

THE BEGINNINGS OF THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY AND ANDREW CARNEGIE'S WRITINGS

PhD. student Radu LOLESCU
University of Craiova

The question which is going to be discussed in this article is the following:

When did philanthropy become social responsibility?

My assumption is that philanthropy turned to corporate social responsibility when it became a concept used by the management of a company in its marketing techniques. Using the concept of philanthropy in order to promote the company, proving that the excess of profit is correctly used for the advantage of the community from which the company obtains the necessary resources for the development demonstrates that this is a modern management concept and stands for the responsibility of the company towards the society and towards a sustainable development.

One of the first pioneers of social responsibility from America was Andrew Carnegie and his position towards the concept of social responsibility of the company is better understood if we take into account the context in which he grew up and developed as a person. He was born in Scotland in 1835 from a family of handloom weavers. His family was part of a labour group which was strongly affected by the industrialization of the textile industry, and this led to the involvement in the Chartist Movement and to some other manifestations of the English proletariat during 1830-1840. After a negative prediction of the development of the industrial Scottish towns, Carnegie's family immigrated to the United States in 1848.

The reason for which I am assigning him as a pioneer in the field of social responsibility is not only motivated by the fact that Andrew Carnegie was a philanthropist donating almost 90% of his fortune for charitable purposes, for schools, hospitals and libraries both in the USA and in Great Britain but also for his writings, articles and books in which he tried to define the initial concept of social responsibility of the company. This concept has developed and was changed in time both for the advantage of the companies using it but also for the advantage of the community.

In his book *The Wealth* (later entitled *The Gospel of Wealth* by the reformer W.T. Stead-1889), Carnegie presented the problems of the beginnings of the American economy and the development to the era of the industrial capitalism and tried to set some basic rules for this capitalism to resist. Carnegie rejects both the goals of the charity but also the scientific approach of the charity organisations in helping the poor. In his opinion philanthropy which was really useful relied less on the careful discrimination of the persons which could or could not take advantage of it and represented the attack towards the inequalities at origins.

Accepting inequality as an unavoidable consequence of the modern industrial development Carnegie talked about the competition among companies stating that: "The law is here we cannot abide it; one could not find any replacements for it; even if the law is difficult for individuals it is the best

solution for humanity because it provides the survival for the most suitable people in each department..”¹

„The existence of the right people at the head of a business is an essential solution for a successful management which involves besides the interest of the capital, obtaining profit, a profitable operation”.² Carnegie did not exclude the possibility that “the most talented business men shall find their most cherished work in carrying on immense concern, not primarily for their own aggrandizement, but for the good of the masses of workers”³. But in spite of this he did not manage to predict that this moment would appear so soon in the era of development that it would become a basic rule of the ideology of the managerial professionalism.

Finding out the answer to the first question involves the presentation of the context of the years 1850 which lead to the establishment of the first companies in America when the manufacturing enterprises developed and the first American companies emerged on the market. Carnegie mentioned this aspect in his work and stated that: “The problem of our age is the proper administration of wealth that the ties of brotherhood may still bind together the rich and poor in harmonious relationship. The contrast between the palace of the millionaire and the cottage of the labourer with us today measures the change which has come with civilisation. This change, however, is not to be deplored, but welcomed as highly beneficial.”⁴ The message of Carnegie’s essay *the Gospel of Wealth* is

a simple and revealing one, the surplus of profit which resides at certain periods of time has to be managed by the company for the welfare of the community so that the company can develop⁵.

The reason for which Carnegie presents the discrepancy between the social classes as a positive aspect is connected to the administration of the wealth by the person responsible for the entire community it belongs to.

From this point of view one can state the fact that Andrew Carnegie contributed to the development of the modern business management. Carnegie’s experience, the fact that he recognised the realities from the working places, the fact that he was an industrial worker, but also due to his years spent in the Pennsylvania railways, his contact with the workers and his personal involvement in solving problems influenced his managerial style.

This combination between the history of the family and the traditions of the social English reform and the industrial knowledge gained as an employee and as an employer placed Carnegie in a unique position to assess the revolutionary impacts of the new managerial techniques both at the working place but also of the entire model of the social, economic and political relations from the United States, involvements for the future relations between the owners and the employees.

In my opinion the idea and concept of corporate social responsibility, and I have to underline the term corporate, starts from the writings of Andrew Carnegie (1835 –1919), the founder of US Steel which presents two essential characteristics for the existence of the capitalism.

