

CSR: Myth or reality in achieving sustainable growth effectively

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Abstract:

Purpose - Corporate social responsibility has become a necessity of which there are many objectives. The main purpose behind it is that now organizations have started realizing that they need to be perceived as good citizens, rather than as profit machines. But the question is that has CSR been able to balance the pillars of sustainable development and up to what extent.

This paper aims at studying whether CSR and corporate sustainability together are able to achieve enhanced ethical standards and a balance of economic, environmental and social concerns. If yes, then really this reflects the way companies address their responsibilities and provides the foundations upon which CSR and corporate sustainability practices can be built to enhance responsible business operations.

Design/methodology/approach – The paper reviews the literature and adopts a structure how CSR has been a tool in reality to achieve sustainable development for the organizations who have actually been practicing it. The results demonstrated that CSR research has changed but has its way ahead to still prove it.

Research limitations/implications – The focus of this work is on researches that have generated much of the original discourse on this issue, since it is difficult to cover all of the existing literature. In addition, this analysis of the conceptual implementation of CSR is generalized to all sectors of the industry.

Keywords: *Corporate social responsibility and sustainable development*

Introduction:

CSR and sustainability collectively are attempting to change the identity of organizations and therefore are integrated into the strategic business activities of successful corporations. Businesses are putting their best efforts to undertake the sustainability challenge by recognizing their social responsibilities - reducing their environmental impacts, guarding against ethical compromises and becoming more accountable to their stakeholders. However, despite the progress achieved, CSR and corporate sustainability as business practiced approaches are at the infancy stage with relatively few real adopters and questionable impact.

Origins and evolutions of the Corporate Social Responsibility and Sustainable Development concept:

Organizations are defined as "(1) social entities that (2) are goal oriented, (3) are designed as deliberately structured and coordinated activity systems and (4) are linked to the external environment" (Daft, 2001, p. 12).

"The organization has to find and obtain needed resources, interpret and act on environmental changes, dispose of outputs, and control and coordinate internal activities in the face of environmental disturbances and uncertainty" (ibid, p. 14). Although businesses are making profits for their survival, they must also balance profits against the society within which they operate. Organized societies around the world established certain principles and developed rules or standards of conduct - both legal and implicit - in order to guide businesses in their efforts to earn profits in ways that do not harm society as a whole.

Consequently, the field of responsible business strategy and its practice is becoming one of the most dynamic and challenging subjects and one of the most important ones for shaping the future of our world.

The concept of sustainable development can be achieved through the concept of societal responsibility of the organizations. For this the term introduced by Elkington namely “The Triple Bottom Line” which involve economic prosperity, environmental compliance and improve social structure can be used. So, “The Triple Bottom Line” can be defined as an approach for measuring the overall performance of an organization according to its triple contribution to the three aspects mentioned above.

The Sustainable Development theme was initiated in 1970 along with publishing of the first report of the Club of Rome entitled "The Limits of Growth"

The Brundtland report (1987), sustainable development is defined as "the current generation capacity to meet the needs of the present without compromising the ability of future generations to meet their own needs".

Sustainable Development (SD):

The origin of the term SD lies in the 18th century and was actually used in forestry. In those times, it was only allowed to cut down a certain number of trees so that a long-lasting protection of the tree population was guaranteed. This method ensured a continuous supply of wood without reducing resources for forthcoming generations. The Club of Rome precipitated an international discussion due to its report “Limits to Growth” (Meadows, 1972). In the course of this discussion, an eco-development approach was created which effected the protection of resources and environment coming to the fore. This development has led to the mission statement of SD we have today. In 1987, the World Commission on Environment and Development defined SD as an ethical concept and has become the major definition of SD: “Sustainable Development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Corporate Social Responsibility(CR):

The debate on corporate social responsibility concept shapes the global debate about the future of the planet (in terms of economic, social and environment) around the concept of "sustainable development" formalized by United Nations in 1992, at the World Summit in Rio.

