# A Literature Review of the Development of Corporate Social Responsibility Theory

*Feiyu Gu**
Ernst & Young, Beijing, 100006, China

**Abstract**: Almost four different stages can be found for the term, corporate social responsibility, which includes the germinating stage, establishment stage, development and deepened stage and maturity and internationalization stage. Its earlier stage turns out be spontaneous and voluntary, and later it will be gradually developed into the passive and compulsory social responsibility. The development trend of this CSR hints the necessity of corporate social responsibility and the potential possibilities that will adapt to the corporate business benefits.

**Key words:** enterprise, social responsibility, development and evolution

## 1.Introduction

The United States Supreme Court ruled in 1877 that companies are constitutionally protected legal persons with all of the civil rights and legal protections it entails. This provides the company with constitutional property rights as well as legal standing in federal court to sue. Andrew Carnegie (1899) developed the concept of Corporate Social Responsibility shortly after (CSR). However, due to the context of the period, Carnegie's ideas were limited to major corporations, which did not garner public attention at the time. Managers in enterprises gradually find a principle that CSR is not only a means to achieve high economic goals, but also a sense of social responsibility owned by enterprises themselves, and it is also a symbol of the further opening of enterprises to the society, especially in the middle and later periods of the twentieth century with the development of economy and society, research on CSR literature began to emerge in the 1930s, to gradually standardize CSR research (Karnani, 2010). In the annual reports of the world's Top 500 companies in the early 1970s, only less than 50% of them mentioned CSR in their year-end reports; since then, companies have steadily grasped the relevance of CSR. CSR has become an autonomous module for up to 90% of the world's top 500 corporations by the 1990s (Boli and Hartsuiker, 2001). The concept and model of corporate social responsibility (CSR) throughout the last 60 years are summarized and discussed in this study, as well as the process and development trend of CSR theoretical research.

## 2.Review of CSR research at different stages

In his book The Philosophy of Administration, published in 1924, Sheldon (1924) was the first to introduce the moral component into the subject of corporate management. Thorstein Veblen and the Institutional School (1920-1930) proposed a number of corporate social responsibility ideas. The dispute between two notable American corporate jurists, Adolf Berle and E.Merrick Dodd, over corporation functions, roles, and obligations was a classic example of this time. The question of corporate social responsibility was brought up by both parties (Berle, 1932; Dodd, 1932). Bowen (1953) presented "What are the Social Responsibilities of Business Owners?" in Social Responsibilities of the Businessman. He argues that businesses are the center of power and decision-making, and their activities are intimately tied to the public's lives. Therefore, he defined corporate social responsibility as "the obligation of enterprises to pursue all activities that conform to social goals and values and satisfy the society". Social Responsibility (SR) encompasses all of the early notions, with Bowen's ideals serving as the foundation for CSR . Many experts have since committed themselves to the debate and clarification of this topic, and Bowen has been dubbed the "father of corporate social responsibility" (Carroll, 1999).

Following Bowen's (1953) stance, CSR became more widely explored in the 1960s, and a better definition of corporate social responsibility was sought. Davis (1960) thought that corporate power and CSR were inextricably linked, and he stressed the link between the two. He suggested "iron law of responsibility", proposing that businesses should bear more social responsibility. It claims that because businesses have a lot of resources and hence have a lot of influence in society, they should take on social obligations as part of the company growth process. In the late twentieth century, Davis's point of view was generally held. CSR, according to Frederick (1960), indicates that businesses should focus on increasing social welfare during the manufacturing and operation process, and that managers should oversee the whole operation of the company to fulfill societal expectations. That is, businesses should strive to improve social welfare during the manufacturing process. During this period, the focus of CSR research progressively switched from individual behavior to corporate social responsibility, and it tended to focus on the practical meaning of social responsibility and its importance to enterprises and society , researchers came to embrace the idea that businesses and operators should take on social duty.

It is worth noting that anti-CSR voices have increasingly developed since 1958. According to Levitt (1958), the profit-making principle still dominated modern capitalism, with businesses and operators paying attention to and putting social responsibility into effect based on profit-making concerns, social concerns and general welfare are not the responsibility of corporations, but of governments. Hayek (1960) stated that businesses should solely be accountable to shareholders, If businesses engage in social activities, government interference will be bolstered, and businesses will be forced to submit to government power in order to fulfill their social responsibilities, eroding their autonomy. Friedman (1962) stated that in a liberal capitalism system, corporations should be confined to following economic interests. Friedman (1962) believed that social issues should be remedied by the free market system's unrestrained functioning, rather than being the responsibility of businesspeople. Berle (1962) pointed out that the distinction between company operators and the trustees and wealth distributors of all the enterprise's stakeholders was made to prevent them from becoming politicians or fund providers who play a significant role in schools, charities, and other organizations.

