

## Evolution of CSR Concept in the West and China

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### *Abstract*

*The concept of corporate social responsibility (CSR) has experienced five stages of evolution as ethical oriented stage, differentiation and prosperity stage, "chrysalis" stage, ethical oriented stage, and sustainable development stage in the West from 1953. Corporate social responsibility research started in the late-1980's in China. After about 20 years of development, going through the evolution of the introduction period, chaotic period, the legal and ethical responsibility period, the concept of CSR in China achieved unification with the West with an orientation of sustainable development in the late-2000s. In China, the concept of corporate social responsibility was imported from and influenced apparently by the results of Western research, but with Chinese characteristics as well. This paper reviewed the history and evolution of corporate social responsibility concept stage by stage both in the West and China, and comparing the differences and similarity between concepts of corporate social responsibility in the West and China.*

**Key Words:** *Corporate Social Responsibility, Ethical oriented, Business oriented, Sustainable development, concept, Evolution, Stage.*

### **Introduction**

“Corporate Social Responsibility” (CSR) was mainly an ethical event of business when originated by Oliver Sheldon in 1924, referring to responsibility of an enterprise to improve the interests of the community while pursuing its own profit. Arguments on for or against CSR lasted for a few decades including the famous Berle-Dodd debate from 1930 to 1960s. It has been a field of heavily concerned by scholars from variety of disciplines, such as economics, management, law, ethics, as well as sociology, since 1953 when Bowen’s book “Social Responsibilities of the Businessman” was published. However, CSR is still a controversial concept and changes along with the time going. There is no consistent definition of CSR up to now.

There are many labels associated with the CSR concept, such as “business ethics”, “corporate citizenship”, “corporate environment management”, “business & society”, “business & governance”, “business & globalization”, etc. But, CSR is still the most widely used terminology. The term “corporate sustainability & responsibility” was considered as CSR2.0 by CSR International (a non-profit organization established in 2009), to differ from the original CSR 1.0. Frederick (1998) has labeled the ethical-philosophical concept of CSR as CSR1, the action-oriented concept of social responsiveness as CSR2, CSR including ethics and values based on normative element as CSR3, and CSR involving science and religion issues as CSR4.

“Corporate social performance (CSP)” was another word appeared and popularly used in recent years. Carroll (1999) pointed out that “...the growing acceptance of the notion of CSP was a more comprehensive theory under which CSR might be classified or subsumed”. Gao (2009) also considered CSR as only one construct of the CSP model proposed by Wood (1991), which contains social responsiveness and outcomes of corporate behavior as well. Even so, CSR is the most acceptable terminology, but with evolving definitions.

This paper reviews the evolution of CSR concept in both the West and China stage by stage. The coming section expresses the evolution of CSR concept in the West, followed by the section that describes evolution of CSR concept in China. The last section draws a conclusion to interpret the differences and relations between CSR concepts in the West and China.

## **Evolution of CSR Concept in the West**

Bowen (1953) deemed that large business ought to fulfill responsibility for society in consideration of their strong power and capability to influence the lives of citizens on many aspects. He defined CSR as businessmen’s policies, plans and actions that were desired to meet the objective and the value of society. CSR was an ethical oriented concept and there were few definitions in 1950s.

### **The Continuation of Ethical Oriented CSR Concept in 1960s**

Bowen’s definition of CSR was ethical oriented, referring to doing goodness for society. When it came to the 1960s, there was a significant growth in CSR defining along with the social movements such as environmental protection, consumers’ rights and women’s rights movement. Authors who contribute to the CSR definition in 1960s include several famous scholars, for example William C. Frederick, Joseph W. McGuire and Keith Davis. But most definitions of CSR were still ethical oriented.

According to Frederick (1960), CSR is the fulfilling of public expectation and enhancing socio-economic welfare beyond the interests of individuals and businesses. McGuire (1963) defined CSR as enterprises’ certain responsibilities to society which extended beyond their economic and legal obligations. Davis and Blomstrom (1966) consented that CSR was applied when enterprises considered others’ interest beyond that of their own from economic and technical aspects. All above definitions considered CSR as responsibility to society beyond businesses’ own interests or legal obligations. CSR was different with corporate Social obligations. Obligations means the enterprise’s compliance with laws and gaining profit, while CSR emphasize on pursuing goals in the society’s interest beyond fulfilling the obligations.