By analysing the two characteristics of Andrew Carnegie we can make the distinction between the

¹ Andrew Carnegie, *The Gospel of Wealth and Other Essays*, New York, NY, Compania The Century, 1900.

² Andrew Carnegie, *The Gospel of Wealth and Other Essays*, New York, NY, Compania The Century, 1900.

³ Andrew Carnegie, *The Gospel of Wealth and Other Essays*, New York, NY, Compania The Century, 1900.

⁴ Andrew Carnegie, *Evanghelia Bogăţiei și alte eseuri atemporale*, New York, NY, Compania The Century, 1900.

⁵ Andrew Carnegie, "The Gospel of Wealth," from M. Kammen, ed., *Contested Values* (New York: St. Martin's Press, 1995), 45-50.

concept of philanthropy and the new concept which was rooted in the American society and that is social responsibility. In the opinion of Andrew Carnegie the new concept of charity states from two directions:

- one of them is the individual social responsibility of the company owners represented by the acts of philanthropy which they made for the community they lived in and where they developed their companies; the first principle of mercy referred to compassion from the wealthiest members of the community towards the unhappy ones including unemployed, old people and sick people. These charity acts were direct or indirect through the community institutions – churches, sorority houses.

- a second one is determined by the economic growth of these companies, their development from mere companies to corporations, passing from sole proprietorship to public limited companies and this has increased the power of the corporations and the ability to combine the capital that is the economic power of an unlimited number of shareholders. The second principle "of the leader" refers to businessmen which have to deal with private properties through society. According to Carnegie managers had to manage the financial resources for the rest of the society.

In the period of the 1880, at the same time with the emergence of the confrontations between the labour and capitalist forces which led to a crisis, the problem of reducing the working day to eight hours was raised and Carnegie made a series of appreciations on this subject. At the time of the Haymarket bombing a decisive moment in the fight between the employer and the employee, Carnegie considered that he made a step back for the American trade unions and for their fight for an eight hours day of work. He published "The Employer's Point of View regarding Labour". This paper tries to approach from a pragmatic point of view and to contrast the

moralising opinions of the novelists and journalists⁶. From the point of view of the concept of the trade union, Carnegie states their practical aspect especially their problem to recognise the importance of management as a successful factor in business. He also states that it is doubtful that any type of labour association could organise in this period a mining, manufacturing or commercial business with enterprises led by trained people in business. If such a cooperative is successful it is self understood that the success is due to the exceptional quality of businessman of one of the manager and to a small degree to the efforts of the masses of workers. This was of developing a business is rare as it has been proved by the incredible number of the people entering this type of business and failing."⁷

In his book *The Wealth* Carnegie talks about the three ways in which one can give up the surplus of wealth.

The first way does not represent a transfer of wealth to the community but to place this wealth in the possession of the followers, this method being presented as a failure regarding the European society and not relevant for the concept of philanthropy or its development in social responsibility.

The second one represents philanthropy in its normality and placing the wealth to charity associates which did not use it for the community. "The people which leave vast amounts of money to the society can be considered as people who would not give up the respective amounts only if they could take it with them".

The third concept is the one which is getting close to the current

⁶ Andrew Carnegie, "The Gospel of Wealth," from M. Kammen, ed., *Contested Values* (New York: St. Martin's Press, 1995), 45-50.

⁷ Andrew Carnegie, *The Gospel of Wealth and Other Essays*, New York, NY, Compañia The Century, 1900.

concept of corporate social responsibility and that is granting periodical budget for the community budget which is managed by the company and owner and which should be used for the development of the community. Carnegie does not agree that the surplus of profit should be directed to the salaries of the employees because this tactic is directed to individualism and the humankind is ready to put it in practice on a certain level. Under its influence we will have an ideal state where the surplus of wealth would go to most of the people maybe to become a more powerful force for the ascension of the race rather than it was distributed in small amounts to the people.

Besides these three methods, Carnegie also talks about the ways in

which the profit surplus can be used for the society. He organises it in a hierarchical way and starts with the presentation of a foundation of a university of a library for community, building or expanding hospitals, medical colleges, public parks. By developing the concept of social responsibility Carnegie founded several charity centres with well defined purposes for each field.

Andrew Carnegie explains his philanthropic gestures as a duty he has towards society, towards the development of the company and at the same time towards the development of the society and that is why it is important to take into account his view and his remarks on the beginnings of this concept.

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