In the early 1970s, CSR research took shape. The Committee for Economic Development (CED) published the Social Responsibility of Commercial Organizations in 1971, which utilized three concentric rings to signify three levels of social responsibility. This view gave rise to the early Concentric Circles Model of CSR. Scholars also attempted to better define CSR. Johnson (1971) proposed four traditional definitions of CSR, pointing out that a responsible enterprise would consider employees, suppliers, local communities, and the country, rather than maximizing shareholder profits; CSR as long-term profit maximization; utility maximization is the pursuit of multiple objectives rather than profit maximization; and the ranking view, Corporate goals are all in order, If an enterprise achieves its profit goal, it can pursue its social responsibility goal. Formal definitions of CSR began to proliferate in the 1970s, and the overall trajectory was towards an emphasis on CSP (Carroll 1999). CSR and corporate social performance (CSP) are separated into three categories by Sethi (1975), since then social responsibility, social responsivenes and social performance became central to the discussion. Scholars devoted attention to study on the value of different forms of CSR and their fulfillment order after Sethi (1975) presented this viewpoint. However, according to Votaw (1973), almost everyone had different definitions of CSR during this time period, with some believing that it primarily referred to legal responsibility, others believing that it should adhere to social ethics, and still others believing that CSR was simply engaged in charitable donation activities.

Friedman (1970) stated that a company is the private property of its owners, and that an enterprise's main social obligation is to maximize profits for shareholders, but that it must adhere to the basic moral standards. Friedman (1970) thinks that shareholders and managers have principal-agent relationships, that managers must be accountable to shareholders, and that the government should be held accountable for increasing social welfare. Friedman's thesis triggered a heated controversy regarding CSR's validity, and academics has attempted to reply by establishing if CSR and business performance have a genuine relationship. Demonstrating a link between CSR and company success, particularly financial performance, is considered as legitimizing social and environmental concerns in mainstream industry (Blowfield and Murray, 2008). Early studies on the link between CSR and financial performance have found that there are four relationships: positively correlated (e.g., Belkaoui,1976), negatively correlated (e.g., Vance, 1975), unrelated (e.g., Alexander and Buchholz,1978), and mixed (e.g., Sturdivant and Ginter, 1977). This broad debate had a far-reaching influence, and academics eventually came to link CSR with corporate social performance.

In the 1980s, academics in the field of corporate social responsibility began to focus on social human elements. Frederick sees the 1980s as the beginning of the corporate/business ethics phase, in which the emphasis is on cultivating an ethical corporate culture (Frederick 2008).Stakeholder theory is arguably the most well-known academic research in the field of social responsibility (Philips, 2003). Freeman (1984) was the first to apply stakeholder theory to the question of what the purpose of social responsibility for enterprise business operations should be. Stakeholders, he argued, were any group or people who may have an impact on the achievement of business objectives. The theory emphasizes that the business operator should be responsible for all the stakeholders of the enterprise or other stakeholders of the shareholders. Stakeholder theory specifies the dimensions and purposes of corporate social responsibility, challenges the traditional assumption that shareholders' interests come first, and encourages quantitative study of CSR, which is an essential theoretical foundation for CSR research. Because stakeholders in each application must be recalculated, the stakeholder theory is meant to be applied to every agency (Philippines, 2014). The concept of "corporate citizenship" gained popularity in the late 1980s. This notion, which dates back to the 1950s, states that businesses should be viewed as social citizens. Enterprises should demonstrate their social duties to all parties in society while giving value to society via their company (Matten, Crane and Chapnle, 2003).

CSR theory was further refined in the 1990s. Carroll (1979) distinguished four elements of social duty: economic, legal, ethical, and discretionary. According to their development process, Carroll (1991) proposed the pyramid model of CSR (as shown in Figure 1), emphasizing the hierarchical structure of CSR at various levels and holding that enterprises must undertake four levels of responsibility, ranging from low to high, including economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility. Carroll's long-term study from 1979 to 1991 resulted in the pyramid model of CSR, which is an ethical achievement with milestone importance that has been extended, referenced to, or directly mentioned by most scholars in the subsequent time. CSR, according to Wood (1991), is "the configuration scenario taken by a company in the process of social responsibility principle and social reaction, or any policies connected to the firm's social conduct, and the observable consequences" (CSP Model). To explain CSR, put up the legitimacy of the institutional level, the public responsibility of the organization level, and the managerial discretion of the person level. Wood's CSP model has shown to be a useful tool for analyzing CSR, although Wood (1991) feels that it may still be improved.

CSR research has been focusing on the link between CSR and financial success and shared value since the late 1990s. A hallmark of CSR is a close assessment of the link between CSR initiatives and business financial performance (Vogel, 2005). According to Ronald, Roman, Sefa Hayibor, and Bradley Agle (1999), excellent social responsibility does not imply poor social performance. According to Luo et al. (2006), implementing CSR activities and marketing tactics can lead to increased shareholder wealth. Most businesses also assume that boosting CSR will help to improve their company's image, brand, and stock value (Porter et al. 2006).

