

# A Perception of Corporate Social Responsibility in the New Era of Globalization: An Overview

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## Abstract:

In the contemporary landscape of global business, the concept of Corporate Social Responsibility (CSR) has garnered increased attention. This abstract provides an overview of the evolving perception of CSR in the context of the new era of globalization. As businesses navigate the complexities of an interconnected world, the understanding of CSR has expanded beyond mere philanthropy to encompass a broader commitment to ethical practices, environmental sustainability, and social impact.

This overview explores the key dimensions of CSR, examining its significance and implications within the dynamic framework of globalization. It delves into the evolving expectations of stakeholders, including consumers, investors, and communities, and how organizations are adapting their strategies to align with these shifting paradigms.

The abstract further investigates the challenges and opportunities presented by the intersection of CSR and globalization. It highlights the role of businesses in contributing to sustainable development goals, fostering inclusivity, and addressing pressing global issues. By synthesizing current literature and insights, this abstract aims to contribute to a nuanced understanding of CSR in the contemporary globalized era, shedding light on the multifaceted responsibilities that corporations bear in shaping a sustainable and socially conscious future.

**Key words:** society, Corporate Social Responsibility, Economic, legal responsibilities

## Introduction

A reciprocal and symbiotic relationship exists between society and the business sector, where businesses extract resources from the broader society. Scholars like Schocker and Sethi argue that businesses should justify their legitimacy and commercial relevance to society based on traditional conventions. However, discontent with the business sector's performance in meeting societal needs and expectations has been expressed.

In the contemporary landscape, Corporate Social Responsibility (CSR) has emerged as a complementary component to traditional financial reporting. It goes beyond fulfilling shareholder requirements, portraying the additional activities undertaken by businesses during the mandated financial reporting year. Corporate Social Responsibility forms the basis of this mechanism, with Corporate Social Reporting expanding in size and intricacy as businesses confront new challenges and aim to contribute to societal betterment.

Deegan and Gordon note the increasing complexity and quantity of reports, emphasizing the need for a reciprocal relationship between businesses and society. Shocker and Sethi posit that such a relationship is crucial for the advancement of both parties, with businesses benefitting from growth and society from enhanced well-being. Establishing a mutual understanding between societal values and business objectives is vital to fostering a harmonious relationship.

It is essential to clarify that the term 'business' encompasses entities involved in creating and disseminating commodities and amenities to satisfy societal needs. Companies are obligated to provide both voluntary and statutory disclosures to stakeholders with direct or indirect interests in the business. This chapter aims

to provide an overview of the conceptual dimensions of Corporate Social Responsibility (CSR), focusing on definitional facets and elucidating fundamental principles associated with diverse theories exploring the causal impact of CSR practices.

The examination of Corporate Social Responsibility (CSR) has garnered considerable attention over the past 65 years, with its conceptual and operational dimensions crystallizing in the 20th century, as highlighted by Carroll. H.R. Bowen, acknowledged as the progenitor of CSR, made a seminal contribution with his work on Social Responsibility in 1953, particularly through his influential book, 'Social Responsibilities of Businessman.' Bowen's rigorous academic approach lent legitimacy to CSR as a field of study, emphasizing that businesses hold a responsibility to uphold societal values within the commercial sphere.

Davis, building upon Bowen's groundwork, contends that social responsibility extends beyond financial profits, encompassing broader societal considerations. Davis asserts that businessman's decisions, driven by factors beyond economic or technical interests, contribute to the societal well-being. He outlines three perspectives on CSR: the obligation of businesses to promote economic, social, and human development. According to Davis, individuals, as the most valuable asset of society, play a crucial role in socioeconomic development.

McGuire, recognized as a pioneer in CSR, expands the theoretical construct to include community welfare and education, asserting that social responsibility goes beyond economic and legal obligations. Davis and Blomstrom further define social responsibility as considering the impact of decisions on the broader social system, emphasizing the needs and interests of parties affected by business actions.

