CHAPTER 2

Evolution of the Theory of Corporate Social Responsibility: Global and Indian Context.

2.1 Introduction

Patrick Murphy (University of Michigan Business Review, 1978) classified four CSR eras that embraced the period before and after the 1950s. In a simplified scheme, Murphy argued that the period up to the 1950s was the ‘philanthropic’ era in which companies donated to charities more than anything else. The period 1953-67 was classified as the ‘awareness’ era, which was marked by greater recognition of the overall responsibility of business and its involvement in community affairs. The period 1968-73 was termed the ‘issue’ era in which companies began focusing on specific issues such as urban decay, racial discrimination, and pollution problems. Finally, in the ‘responsiveness’ era, 1974-78, and, continuing beyond, companies began taking serious management and organizational actions to address CSR issues. These actions would include altering boards of directors, examining corporate ethics, and using social performance disclosures.

William C. Frederick (2006) had tracked the evolution of Corporate Social Responsibility over the past half century. During each of the four historical periods, Corporate Social Responsibility has had a distinct focus, set of drivers and policy instruments. The first phase in this evolutionary phase is what Frederick refers to as Corporate Social Responsibility or Corporate Social Stewardship (1950s-1960s) in which wealthy managers and entrepreneurs voluntarily assumed stewardship function and philanthropic activities in their respective communities, the second phase was referred to as CSR -2 or corporate social responsiveness (1960s-1970s) where managers were mostly concerned about adapting to changing social conditions, then CSR- 3 corporate business ethics (1980s-1990s) is the era of corporate scandals and concerns about business ethics and ethical orientations to CSR- 4, corporate/global citizenship (1990s-2000s), which entails putting commitment to social and environmental responsibility into practice. The notion of corporate citizenship involves more precisely building positive relationships with stakeholders, discovering business opportunities in serving societies and transforming a concern for financial performance into a vision integrating financial, social and environmental performance (Lawrence and Weber, 2008).

In the global context, we have divided the evolution phase of corporate social responsibility according to the time period.

2.2. Social Responsibilities of Businessmen: 1920s – 1950s

In examining the mid-to-late 1800s, it is apparent that emerging businesses were especially concerned with employees and how to make them more productive workers. Many of the early business leaders were very generous and such philanthropy by business people had origins that began centuries earlier, including patrons of the arts, builders of churches, endowers of educational institutions, and providers of money for various community projects. Morrell Heald illustrated how company expenditures on community causes were quite evident in the late 1800s. He cites the case of the R. H. Macy Company of New York City that might have reflected a social sensitivity on the part of its management. The firm's records showed that there were enough cases of company assistance rendered to social agencies to document a sense of relationship to the community that extended beyond the walls of the company. In 1875, R. H. Macy Company contributed funds to an orphan asylum. In 1887, company gifts to charities were listed under miscellaneous expenses in the company's books (Heald, 1970: 7).

Heald highlighted two other early programs at the turn of the century that suggested some degree of social responsibility was being taken on by companies, though they were never called...
social responsibility. First, there was the example of paternalism. An excellent example of paternalism was manifested in what historians have called the Pullman Experiment. In 1893, a model industrial community at Pullman was created south of Chicago. George M. Pullman of the Pullman Palace Car Company created a community town that was quite a showplace and was considered by some to be an example of enlightened business policy. The town was built with standards of housing, appearance, lighting, and maintenance that were far more advanced than the times. The community was populated by parks, playgrounds, a church, an arcade, a theatre, a casino, and a hotel. One person who knew Pullman, and who had visited the town often, testified to George Pullman's genuine interest in improving living conditions for his employees and their families as well as creating an improved capacity for attracting and retaining employees (Heald, 1970: 7-9).

Second, Heald cited the case of the YMCAs (Young Men's Christian Associations) as a good example of early social responsibility initiatives. Begun in London in 1844, the YMCA movement quickly spread to the United States. The YMCAs were supported not only by individuals, but by companies as well. During the period 1918-29, Heald suggested as business executives came into contact with social workers, new views of corporate responsibility began to emerge.

Nicholas Eberstadt had observed that in the late 1800s a charter of incorporation was a favour bestowed only on those businesses that were socially useful. But, by the end of the Civil War, charters were available under any business pretext. What then followed was, the Great Depression and massive unemployment and business failure and the post-Depression period ushered in the next period of business and society relationships. Robert Hay and Ed Gray characterized the period we have been describing above as the 'profit maximizing management' phase in the development of social responsibility. The second phase, which they dubbed the 'trusteeship management' phase, emerged in the 1920s and 1930s, resulting from changes occurring both in business and society. Trusteeship, in their view, saw corporate managers taking on the responsibility both maximizing stockholder wealth and creating and maintaining an equitable balance among other competing claims, such as claims from customers, employees, and the community (Hay and Gray, 1974).