### **The Differentiation and Prosperity of CSR Concept in 1970s**

In the 1970s, definitions of CSR began to proliferate and were more detailed as well as diverse. It was an era of differentiation and prosperity for CSR concept. Johnson (1971) stated that a socially responsible enterprise also took into account multiple interests of employees, suppliers, dealers, local communities and the nation, instead of striving profits for its stockholders only. The Committee for Economic Development (CED) announced a three concentric circle definition of CSR in its *Social Responsibility of Business Corporations* published in 1971. The efficient execution of economic functions such as contribution to economic growth, job opportunities and products was put in the inner circle as the basic responsibilities. The intermediate circle represented the awareness of changing social values and priorities beyond basic economic functions, such as environmental conservation, releasing enough information to customers, fair treatment of employees, etc. The outer circle showed business’ responsibilities to improve the social environment, such as poverty and urban blight problems. Both the two definitions above included various groups and broader target of CSR besides the basic economic function.

George Steiner's (1971) view on CSR concept was more of an attitude that showed the business philosophy of "enlightened self-interest". Enlightened self-interest means that a manager looks at the interests of business over a long run by concerning social interests rather than the narrow, unrestrained short-run self-interest in his or her decision-making approaches. "Enlightened self-interest of business" showed George Steiner's consideration of economic outcome via contribution to society.

Other classic definitions included Manne and Wallich's "volunteerism" and Eilbert and Parket's "good neighborliness". Manne and Wallich (1972) argued that there were three elements required to qualify an action as socially responsible. First, the marginal returns of the activity must be less than that of the expenditure; second, it must be purely voluntary expenditure or activity; third, the expenditure must be an enterprise's action rather than a conduit for individual largesse. Elements of volunteerism had been cited by many later CSR definitions even though they were difficult to judge (Carroll, 1999).

Eilbert and Parket (1973) argued that social responsibility should be perceived as 'good neighborliness'. In their views, organizations were expected to solve neighborhood problems voluntarily, yet not behave in a manner that spoiled the neighborhood. The neighborhood problems here refer to broad social problems such as pollution, racial discrimination and urban decay.)

Definitions of CSR displayed above could represent most opinions about CSR and had been widely cited afterward. But the most famous definition of CSR was established by Carroll (1979, 1981, 1983, 1991). Carroll (1979) considered CSR as the sum of obligations that the society expected an enterprise to fulfill. He advanced a conceptual framework in his article named "A three-dimensional conceptual model of corporate performance". In the three-dimensional conceptual model, CSR were treated as one of the three aspects pertaining to corporate social performance (CSP). One aspect of CSP was the four-dimensional CSR concept that encompasses the economic, legal, ethical, and discretionary (or philanthropic) dimensions. The four-dimensional CSR model was very famous and has been generally adopted till now in academia. The second aspect involved a wide range of social issues, including environment, discrimination, product safety, consumerism, occupational safety, and shareholders. The third aspect was a social responsiveness continuum, from reaction to defense to accommodation, and then to pro-action.

Carroll's four-dimensional CSR has been successfully used for more than 30 years. Other definitions were almost concerned to some of the three aspects of the Carroll model though showed in various dimensions. For example, Alexander Dahlsrud (2008) found that many researchers paid more attention to the categories of CSR, there was a 97% probability that at least three of the five dimensions (the five dimensions are the economic dimension, the stakeholder dimension, the voluntariness dimension, the social dimension, and the environmental dimension) were used in any randomly selected CSR definition. But the contents of CSR differed depending on political, socio-economic, historical and cultural drivers in different countries and also had been evolving over time. One global standard is unlikely there.