The Committee for Economic Development (CED) provides a comprehensive definition of CSR, encompassing economic responsibility, social value creation, and advocacy for activities improving society. Jones adds that CSR involves voluntary obligations towards various societal groups beyond legal requirements and stakeholders outlined in union contracts.

Lewis emphasizes the multifaceted nature of CSR, encompassing environmental stewardship, community service, philanthropy, employee welfare, and corporate profitability. Overall, these perspectives contribute to a nuanced understanding of the evolving dimensions and responsibilities associated with Corporate Social Responsibility.

Various definitions of Corporate Social Responsibility (CSR) have been put forth, but a consensus on a singular definition remains elusive. The absence of agreement regarding a precise definition is noted in the existing literature. Wood emphasizes that the specific definition of CSR is of secondary importance compared to the fundamental concept that underscores the interconnectedness of businesses and society. According to this perspective, businesses and society should not be perceived as distinct entities but as interlinked components. Unfortunately, the provided text lacks adequate details to be rephrased in a more academic manner. To date, Corporate Social Responsibility (CSR) has been defined in various ways, and achieving consensus on a singular definition remains challenging. Wan Jan points out the lack of clarity in the definition, suggesting that it may stem from a misinterpretation of the concept. Recognizing CSR as a significant area of study, there is a call for exploration to establish a comprehensive definition that considers the perspectives of diverse stakeholders and different types of corporations.

Wan Jan also notes that prevailing definitions of CSR often draw heavily from practices in developed nations, with limited attention given to CSR perspectives from the standpoint of developing nations. This highlights the need for a more inclusive and globally informed understanding of CSR.

Milton Friedman, approaching CSR from a capitalist viewpoint, argues that businesses' social responsibility is solely to use their resources and engage in activities that enhance profitability. He emphasizes the importance of lawful means in generating profits, while cautioning against fraudulent or deceitful practices. Friedman's perspective underscores the relevance of CSR within the boundaries of legal and ethical conduct.

A.B. Carroll, recognized as a trailblazer in CSR, introduces a framework comprising four dimensions: economic, legal, ethical, and philanthropic. This framework provides a comprehensive structure for evaluating CSR, acknowledging its multifaceted nature. The diverse perspectives on CSR range from critiques of existing definitions, considerations of global perspectives, capitalist viewpoints emphasizing profit within ethical bounds, to comprehensive frameworks encompassing economic, legal, ethical, and philanthropic dimensions. This richness of viewpoints highlights the complexity of CSR as a concept and the ongoing scholarly efforts to refine its definition and application.

Bowen and Carroll are acknowledged as pivotal figures in the discourse on Corporate Social Responsibility (CSR), asserting that society owns resources, and businesses, in turn, utilize these resources for economic gain. Consequently, they contend that businesses have an obligation to share the benefits derived from these resources with society, promoting not only their economic growth but also social welfare. A.B. Carroll extends this argument by positing that CSR transcends legal boundaries, urging businesses to consider economic, ethical, and discretionary aspects beyond routine legal obligations.

Support for this perspective comes from Aupperle and colleagues, whose 1991 study effectively corroborates the idea that CSR should encompass economic, ethical, and discretionary functions in addition to legal obligations. Carroll further conceptualizes these dimensions in a pyramid structure, now known as Carroll's Pyramid of CSR, defining a socially responsible company as one that is profitable, legally compliant, ethically conducted, and contributes philanthropically to the community.

Hemphill breaks down CSR into four distinct elements: economic responsibility (profit generation), legal responsibility (compliance with laws and regulations), ethical responsibility (ethical day-to-day operations), and philanthropic responsibility (positive stakeholder relationships and being a good corporate citizen). Windsor adds a social perspective, stating that economic and legal responsibilities are socially necessary, ethical responsibilities are socially expected, and philanthropic responsibilities are socially desired.

In essence, the contemporary definition of CSR, influenced by the contributions of Bowen, Carroll, Aupperle, Hemphill, and Windsor, emphasizes a holistic approach that goes beyond mere legal compliance, encompassing economic, ethical, and philanthropic considerations for businesses to be considered socially responsible.