If we consider the writings on social responsibility that were influential in the pre-1950s references to a concern for social responsibility appeared, for example, during the 1930s and 1940s in the United States, works from this period worth noting included Chester Barnard's The Functions of the Executive (1938), J. M. Clark's Social Control of Business (1939), and Theodore Kreps's Measurement of the Social Performance of Business (1940), to point out just a few.

2.3. Corporate Social Responsibilities take shape in the 1950s

Peter Drucker was one of the first to explicitly address Corporate Social Responsibility, including public responsibility as one of the eight key areas for business objectives developed in his 1954 book, entitled “The Practice of Management”. While Drucker believed that management’s first responsibility to society involved making a profit, ‘he felt it was also most important that management consider the impact of every business policy and action upon society’ (Joyner & Payne 2002, p. 302). Other important literature from the 1950s included Seleman's ‘Moral Philosophy for Management’ (1959); Heald's 'Management's Responsibility to Social Growth of an Idea' (1957), and Eels's 'Corporate Giving in a Free Society' (1956).

In summarizing what CSR meant in the 1950s, would be clear from the question of William C. Frederick, one of the early pioneers of CSR, that there were three core ideas in the 1950s: the idea of corporate managers as public trustees, the idea of balancing competing claims to
corporate resources, and the acceptance of philanthropy as a manifestation of business support of good causes (Frederick, 2006). The idea of trusteeship commenced in the 1920s and matured as it would be practiced into the 1950s.

Most scholars point to Howard Bowen’s “Social Responsibilities of the Businessmen” (1953) as the first attempt to theorize the relationship between companies and society (Carroll, 1979; Preston, 1975; Wartick and Cochran, 1985). Bowen made his position on corporate social responsibility very clear. Although he acknowledged that corporate social responsibility was no panacea that would cure the society of all its ills, he considered it a welcome development that needed to be encouraged and supported. The main question he dealt with in the book was not whether businesses had social responsibility or not, for Bowen, the answer was obvious. The questions that Bowen was more interested in were “what exactly are the responsibilities of businesses” and “how can society make institutional changes to promote CSR?” His definition of the social responsibilities of businessmen clearly brought out his thoughts. For him CSR “refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953:6).

During this era, environment was becoming more and more favorable to corporate social responsibility. During the late 50s and 60s, numerous legislations were enacted to regulate conducts of businesses and to protect employees and consumers. However corporate social responsibility was mostly a reflection of public relations strategy taken by companies at the top level (Burt, 1983). Corporate social responsibility was rarely embraced by all levels within organizations and implemented. Most mid-level managers considered corporate social responsibility to be damaging to the bottom-line financial performance of the organization, so most of them only paid cursory attention to corporate social responsibility (Ackerman, 1973).

Moreover, the growing trumpeting of corporate social responsibility drew heavy criticism. The most prominent objection to corporate social responsibility was the classical economic argument proposed by Milton Friedman. He argued that the social responsibility of a corporation was to make money for its shareholders, and considered corporate social responsibility a “subversive doctrine” that threatened the very foundation of free enterprise society (Friedman, 1962).While many researchers accepted Bowen’s assumption of corporate obligation to society. Fitch, (1976); Murray, (1976) opponents of Corporate social responsibility went back to Bowen’s basic assumption and challenged its validity (Levitt, 1958). The 50’s and 60’s were characterized by controversies over the legitimacy of Corporate social responsibility (Wartick and Cochran, 1985).Therefore very little theoretical advancement was achieved beyond what Bowen had already laid down (Elkins, 1977; Preston, 1975). The primary cause of such intellectual stalemate over corporate social responsibility was because the concept of corporate social responsibility remained detached and aloof from day-to-day operations of business organizations with no signs of reconciliation.

2.4. The era of 1960s

The literature of the 1960s was not heavily represented in corporate social responsibility discourse. However, Carroll believed that this decade ‘marked a significant growth in attempts to formalize, or more accurately, state what corporate social responsibility means’. (Carroll, 1999, p. 270). He suggested that some of the most prominent writers during that time were Keith Davis, Joseph W McGuire, William C Frederick and Clarence C Walton. Davis’s later assertion that ‘The substance of social responsibility arises from concern for the ethical consequence of one’s acts as they might affect the interests of others’ (Davis in Carroll 1999, p. 272), introduced the notion of business ethics to Corporate social responsibility too. Towards
the end of the 1960s, business practices that might be categorized as social responsibility embraced such topics as philanthropy, employee improvements (working conditions, industrial relations, personnel policies), customer relations, and stakeholder relations (Heald, 1970: 276). In the 1960s, there was still more talk than action on the CSR front (McGuire, 1963).