### **The "Chrysalis" of CSR Concept in 1980s**

There were few new definitions proposed in the 1980's. Wartick and Cochran (1985) attempted to establish a general CSR model that encompasses the principle of social responsibility, the policies developed to address social issues and the process of social responsiveness as well as interaction among these three. But, an universal definition of CSR never comes till now.

However, the famous Stakeholder Theory was popularized by Edward Freeman (1984) in that decade. Stakeholder Theory suggested that the success of business rely on its ability of stakeholder management. Stakeholder management refers to managing relationships with key individuals or groups, such as stockholders, customers, employees, and communities, etc. CSR was considered as the way how business owners and managers treat stakeholders based on its ethical duty. Stakeholder Theory has been one of the

most commonly used theories in CSR field. Carroll (1991) suggested that Stakeholder Theory “fit” with CSR. The Stakeholder Theory was the motivation of enterprise’s CSR action for business strategy, though ethical incentive was more likely involved in CSR concept. CSR concept experienced a shift from ethical orientation to business orientation in the 1980s.

### **The Business Oriented CSR Concept in 1990s and early 2000s**

In fact, Davis (1960) had stressed that CSR should be seen in a managerial context since it could bring long-run economic gain to enterprises. More researchers began to discuss CSR’s financial effect on enterprises in later 1970s. But only when it came to the 1990’s, did the study of CSR in the ethical perspective start to make way for a more business-integrated approach (Doane, 2005). Meznar et al. (1991) incorporated CSR into strategic management and proposed CSR strategy at the enterprise strategy level which concerned how an enterprise added value to its stakeholders to ensure its future. “Value” here included both economic profits and social benefits. Many researchers emphasized the importance of CSR for the competitiveness development of an enterprise, for example, Sharma and Vredenburg (1998) stated that the CSR strategic management would benefit the enterprise in terms of enhancing its image and core competitiveness. Porter and Kramer (2002) believed in the positive correlation between an enterprise’s CSR actions and its competitiveness; Husted (2005) argued that it could reduce an enterprise’s risks of operation by managing its CSR issues effectively. De Bakker et al. (2005) also agreed that CSR had become a strategic and managerial tool. Simon (2005) addressed that CSR was an element of the strategy, shared philosophical roots with strategy which was based on stakeholder management. Silberhorn and Warren (2007) concluded that CSR was a comprehensive business strategy arising mainly from stakeholders’ pressure and performance consideration. CSR constituted the core value of modern enterprise strategy, and CSR strategy was a reflection of enterprise strategy (Nan, 2009). Filho et al. (2010) believed that CSR strategy was associated with competitive advantages, such as attracting valuable employees, enhancing the company image and reputation as well. Researchers are increasingly convinced of the consistency of CSR strategy with business strategy.

### **The Prevailing Concept of Sustainable and Citizenship in the New Millennium**

With the coming of new millennium, CSR tended to be defined with various dimensions by organizations. The European Commission (2001) stressed the internal dimension and external dimension of CSR, and pointed out that the internal dimension included employees and relative issues and environmental issues about the use of natural resources in the production; external dimension included local community and other stakeholders such as business partners, customers, and environment, etc. UK Government, Global Report Initiative, the European Corporate Governance Institute, and many other organizations supported the view that there were economic, environmental and social dimensions in the CSR agenda (Castka, Balzarova, Bamber & Sharp, 2004). The various dimensions implied both ethical and business orientations of CSR concept.

Since the later of the 20th century, ‘Sustainability’ or ‘Sustainable development’ became a popularly used notion related to CSR. “Sustainability” includes sustainable development of both the enterprise and the society. Mohr et al. (2001) defined CSR as a company’s commitment to maximizing its long-term beneficial impact and minimizing or eliminating its harmful effects on society, which included different aspects of enterprise’s effect on certain stakeholders. Michael (2011) updated his definition of CSR by adding ‘sustainable development’ issue. In his definition, CSR was the way an enterprise treating its internal and external stakeholders ethically or in a responsible manner of international norms; preserving the profitability and integrity of the enterprise as well as creating higher standards of living of people both inside and outside the enterprise, at the same time, achieving sustainable development of the society. (<http://mhcinational.com/articles/definition-of-csr> accessed on March 6, 2014).