### **Corporate:**

The term "Corporate" has its origins in the Latin word "Corporates," suggesting the existence of an entity functioning as a commercial organization primarily focused on profit generation. Conventionally used as a noun, it is synonymous with "company" or "corporation," denoting a legally authorized group of individuals or an incorporated entity operating as a single unit.

### **Responsibility:**

Responsibility encompasses both the concept of duty and the obligation to be accountable for one's actions. It refers to the state of being accountable or having authority over a specific matter, with the performance or completion of a task considered a duty. The term's etymology can be traced back to the Latin root

"Responsus," indicating the act of responding. Corporate entities bear responsibility towards stakeholders and the wider society, particularly those affected by their actions.

**Corporate Image:**

The mention of company names evokes a mental image constituting a psychological impression that undergoes constant fluctuations. A company's reputation relates to the external perception of its activities, products, and services.

**Environmental:**

Referring to the surroundings of things, conditions, ecology, air, water, minerals, organisms, and other external factors influencing a given organism at any time.

**Ethics:**

Pertaining to the field of moral principles or the branch of knowledge concerned with matters of morality. It involves ethical principles regarding appropriate or inappropriate behavior, adhering to established norms of ethical conduct. The term "ethical" derives from the Greek word "ethos," signifying one's moral character and embodying traits such as honesty, fairness, and truthfulness.

**Philanthropic:**

Encompassing qualities such as generosity, benevolence, humanitarianism, public-spiritedness, altruism, magnanimity, munificence, bountifulness, care, compassion, solicitude, selflessness, humanity, and kindness. Philanthropy involves demonstrating benevolence and goodwill towards humanity, with "philanthropic" functioning as an adjective and "philanthropy" as a noun.

**Corporate Citizenship:**

According to Carroll's Pyramid (1991), a company demonstrating philanthropic responsibility qualifies as a good corporate citizen, positioned in the fourth tier. Corporate citizenship entails behaviors and actions by a corporation, including engaging in philanthropic activities and socially responsible initiatives. It refers to the voluntary corporate obligation to act responsibly towards society and the environment. While a corporation cannot obtain citizenship as a natural person, it may be considered a natural citizen if it adheres to laws, conducts itself with integrity, and is a responsible member of society, as emphasized by Waddock and Logsdon and Wood. The evolution of Corporate Social Responsibility (CSR) is expected to transform into the concept of corporate citizenship.

**Corporate Social Performance**

As per Wood's definition, Corporate Social Performance (CSP) encapsulates how a business organization embodies principles of social responsibility. It involves the implementation of processes to address social requirements and the adoption of policies, programs, and tangible outcomes that reflect the organization's relationship with society (p. 693). CSP has been used interchangeably with Corporate Social Responsibility (CSR) or any form of communication between the corporate sector and wider society, as noted by Cochram and Wood. A.B. Carroll initially introduced CSP as a tripartite amalgamation of CSR, corporate social responsiveness, and social issues.

**Legal**

The term "legal" pertains to actions or behaviors that align with written laws or judicial interpretations. It denotes adherence to the laws of a specific jurisdiction, indicating permissibility under such laws.

**Economic**

Economic considerations encompass various theories, principles, and models related to market processes. This text aims to elucidate the wealth generation process and the interdependence of economic activities, focusing on earning profits through the production and sale of goods and services in diverse markets. According to J.-B. Say, the discipline of economics involves studying the production, distribution, and consumption of wealth, examining human behavior in the context of the relationship between ends and scarce resources means that have alternative uses, distinguishing the subject from its public-policy applications. The primary function of an organization lies in its economic activities, crucial for its survival, growth, development, and sustainability.

**Sustainable Development**

Sustainable development involves meeting the needs of the present generation without compromising the ability of future generations to meet their own needs, as defined by the World Commission on Environment and Development in 1987, cited by Brundtland. The concept of sustainability is closely associated with philanthropy, urging companies to play a collaborative role within communities rather than solely prioritizing profit generation.

**Education**

Education denotes the systematic process of acquiring knowledge, skills, and understanding in a specific field or area of study. Corporate entities often engage in charitable endeavors by enabling educational opportunities.