2.5. Enlightened Self-Interest: The 1970s

Morrell Heald’s path-breaking book, “The Social Responsibilities of Business: Company and Community, 1900-1960” (Heald, 1970), ushered in the changes in 1970s. Though Heald did not provide a succinct definition of the social responsibility concept, it was clear that his understanding of the term was in keeping with the definitions presented during the 1960s and earlier. In the preface to his book, he asserted that he was concerned with the idea of social responsibility ‘as businessmen themselves have defined and experienced it’ (p. xi). He goes on to say that the ‘meaning of the concept of social responsibility for businessmen must finally be sought in the actual policies with which they were associated’ (ibid.).

A breakthrough in conceptual development did not come until 1970 when a new study on corporate social responsibility was commissioned by the Committee for Economic Development. The US Committee for Economic Development’s (CED) 1971 model of corporate social responsibility revealed that despite Friedman’s pronouncement, there were other evolving views about the role of business in corporate social responsibility. The Committee described Corporate social responsibility as being ‘related to products, jobs and economic growth; related to societal expectations; and related to activities aimed at improving the social environment of the firm’ (US Committee for Economic Development in Wheeler et al, 2003). Carroll described the CEO’s model as ‘a landmark contribution to the concept of corporate social responsibility’ which illustrated the changing relationship between business and society. (Carroll, 1999, p. 274).

George Steiner was another significant writer on corporate social responsibility in the 1970s. In the first edition of his textbook, Business and Society (1971), Steiner wrote at length on the subject. Steiner referred to Davis’s and Frederick’s definitions of CSR but he did state his opinion on the subject as follows:

Business is and must remain fundamentally an economic institution, but, it does have responsibilities to help society achieve its basic goals and does, therefore, have social responsibilities. The larger a company becomes, the greater are these responsibilities, but all companies can assume some share of them at no cost and often at a short-run as well as a long-run profit. (p. 164).

Davis in 1973 defined CSR as follows: ‘For purposes of this discussion it [CSR] refers to the firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm’ (p. 312). Davis then goes on to present and discuss the arguments to date both for and against businesses being socially responsible (pp. 313-21).

The resulting publication, “A New Rationale for Corporate Social Policy”, reshaped the debate on CSR (Baumol, 1970). Wallich and McGowan had presented a new paradigm that made a lasting impact on the debate on corporate social responsibility. As Wallich and McGowan stated, the main purpose of the article was to “make an effort to provide a reconciliation” between social and economic interests of corporations (Wallich and McGowan: 1970). The authors realized that without demonstrating that corporate social responsibility was consistent with shareholder interests, corporate social responsibility would always remain controversial. Therefore, they took on the task of providing a “new rationale” that upheld corporate social responsibility without compromising shareholder interest.
In 1974, Eels and Walton’s discussion of corporate social responsibility could perhaps be seen as moving forward the issue of social license that was to emerge more fully nearly thirty years later. They had observed:

In its broadest sense, corporate social responsibility represents a concern with the needs and goals of society which goes beyond the merely economic. Insofar as the business system as it exists today can only survive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with business’s role in supporting and improving the social order. (Eels and Walton in Carroll, 1999, p. 278).

The “new rationale” that Wallich and McGowan offered was that it was consistent with shareholders’ long-term interest for companies to be socially minded. Most of the researches that followed in the decade, all conceptualized corporate social responsibility as supporting the companies long-term interest by strengthening the environment in which corporations belong to. In the 1970s we find reference increasingly being made to corporate social responsiveness (Ackerman, 1973; Ackerman and Baner, 1976), corporate social performance (CSP), as well as corporate social responsibility (CSR). One major writer to make this distinction was S. Prakash Sethi. In a classic article (1975), Sethi discussed the 'dimensions of corporate social performance', and in the process distinguished between corporate behaviors that might be called 'social obligation', 'social responsibility', and 'social responsiveness'.