This paper focuses on the review of correlation meta-analysis□Brammer et al. (2006) discovered that CSR is inversely connected with financial success, whereas Nelling and Webb (2009) discovered that corporate social performance is not. Margolis and Walsh (2003) found that 54 of 109 research samples believed CSR had a significant positive correlation with financial performance, 20 believed the relationship was not clear, and 28 believed the relationship was not significant, while 7 studies found a significant negative correlation between the two. In a study of 52 samples, Orlitzky, Schmidt, and Rynes (2003) discovered a strong positive connection. Similar study outcomes were reached by Allouche and Laroche (2005), Orlitzky and Benjamin (2001), and Wu (2006). The foregoing study demonstrates that the link between CSR and financial performance is still debatable. The main reason lies in the inconsistent evaluation techniques and standards, inconsistent variable selection and control, and insufficient consideration of characteristics such as industry, scale, and history, according to Geoff Moore (2001).

Another trend is the increasing use of CSR for strategic purposes. Some management experts (for example, Kotler and Lee, 2005; Porter and Kramer, 2002) have been combining corporate strategic management theory with CSR challenges since the late 1990s. M. Porter, a renowned Harvard University competitive strategy expert, argues that taking on social duties may help businesses acquire a competitive advantage (Porter and Kramer, 2006).

Research on the internationalization of CSR has gradually been paid attention to, focusing on transnational enterprises, industry differences, regional history and institutional environment. Some management scientists (for example, Anupama Moha 2005, Francesco Perrini, Stefano Pogutz, and Antonio Tencati 2005) conducted study on the globalization of CSR at the turn of the twenty-first century. Although the parent company retains the discourse power over social responsibility management in large multinational corporations, most subsidiaries have a positive attitude toward social responsibility and are willing to engage in social responsibility that will directly improve the welfare status of their communities, according to the study.

Porter and Kramer (2011) established the CSR of creating shared value, which states that when determining whether a company should take on particular social duties, the most important factor to consider is whether the duty gives an opportunity to produce shared value. The shared value theory offers a new way for businesses to leverage their talent resources and managerial capabilities to steer societal growth, allowing them to concentrate on making the correct profits while also providing social advantages. Crane, et al. (2014), on the other hand, pointed out its flaws, claiming that it misses the underlying conflict in CSR operations and is too optimistic about corporate compliance.

In the past two years, corporate social responsibility (CSR) has taken on new characteristics under the impact of COVID-19: it pays more attention to the interests of employees, attaches more importance to the interests of local communities, and strictly controls product responsibility, especially in ensuring supply chain operation, expanding or transferring production of epidemic prevention materials, and ensuring stable product prices.

## 3.Conclusion

On corporate social responsibility, there are two points of view. According to classical economic theory, business actions are fully logical. Enterprises are only responsible to their shareholders and have no social obligations; nevertheless, contemporary economics dictates that businesses should not only make profits, but also fulfill their social responsibilities to relevant interest groups. CSR theory is frequently coupled with other theoretical expertise, such as stakeholder theory, institutional economics, corporate strategic management theory, and classical economic theory (Donaldson, 1995). Although CSR is well-known, its idea has yet to be fully grasped, and there are still numerous disagreements on how much responsibility businesses should carry toward their stakeholders. The findings of empirical tests on the link between CSR fulfillment and business financial success are heavily impacted by measuring methodologies, and there are still many issues in CSR that need to be investigated further.

## reference list:

[1]Bowen, H. R. (1953). social responsibility of the businessman. New York Harper & Row. - references - scientific research publishing. (n.d.).

[2]Carnegie. (2006). The Gospel of Wealth [M]. Yang Huijun, trans. Beijing: Jinghua Press.

[3]Carroll,A.B.A,(1979). Three-Dimensional Conceptual Model of Corporate Performan(J),Academy of Management Review,,4(4):497-506

[4]ChaffeeE.C.(2017) The origins of corporate social responsibilit. University of Cincinnati Law Review,85,347-373.

[5]Committee for Economic Development.(1971).Social responsibilties of business. corporations.USA4:Commiteefor Economic Development.

[6]Davis, K. (1960). Can business afford to ignore social responsibilities? California Management Review, 2(3), 70–77.

[7]Frederick, W.C. (1960). The growing concern over social responsibility. California Management Review, 2, pp. 54–61.

[8]Freeman,R. E.(1991). and J.Liedika, Corporate Social Responsibility: A Critical Approach (J),Business Honizons,34(4):92-98.

[9]Friedman,M.(1970).The social responsibility of business is to increase its profits (J),New York Times Magazine.

[10]Kotler, P. and Lee, N. (2005). Corporate Social Responsi- bility: Doing the Most Good for Your Company and Your Cause. Hoboken, NJ: Wiley.

[11]Porter, M., and M. Kramer.(2011). Creating Shared Value: How to Reinvent Capitalism and Unleash A Wave of Innovation and Growth. Harvard Business Review, 89:1 □17

[12]Wood D.J.(1991). Corporate social performance revisited [J].Academy of Management Review,16(4):691-718.