America. The business environment, politics or court power played an important role in understanding and even enforce its respecting;

4. From “business responsibility”, mentioned for the first time by Dempsey, to the complex concept of “Corporate Social Responsibility » (in various connections to many other concepts), as understood today, the development of CSR has passed through various temporal stages:
   a) CSR of the ’50s could be summarised in Frank Abrams’ idea (former chief executive of Standard Oil Company, New Jersey): “companies should think not only on profits but also on their employees, clients or wide public”, leading to what Heald presented as “responsible management”.

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b) The ‘60s brought a better definition of CSR (the company’s economic function was associated with the public one) as well as awareness of the issues arising from CSR: it is impossible to assess a CSR action by means of the cost-benefit ratio; business purpose is profit making, not the community’s social concerns or “How do we distinguish between economic and social obligation?”.

c) In the ‘70s the concepts of corporate social sensitivity (CSS), corporate social performance - CSP, social problems management, CSR dimensions, CSR strategy were defined. Also there appears the distinction between CSR and social obligation or CSR and public responsibility. All these have led to different approaches to the concept, as well as the identification of the four elements that form CSR.

d) In the ‘80s, starting from the link between CSR and financial performance (some authors consider them a single concept), it has been tried to build up an assessment model for this link. With many conflicting discussions, the already perceived image of CSR has been reconfirmed.

e) The ‘90s – defined as the global citizenship era – substantiate the CSR theory by debating various theories such as: stakeholders’ theory, business ethics, etc.

f) From the 2000s until today, CSR has impressively developed in terms of different approaches of the concept (pragmatic, ethical, social pressure), as well as through various CSR strategy models, all due to the desire of most companies to still remain focused on their final goal: profit.

Although based on the conducted research, we may be inclined to consider CSR a relatively new concept, independent of the company’s ultimate financial goal, which will be consolidated in the future to become a central element without which companies cannot excel, in our opinion, CSR is part of companies’ ultimate goal, i.e. profit, and companies do not need a separate centre to handle only CSR. On one hand, reinforcing the idea of David Kock (2003), Theodore Lewitt, George Steiner (1971) and others, we consider that companies’ main goal is making profits and obtaining economic benefits, which ultimately lead to fulfilling the needs on social responsibility coming from community. Social responsibility imposed on companies is the same with the obligation/responsibility of individuals (human beings), people who paradoxically are not expected to invest their income in additional social actions or programmes. A country’s political, financial or revenue sharing systems already consider the social, environmental or political aspects of the communities they are built for. In order to support these systems, the whole community contributes with social security and taxes as such, and the responsibility for meeting these social or environmental needs is already born by the entire community (citizens and implicitly companies, each to the extent of their capacity to supply the budget).

On the other hand, we believe that many CSR pros are justified. The environment and the community where the company operates should not be affected by its irresponsible actions, and the same principle is applied for individuals as well (human beings). Among the pros mentioned by Jones (1980) and which we believe to be relevant and true today, are the following: “government is deeply involved in economy”; “the social and political impact of managers’ actions is inevitable, and it is now too late to show our incompetence”; “Democracy is already threatened by large corporations, who take political and social decisions in a democratic manner at all”; “Corporations have a political role as well” or “only profit no longer means an exemplary social behaviour”; the arguments on the companies’ political role are still often supported today: Luttwak Edward 1990, 1998; Bull, Hedley 1977; Bureană Eusebiu, 2015. These practices sound the alarm in the CEOs awareness that the attitude and behaviour of the managed companies have a huge effect (boomerang effect sometimes) on the community and environment in which they operate.

Hence, in order to answer to the issues formulated at the beginning of the paper, in our opinion, CSR can be defined as follows: Without neglecting the implicit social responsibility of companies towards others (like human beings) – by means of taxes and social charges imposed by
law, and without fully accepting the extreme opinion that presents corporations as entities that indirectly hold all the communities’ political, social and economic power, companies should strictly follow their economic goal, which implicitly fulfils all the additional requirements imposed to companies by some stakeholders.”

References
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