Two examples of early research on corporate social responsibility were published in the mid-1970s. First, Bowman and Haire (1975) conducted a study striving to understand CSR and to ascertain the extent to which companies were engaging in CSR. Though they never really defined CSR, they chose to operationalize CSR by measuring the proportion of lines of prose devoted to the topic of social responsibility in the annual reports of the companies they studied. Another research study in the mid-1970s was conducted by Sandra Holmes in which she sought to gather 'executive perceptions of corporate social responsibility' (1976). Like Bowman and Haire, Holmes had no clear definition of CSR. Rather, she chose to present executives with a set of statements about CSR, seeking to find out how many of them agreed or disagreed with the statements. Like the Bowman and Haire 'topics', Holmes's statements addressed the issues that were generally felt to be what CSR was all about during this time period.

In terms of specific issues that business executives thought were important CSR issues in the early 1970s, a survey conducted by Eilbirt and Parket (1973, p.11) revealed a list of activities along with the percentage of large firms engaged in that activity (see Table 2.1).

<table>
<thead>
<tr>
<th>CSR Activity</th>
<th>Percent of Firms Engaged</th>
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<tbody>
<tr>
<td>Minority hiring</td>
<td>100</td>
</tr>
<tr>
<td>Ecology (concern for environment)</td>
<td>95</td>
</tr>
<tr>
<td>Minority training</td>
<td>91</td>
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<tr>
<td>Contributions to education</td>
<td>91</td>
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<tr>
<td>Contributions to the arts</td>
<td>83</td>
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<tr>
<td>Hard-core hiring</td>
<td>79</td>
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<tr>
<td>Hard-core training</td>
<td>66</td>
</tr>
<tr>
<td>Urban renewal</td>
<td>62</td>
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<tr>
<td>Civil rights</td>
<td>58</td>
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This list gives us a general picture of what businesses thought CSR was all about in the 1970s. Preston (1975) argued that the field of Business and Society still lacked a generally accepted theoretical paradigm, and called for a more tangible progress in conceptualization, research and policy development in corporate social responsibility. Such effort was produced by Carroll in his 1979 Academy of Management Review (AMR) article. His three-dimensional conceptual model of corporate social performance (CSP) immediately gained acceptance and was further developed by others (Miles, 1987; Ullmann, 1985; Wartick and Cochran, 1985; Wood, 1991).

There was enthusiasm and research in the field of corporate social responsibility in the 1970s (Elkins, 1977; Fitch, 1976; Keirn, 1978; Moyer, 1974). The main research was no longer focused on whether corporations should engage in corporate social responsibility or not, instead, most studies that were published in the 1970s focused on the content and the implementation process of corporate social responsibility that in no way would conflict with any companies fundamental interests (Ackerman, 1973; Fitch, 1976; Murray, 1976.).

2.6. Complementary themes to CSR in 1980s

In the 1980s, the focus on developing new or refined definitions of CSR gave way to research on CSR on alternative or complementary concepts and themes such as corporate social responsiveness, corporate social performance, public policy, business ethics, and stakeholder theory/management, just to mention a few. The interest in CSR did not die out. Thomas M. Jones entered the CSR discussion in 1980 with an interesting perspective. First, he defined CSR as follows:

“Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract. Two facets of this definition are critical. First, the obligation must be voluntarily adopted; behavior influenced by the coercive forces of law or union contract is not voluntary. Second, the obligation is a broad one, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers, and neighboring communities.” (Jones, 1980: 59-60).

Jones then went on to summarize the CSR debate by listing the various arguments that have been presented both for and against it (p. 61). One of Jones's major contributions in this article was his emphasis on CSR as a process.

One excellent example of the quest in the 1980s to ‘go beyond’ CSR was the growing acceptance of the notion of ‘corporate social performance’ In 1985, therefore, Steven Wartick and Philip Cochran presented their ‘evolution of the corporate social performance model’ which extended the three-dimensional integration of responsibility, responsiveness, and social issues that Carroll (1979) had previously introduced and Donna Wood (1991) had refined (Wartick and Cochran, 1985: 758). One of the major contributions of these two authors was to recast Carroll's three aspects, corporate social responsibilities, corporate social responsiveness, and social issues, into a framework of principles, processes, and policies.

A prominent development in terms of corporate social responsibility was the global debate on sustainable development that emerged in this decade. The World Conservation Strategy that was published in 1980 stressed the interdependence of conservation and development and was the first to conceptualize ‘sustainable development’ (Tilbury & Wortman 2004, p. 8). In 1987 the World Commission on Environment and Development (WCED) published the Brundtland Report, ‘Our Common Future’. The report stated that ‘Sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future’ (World Commission on Environment and Development 1987). This early
definition of sustainable development is often quoted, but it is interesting from the viewpoint of the Corporate social responsibility debate that most authors do not seem to quote the next sentence from the report:

“Far from requiring the cessation of economic growth, it recognizes that the problems of poverty and underdevelopment cannot be solved unless we have a new era of growth in which developing countries play a large role and reap large benefits.” (World Commission on Environment and Development, 1987). The report clearly linked sustainable development with economic growth and set the direction for future debate on this issue.