The concept of citizenship, which contains responsible and moral factors, was more often mentioned assistant with CSR since the end of 20<sup>th</sup> century. Brown Prize was set up by President Clinton for “good corporate citizen” who fulfill responsibility to benefit employees and the community. Corporate citizenship was defined as a behavioral pattern that integrated the basic social value, daily practices, operations, and policy of business. When it came to the 21<sup>st</sup> century, corporate citizenship, which nearly took the place of CSR, often appeared in enterprises’ reports and other documents.

“Good citizen” and “sustainable development” are free from constraint of either ethical or business orientation. The interests of different stakeholders were valued equally. The philosophy to chase the coordination of human beings, the enterprise, the society and the nature might express that a mature CSR concept has been formed.

## **Evolution of CSR Concept in China**

The study of CSR in China started relatively later than in the Western countries due to the unique background. A centrally planned economic system had been adopted since 1949, when the People’s Republic of China was established, until early 1990s. State-owned enterprise (SOE) acted as a public sector and private enterprise was undeveloped under many restrictions. With the sustained and rapid development of economy and the economic globalization trend from 1990s, the concept of CSR originated in the West was widely spread in China in recent years.

### **The Introduction of CSR Concept in the Early 1990s**

The reform and opening-up policy of China came to operate in 1978, and the economic system reform of building socialist market-oriented economy was carried on from 1993 onward. Private enterprises gained rapid growth under this market-oriented economic reform. Social irresponsible problems of enterprises came along with the economic development oriented reform too, such as undermining the environment, cheating customers, etc. CSR practices got more attentions when multinational corporations (MNCs) conducted CSR audits to their suppliers in China.

The term of CSR was just introduced into China from the West until the end of 1980s. The first academic article about CSR, which appeared on a core journal named Accounting Research, was “The wide-angle perspective of social responsibility accounting in America” in 1989 (Li & Gong, 2009). The book “Corporate Social Responsibility” edited by Jiafang Yuan (1990) was considered the theoretical foundation of CSR research in China. CSR was defined as the enterprise’s obligation to face the social needs and all kinds of social problems, to safeguard the state, the society and the fundamental interests of the human, while implementing its own survival and development. The broader social-interest-oriented concept of CSR was similar to the concepts proposed by western scholars in the early years, but it came later for decades in China than in the West.

### **The Chaos Period of CSR Concept in the Late 1990s**

China’s economy has been more export-oriented since its reform and opening up. The trend of economic globalization had great impact on various fields in China. In mid- and late-1990s, multinational companies implemented all kinds of certification and audit on CSR rules and production regulations in China, such as SA8000. This caused vibration of foreign trade enterprises and got attentions of all walks of life to CSR. The stakeholder theory has been gradually mature in the West. The idea of corporate citizenship and sustainable development has become a mainstream trend in the world. Domestic scholars’ understanding about CSR concept was mixed and disorderly due to the influence of the Western literature and domestic situation at that time. For example, Feng and Wang (1997) advocated that enterprises as “citizens” should fulfill the CSR of providing more and equal employment opportunities, protecting the interests of

consumers and the environment. Li and Li (1998) deemed that enterprises should undertake CSR forwardly as function strategy was included in enterprise strategic plan. Zhang (1999) defined CSR as moral responsibility to concern the welfare of the society in which the enterprises operate, including responsibility to the problems caused by the enterprises and the problems of society itself. Liu (1999) thought that bearing CSR was not only to maximize the profit of shareholders, but also to maximize the profit of all stakeholders, including employees, consumers, creditors, debtors, small- and medium-sized competitors, local community and environment, vulnerable groups and the whole society.

### **The legal and ethical orientation of CSR Concept in the Early 2000s**

Research on CSR increased obviously after China's joining the WTO in 2001. The concept of CSR during this period reflected scholars' attention to the legal and ethical responsibility of enterprises. Lu (2002) stated clearly that CSR was the unity of a company's moral obligations and legal obligations; it was the obligation to maintain the interests of society as well as to maximize profit for shareholders. Chen and lu (2003) proposed a triangle model of CSR which was composed of the mandatory legal level, the adherence to standard level and the strategic and moral level that reflect managers' value judgment.