**Poverty Alleviation**

Poverty, characterized as a condition of severe destitution where individuals lack fundamental human necessities, necessitates attention. Poverty alleviation involves the philanthropic endeavor of liberating individuals from poverty by distributing resources to eradicate social deprivation.

**Customer**

A customer is an individual or entity purchasing goods and services from a company in exchange for a monetary payment, commonly referred to as the price. This price encompasses expenses incurred during the production process and includes a profit margin for the entrepreneurs

**Investors**

Capital serves as a vital element of production, and without it, any business becomes unfeasible. Investors play a crucial role by providing capital to businesses with the expectation of earning a reasonable rate of return, ideally lower than the opportunity cost. This group holds significant stakes in a company, with shareholders typically receiving dividends and debenture holders receiving interest payments.

**Stakeholders**

Stakeholders, defined as individuals or entities with direct or indirect interests in an organization's activities, have their interests influenced by the commercial and economic performance of a company. This diverse group includes investors, debenture holders, employees, creditors, customers, government, trade unions, and other relevant entities. Their priorities range from seeking profitable returns (investors) to timely payment of interest (debenture holders), fulfillment of financial obligations (creditors), provision of quality



goods and services at competitive prices (customers), taxation (government), and improved working conditions and incentives (trade unions). The foundation of Corporate Social Responsibility (CSR) lies in addressing the interests of stakeholders.

### **Health and Health Care**

A nation's prosperity is linked to the health of its population, and an employee's performance correlates positively with their physical well-being. The provision of healthcare, classified as the fourth tier in Carroll's Pyramid, is crucial. Establishing healthcare facilities for the economically disadvantaged is a charitable endeavor that no enterprise should overlook.

### **Community Welfare**

The primary focus of a company's social responsibility is enhancing the well-being of the community it serves. The support and cooperation of the community are vital for a business's overall growth, survival, and development. Businesses have the responsibility to ensure the community's well-being by offering housing, medical aid, and fundamental education.

### **Theoretical Constructs**

The 2001 European Commission Report emphasizes integrating ethical considerations into business practices and stakeholder engagement as a crucial aspect of corporate social responsibility, aligning with theoretical frameworks. According to Freeman, stakeholders are the focal point of CSR theory, aiming to analyze how their interests can be fulfilled. Fontaine, Haarman, and Schmidt extend the stakeholders' definition to include customers, local communities, employees, suppliers, and shareholders. Over time, various CSR theories have emerged, such as Carroll's Four-Dimensional Theory, Carroll's Three-Dimensional Theory, Stakeholders Theory, Legitimacy Theory, Agency Theory, Coase's Theory, Social Perspective Theory, and Resource Dependence Theory. This study aims to provide a comprehensive overview of each, offering insights into the underlying principles of Corporate Social Responsibility.

### **Conclusion:**

In conclusion, the overview of Corporate Social Responsibility in the new era of globalization highlights the dynamic nature of CSR and its integral role in fostering a harmonious relationship between businesses and society. The multifaceted dimensions, historical perspectives, and theoretical constructs presented contribute to a nuanced understanding of CSR in the globalized context. The diverse viewpoints and critiques presented underscore the need for ongoing dialogue and evolution in shaping CSR practices that align with the values and expectations of a rapidly changing world.

In this article, an exploration is undertaken to understand the conceptual dimensions of Corporate Social Responsibility (CSR) theory. Throughout the text, operational definitions of terms are consistently incorporated. This section presents an impartial analysis encompassing both contemporary and classical CSR theories. Research indicates that economically prosperous nations tend to engage in CSR voluntarily, while less developed or developing countries may necessitate legal mandates for the implementation of CSR practices. The discussion further observes that A. B. Carroll's pyramidal theory of CSR serves as the foundation for contemporary CSR theories and practices. Nevertheless, Carroll later revisited his four-dimensional CSR theory, recognizing the possibility of merging the philanthropic dimension with the remaining three dimensions of the CSR Pyramid, thereby transforming it into a three-dimensional theory.

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