Two very important 'alternative themes' to CSR that developed during the 1980 were stakeholder theory and businesses ethics. R. Edward Freeman published his classic book on stakeholder theory in 1984. Though the book was classified as one focusing on strategic management, it had its most substantial impact in later years in the fields of business and society, corporate social responsibility, and eventually, business ethics. The period of 1980’s was a period of widely reported ethical scandals like Union Carbide Bhopal explosion in India in 1984, killing thousands, which was basically an insider trading scandal to name a few, so it was an era of ‘greed’.

2.7. Strategic Management: The 1990’s

The literature of the 1990s has not so much expanded the definition of corporate social responsibility, but used the corporate social responsibility concept ‘as the base point, building block, or point-of-departure for other related concepts and themes, many of which embraced corporate social responsibility-thinking and were quite compatible with it. CSP, stakeholder-theory, business ethics theory, and corporate citizenship were the major themes that took center stage in the 1990s’. (Carroll, 1999, p. 288).

An important contribution to the literature was made by Wood in1991 when she revisited the CSP model and ‘placed CSR into a broader context than just a stand alone definition. An important emphasis in her model was on outcomes or performance’, (Carroll ‘1999, p. 289). The CSP framework developed by Wood and the pyramid of responsibilities developed by Carroll, with economic responsibilities at the base and philanthropy at the apex, are discussed in depth in the literature, including Carroll (1999) and Windsor (2001).

A trend also noteworthy in the late 1990)s was that of shareholder activists linking their environmental or social issue to financial performance and/or risks faced by the company. By claiming that environmental and social issues have a direct effect on shareholder value, shareholder activists are moving the rhetoric of their activism out of the realm of "ethics" or good versus bad behavior, and into that of traditional issues of profitability, risk and shareholder value. (O'Rourke, 2003, p. 230).

Peter Drucker claimed that the management revolution which began in the 1950s finally came to full fruition in the 1990s (Drucker, 1993). In particular, the question of why some companies persistently performed better than others had produced vast amount of researches on strategic management. The concept of stakeholders first surfaced in management literatures in 1960s. By 1970s, several variants of stakeholder theory were already being tested by major corporations like General Electric. Stakeholder approach, however, remained mostly scattered and peripheral to management scholarship until mid 1980s. In 1984, Freeman constructed a coherent and systematic theory of stakeholder management (Freeman, 1984) to be discussed in the next chapter.

The theory was applied to the field of corporate social responsibility by two Academy of Management Review (AMR) articles published in the same year (Clarkson, 1995; Jones, 1995).
Clarkson applied the stakeholder model to his ongoing research on corporate social responsibility. Jones’s paper was more instrumental in nature (1995). His unique contribution was that he related stakeholder model of corporate social responsibility to a number of economic theories such as principal-agent theory, team production theory and transaction cost economics. Jones’ objective was to construct an “instrumental stakeholder theory” with strong predictive capacity.

Corporate social responsibility has also been advanced with more practical applications in mind by strategic management scholars such as Philip Kotler, Nancy Lee, Michael Porter, Rosabeth Moss Kanter and Stuart Hart. In strategic corporate social responsibility, there was no longer a line separating corporations’ social and economic performance. The two concepts were regarded to be closely integrated together. Therefore from that 1990’s many companies began to adopt a more normative approach instead of a narrative approach and today several companies include corporate social responsibility in their strategy. Global influences on CSR continued in the 1990s as the roles of business and government continued to blur. In 1997, Solomon wrote that ‘now that businesses are often the most powerful institutions in the world, the expanse of social responsibility has enlarged to include areas formerly considered the domain of the governments. The more powerful a business becomes in the world, the more responsibility for the wellbeing of the world it will be expected to bear’. (Solomon in Joyner & Payne, 2002, p. 303).

The most significant advances to CSR in the 1990s came in the realm of business practice. In 1992, a nonprofit organization called Business for Social Responsibility. (BSR) was formed to represent the initiatives of professionals having responsibility for CSR in their companies. BSR defined CSR rather broadly to include topics such as business ethics, community investment, environment, governance and accountability, human rights, marketplace, and workplace. It also states that a variety of terms are used often interchangeably to talk about corporate social responsibility, and these terms were business ethics, corporate citizenship, corporate accountability, and sustainability.