There were also some scholars holding a narrow concept of CSR. They excluded economic responsibility and legal responsibility out of CSR. For example, Li and Li (2005) and some other researchers defined CSR as the third responsibility of an enterprise beyond economic responsibility and legal responsibility; it was the enterprise's obligation to respond to the consequences of behavior of itself in the society. The economic responsibility and legal responsibility were considered as obligations rather than responsibilities in a narrow concept of CSR, but those were what enterprises must fulfill and more fundamental.

It can be seen that Chinese scholars defined CSR in a similar way as compared to Western scholars. Carroll's (1979, 1991) four-dimensional CSR concept, which involved economic, legal, ethical, and discretionary (or philanthropic) dimensions, had a profound influence on Chinese scholars. Ethical responsibility was stressed on the basis of economic and legal responsibility. This is consistent to the CSR concept of the Westerns but focus more on the legal and ethical level.

### **Sustainability and Hierarchy of CSR Concept in the late 2000s**

The Company Law of the People's Republic of China was amended in 2006. This law requires companies to abide by social ethics, business ethics, to be honest and trustworthy, as well as to fulfill social responsibilities. 2006 was considered as the beginning year of the CSR era. "Sanlu poison milk powder incident" happened in 2008. The change of legal environment, the fatal consequences for lack of CSR and the influence of global trends boomed the research and practice of CSR, which recently reached to the peak in China. The sustainable development of the enterprise and society became the dominant element of the CSR concept. For example, Li and Xiao (2008) defined CSR as the enterprise's behavior for the sustainable development of itself and the society to abide by laws, social norms and business ethics, to effectively manage stakeholders and natural environment influenced by enterprise operation, to maximize the integration of economic, social and environmental values. Feng (2009) thought CSR as the combination of economic responsibility and legal responsibility, abiding by laws about environment, resources and the rights and interests of stakeholders while defending the benefits as well as the sustainable development of the society. Wu's (2009) definition of CSR, with the purpose of sustainable development, was divided into three hierarchies: the legal responsibility that must be fulfilled, the economic and ethical responsibility that need to be fulfilled and the charity responsibility that are voluntarily fulfilled. In the CSR defined by China Enterprise Management Association, the responsibility that must be fulfilled was the economic and legal responsibility, the responsibility that should be fulfilled was the ethical responsibility, the responsibility that is voluntarily fulfilled was the charity responsibility (Zhang and Cheng, 2008). Jia and Fu (2012) also defined CSR on three levels: the basic responsibility, including economic and legal responsibility for the

shareholders, the employees and the government; responsibility related directly to the development of enterprise, including responsibility for employees and consumers; charitable responsibility related directly to the development of the enterprise, including responsibility for the environment and the public.

## Conclusions

The development of CSR research and practice in China were affected by rapid economic progress and pressures coming from overseas along with the globalization of economy. The concepts and dimensions of CSR came mainly from the results of studies in the United States and Europe. There is relatively a lack of indigenous researches on CSR in China. CSR research of China influenced by the West may find expression in the evolution of CSR concept. CSR concept in the West had a social or ethical orientation in 1950s-1960s. It was further expanded in 1970s' and shifted to a business-oriented concept based on the stakeholder theory in 1980s. It was not until 1990s' that CSR concept incorporated sustainable development notion. The CSR concept was introduced to China in 1990s. It had also undergone the changes from ethics-orientation to sustainable development. Most scholars defined CSR by using economic, legal, ethical, and discretionary (or philanthropic) dimensions suggested by Carroll (1979). There were differences between CSR concepts of the West and China. In China, legal dimension of CSR concept got more attentions than in the West. Enterprise's obligation is considered low-level CSR. Business-oriented CSR is medium-level CSR. Ethical-oriented CSR is high-level CSR.

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