2.8. The Twenty First Century retirements expansions

By the 2000s, the emphasis on theoretical contributions to the concept and meaning of CSR had given way to empirical research on the topic and a splintering of interests away from CSR and into related topics such as stakeholder theory, business ethics, sustainability, and corporate citizenship.


A major book cataloging these best practices, targeted at a business audience, was written by Philip Kotler and Nancy Lee (2005). The authors set out to demonstrate how the CSR approach establishes a new way of doing business that combines the success and the creation of value with a respectful and proactive attitude towards stakeholders (Perrini, 2005).These best practices are categorized into six major types of social initiatives, along with practical examples, that frame effectively what CSR is all about in the 2000s. The categories include: (1) cause promotion (increasing awareness and concern for social causes); (2) cause-related
marketing (contributing to causes based on sales); (3) corporate social marketing (behavior change initiatives); (4) corporate philanthropy (contributing directly to causes); (5) community volunteering (employees donating time and talents in the community); and (6) socially responsible business practices (discretionary, practices and investment to support causes) (Kotler and Lee, 2005; Perrini, 2005).

The interest and growth of CSR has been most evident in the European Community According to a report prepared by the Organization for Economic Co-operation and Development (OECD, 2001), voluntary initiatives in corporate social responsibility had been a major trend in international business in recent years.

Jeremy Moon’s discussion of how CSR evolved in the UK gives one significant name of its development in the European Union (Moon, 2005). He presented CSR as part of societal governance in the UK, embedded in a system intended to give direction to society. A major volume, Corporate social responsibility Across Europe (2005), edited by Hebisch et al., documents the spread of CSR across Europe as part of an intense debate about sustainability and globalization. They claim CSR was virtually unknown about a decade before, but now it is one of the most important topics for discussion for business people, politicians, trade unionists, consumers, NGOs, and researchers.

The most optimistic perspective was depicted well by D. Lydenberg in his book “Corporations and the Public Interest: Guiding the Invisible Hand”. Lydenberg saw CSR as ‘a major secular development, driven by a long-term reevaluation of the role of corporations in society’ (Teach, 2005: 31.)

2.9. Indian Context

India exhibits the hallmarks of a harmony-with-nature relationship between humans and their environment (Kluckhohn & Strodtbeck, 1961), which values congruent coexistence with nature. However in recent times we are in an era where the corporate are running for high profits and high growth resulting in violating environmental norms, destroying and eroding the limited natural resources. However, Chakraborty (1999) argued that this Indian ethos is deeply rooted in a ‘vedantic’ religious approach, reflecting a more spiritualistic and intuitive world view. Vedantic teachings place supreme importance upon achieving a moral value system, taking precedence over money and other desires (Sharma & Talwar, 2005). The vedantic philosophy with its strong focus on morality and community involvement partly explains corporate India’s tradition of prolific philanthropy and ‘do-good’ approaches (cf. Mohan 2001). It also encompasses the essence of modern day corporate social responsibility: ‘prosperity for all’ and ‘in harmony with nature’ (Sharma & Talwar, 2005). Gandhi’s theory of social trusteeship epitomizes this prosperity for all attitudes.
2.9.1. The Gandhian Social Trusteeship Theory.

Mohandas K. Gandhi (1869-1948) was as much a social reformer as a political leader and he identified seven deadly 'social' sins in the 1920s that can bring on the demise of a society. These 'sins' are: wealth without work, pleasure without conscience, science without humanity, knowledge without characters politics without principle, commerce without morality and worship without sacrifice (Gandhi, 1925). Countermeasures against the sin of 'commerce without morality' laid the foundations for Gandhi's theory of social trusteeship; buoyed by his strong sense of Indian nationalism coupled with his focus on home economy and desire for rural advancement. Although Gandhi expounded his social trusteeship theory in the 1920s, the ancient philosophical root of the theory is clearly visible. The theory draws from the *Sri Isaponishad* (a Vedic scripture), which calls for relinquishing all wealth to God, and taking only what is necessary (Kumar, 2006). As an extension of this thinking, Gandhi propagated in his social trusteeship theory that God's assets are for all God's people, and is not for selfish consumption by any particular individual. If a person accumulates more wealth than is necessary for his/her basic survival, s/he becomes the trustee of that extra wealth for the society (cf. Upadhyaya, 1976). In its truest sense, this trusteeship concept allows private ownership of property only to the extent that it serves society's best interests in essence, renouncing capitalism in favor of a more egalitarian societal setting.

On one hand, Gandhi detested the materialism and consumerism present in the capitalist West, and condemned what he termed 'preying of one country over another' as immoral (Narayan, 1968). Simultaneously, Gandhi strongly criticized the violent means often adopted to instill socialism. Non-violence was one of the principle tenets of Gandhi's teaching, and he believed that no good could come out of adopting violence under any circumstances. Therefore, in an independence-era India - contemplating self-governance and moving away from colonial influences, Gandhi offered his theory of social trusteeship as an alternative to traditional capitalism as well as Marxist communism to address economic inequalities in the society. To sum up, the Gandhian trusteeship theory is a product of the traditional hindu philosophy, and in turn, it is a principal belief of corporate philanthropic (corporate social responsibility) practices in modern India.

2.9.2. Development of Corporate Social Responsibility in India.

The development of CSR in India can be divided into four main phases.

2.9.2.1. First phase: CSR motivated by charity and philanthropy.

The first phase of CSR was predominantly determined by culture, religion, family tradition, and industrialization. Business operations and CSR engagement were based mainly on corporate self-regulation. Being the oldest form of CSR, charity and philanthropy still influence CSR practices today, especially in community development. In the pre-industrial period up to the 1850s, merchants committed themselves to society for religious reasons, sharing their wealth, for instance, by building temples. Moreover, the business community occupied a significant place in ancient Indian society and the merchants provided relief. Though not in its present form, business activities had been present in India since ancient times. The merchant class in pre-industrial India played an important role in laying the cornerstones of philanthropy in their society (cf. Shrivastava & Venkateswaran, 2000). They built and maintained educational and religious establishments, social infrastructures and donated from their repositories at times of hardship (Sundar, 2000). Religious undertones characterized these charitable efforts, and were often restricted to members of the same caste. At the turn of the 19th century, these charities expanded to include all members of the society. The term “corporate social responsibility” did not exist at that time, being coined only in the 20th century. A company’s engagement in social
aspects was seen as philanthropy, in times of crisis such as famine or epidemics throwing open godowns of food and treasure chests (Arora 2004, 24). Under colonial rule, western types of industrialization reached India and changed CSR from the 1850s onwards. The pioneers of industrialization in the 19th century in India were a few families such as the Tata, Birla, Bajaj, Lalbhai, Sarabhai, Godrej, Shriram, Singhania, Modi, Naidu, Mahindra and Annamali, who were strongly devoted to philanthropically motivated CSR (Mohan 2001, 109). “The early pioneers of industry in India were leaders in the economic, as also in the social fields” (Arora 2004, 25). Nevertheless, it has been pointed out that their engagement was not only altruistic and stimulated by religious motives: “It had business considerations in supporting efforts towards industrial and social development of the nation and was influenced by caste groups and political objectives” (Mohan 2001, 109). The underlying pattern of charity and philanthropy means that entrepreneurs sporadically donate money (e.g. to schools or hospitals) without any concrete or long-term engagement. Charitable and philanthropic CSR is practiced outside the company, focusing on such external stakeholders as communities and general social welfare bodies.

Though not in its present form, business activities have been present in India since ancient times. The merchant class in pre-industrial India played an important role in laying the cornerstones of philanthropy in their society (cf. Shrivastava & Venkateswaran, 2000). They built and maintained educational and religious establishments, social infrastructures and donated from their repositories at times of hardship (Sundar, 2000). Newly flourishing business houses initiated the efforts through institutionalizing traditional corporate philanthropy through trusts, etc. Due to their active interest in social and religious reforms, many of the business leaders of this period enjoyed reverence as social leaders (Mohan, 2001), such as the Tata family.

2.9.2.2. Second phase: CSR for India’s social development (1914-1960)

The second phase of Indian CSR (1914-1960) was dominated by the country’s struggle for independence and influenced fundamentally by Gandhi’s theory of trusteeship, the aim of which was to consolidate and amplify social development. During the struggle for independence, Indian businesses actively engaged in the reform process. Not only did companies see the country’s economic development as a protest against colonial rule; they also participated in its institutional and social development (India Partnership Forum 2002, 11). The corporate sector’s involvement was stimulated by the vision of a modern and free India. Gandhi introduced the notion of trusteeship in order to make companies the “temples of modern India”. Businesses, especially well established family businesses set up trusts for schools and colleges, they also established training and scientific institutes (Mohan 2001, 109). The heads of the companies largely aligned the activities of their trusts with Gandhi’s reform programmes. These programmes included activities that sought in particular the abolition of untouchability, women’s empowerment and rural development (Arora 2004, 25).

A strong nationalistic element was visible among the philanthropic practices, and many of the upcoming and prominent business leaders contributed to the causes of social reforms, poverty alleviation, women empowerment, caste systems, etc. (Sundar, 2000). After independence in 1947, the overall socio-political goal focused on building a strong industrial base while nurturing the Indian cultural traditions. This led to a highly centralized economy (cf. Davies, 2002) and saw a rapid growth in capital intensive manufacturing plants. Consequently, by the 1960s Indian economy had entered an era of focused growth and protectionism for the domestic industries (cf. Nag, Ganesa, Pathak, & Sharma, 2003), and the government took on many social obligations. Kumar et al. (2001) calls this ‘Nehruvian Statism,’ after India’s first Prime Minister, Jawaharlal Nehru, who introduced this practice.
2.9.2.3. Third phase: CSR under the paradigm of the “mixed economy” (1960-1980)

The paradigm of the “mixed economy,” with the emergence of PSUs and ample legislation on labour and environmental standards, affected the third phase of Indian CSR (1960-1980). This phase was also characterized by a shift from corporate self-regulation to strict legal and public regulation of business activities. Under the paradigm of the “mixed economy”, the role of the private sector in advancing India receded. During the Cold War, India decided to take a third course between capitalism and communism. In this scenario, the public sector was seen as the prime mover of development. The 1960s have been described as an “era of command and control” because strict legal regulations determined the activities of the private sector (Arora 2004, 8). The introduction of a regime of high taxes and a quota and license system imposed tight restrictions on the private sector and indirectly triggered corporate malpractices. The increased encouragement for domestic industries also led to a concentration on maximizing profit, resulting in corruption and unethical practices by many companies (Sundar, 2000). The ever-widening gap between the rich and poor meanwhile brought in fresh demands for more corporate responsibility and corporate interests in social concerns were renewed once again (Sundar, 2000). As a result, corporate governance, labour and environmental issues rose on the political agenda and quickly became the subject of legislation. In 1970s, India began to adopt industrial pollution control measures and the first set of environmental regulations began to emerge (Sawhney, 2004). Furthermore, state authorities established PSUs with the intention of guaranteeing the appropriate distribution of wealth to the needy (Arora 2004). However, the assumption and anticipation that the public sector could tackle developmental challenges effectively materialized to only a limited extent. Consequently, what was expected of the private sector grew, and the need for its involvement in socio-economic development became indispensable. An initial and cautious attempt at reconciliation was made by Indian academics, politicians and businessmen at a national workshop on CSR in 1965 (Mohan 2001, 109). According to this agenda, businesses were to play their part as respectable corporate citizens, and the call went out for regular stakeholder dialogues, social accountability and transparency (Mohan 2001, 110). Despite these progressive acknowledgements, this CSR approach did not materialize at that time.

2.9.2.4. The fourth phase: CSR at the interface between philanthropic and business approaches (1980 onwards).

In the fourth phase (1980 until the present) Indian companies and stakeholders began abandoning traditional philanthropic engagement and, to some extent, integrated CSR into a coherent and sustainable business strategy, partly adopting the multi-stakeholder approach. In the 1990s, the Indian government initiated reforms to liberalize and deregulate the Indian economy by tackling the shortcomings of the “mixed economy” and tried to integrate India into the global market. Consequently, controls and license systems were partly abolished, and the Indian economy experienced a pronounced boom, which has persisted until today (Arora and Puranik 2004, 97). This rapid growth did not lead to a reduction in philanthropic donations on the contrary, “the increased profitability also increased business willingness as well as ability to give, along with a surge in public and government expectations of businesses” (Arora 2004, 28). Against this background, India has meanwhile become an important economic and political actor in the process of globalization. This new situation has also affected the Indian CSR agenda. India has become an attractive and important production and manufacturing site. As western consumer markets are becoming more responsive to labour and environmental standards in developing countries, Indian companies producing for the global market need to comply with international standards. Following the economic liberalization in 1991, greater levels of privatization resulted in increased foreign trade, and the meeting of international labor,
operations and environmental standards. So from 90s onwards the companies started adopting the modern approach with its underlying objective, “doing all that we can to do the most good, not just some good” since it supports corporate objectives as well. This was regarded as a win-win situation for all because when a particular company does well to the society genuinely and for a cause, it has to be good and along with this process, it succeeds in building a name for itself.

2.10. Conclusion

In today's world of intense global competition, it is clear that CSR can be sustainable only so long as it continues to add value to corporate success. The pressures of global competition will continue to intensify and so the 'business case' for CSR will always be at the center of attention. Over the last forty years we have witnessed a dramatic growth in research on corporate social responsibility and in the process witnessed the development of various models on CSR primarily in the western frontier specially. Development of such models would be the focal point of the next chapter.