European Commission in "Green Paper" defining the concept of social responsibility as "the voluntary integration by companies of social and environmental concerns in their economic activity and the relationship with interest groups". From this definition emerge three fundamental principles:

- Voluntary action of companies;
- Triple approach: economic, social and environmental;
- Align to the corporate interest groups (eng. "stakeholders").

The theme of corporate social responsibility has gained a real size only in the early 90's, mainly due to the realization of the fact that development centered only on economic growth is not enduring and therefore there is a need for a more pro-active approach in a development process which aims at balancing economic growth with environmental sustainability and social cohesion.

In the beginning, however, the term Social Responsibility was rather used than CSR. Social Responsibility assumes that economic and legal duties of the companies should be extended by certain responsibilities to society (McGuire, 1963). Carroll argues that Social Responsibility exists of four components such as economic, legal, ethical and discretionary expectations that society has of a company and that companies have to decide which layer they focus on (Carroll, 1979).

On the other hand, Friedman – as most known defender of the neoclassical view of economics – defines Social Responsibility completely differently: “There is one and only one social responsibility of business - to use its resources and engage in activities to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud” (Friedman, 1962).

Until today this neoclassical view has been the primary paradigm of business. Concepts of SD and CSR criticize this point of view. Of course, the economic perspective is important but a company also has a

burden of environmental and social responsibilities to handle. As Wood puts it, “the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behavior and outcomes” (Wood, 1991).

Organizations such as the World Business Council for Sustainable Development (WBCSD) actively take part in the sustainability and CSR discussion. WBCSD regards CSR as engine for the social dimension (social progress) which supports companies to fulfil their responsibilities as good citizens and defines CSR as "business' commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life" (WBCSD, 2006). On the other hand, the Commission of European Communities describes CSR as a “concept, whereby companies integrate social and environmental concerns into their business operations and interactions with their stakeholders on a voluntary basis” (Commission of the European Communities, 2001).

Whereas the term SD has mainly started to be used in the 1980's, the framework of CSR has already been established in the 1950's and 60's. Bowen defined CSR in 1953 - as one of the first - as “... an obligation to pursue policies to make decisions and to follow lines of action which are\ compatible with the objectives and values of society” (Douglas et al., 2004).

This debate has led to the following three *movements* in the business world:

- CSR (Corporate Social Responsibility);
- Corporate sustainability;
- World wide reforms on corporate governance.

Key driving forces include stakeholders, consumer demands and governmental and public pressure. The corporate responsibility movement is now entering a mainstreaming phase aided by standardization activities such as the GRI, the AA1000 series and the ISO2600 guide.

The concept of using Corporate Social Responsibility as a boardroom strategy to differentiate a business in the marketplace is an interesting concept.

CSR can not only refer to the compliance of human right standards, labor and social security arrangements, but also to the fight against climate change, sustainable management of natural resources and consumer protection

Following are the key business drivers that push companies towards implementing CSR:

- a) Strong brand and reputation;
- b) Employer of choice;
- c) Market position;
- d) Trust of the financial markets and increased shareholder value;
- e) New 'green' products / services and new markets.
- f) Shrinking role of government
- g) Demands for greater disclosure
- h) Increased customer interest

These drivers then give a benefit:

Company benefits:

- Improved financial performance;
- Lower operating costs;
- Enhanced brand image and reputation;
- Increased sales and customer loyalty;
- Greater productivity and quality;
- More ability to attract and retain employees;
- Reduced regulatory oversight;
- Access to capital;

- Workforce diversity;
- Product safety and decreased liability.

Benefits to the community and the general public:

- Charitable contributions;
- Employee volunteer programmes;
- Corporate involvement in community education, employment and homelessness programmes;
- Product safety and quality.

Environmental benefits:

- Greater material recyclability;
- Better product durability and functionality;
- Greater use of renewable resources;
- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labelling.

Hence companies now have strategies that increases stakeholder's value but as an integral part of those strategies will also distinguish their potential for:

Interests of a broad range of stakeholders;

Building societal value;

Contributing towards building capacity for sustainable development.

This integration of CSR in corporate organisations' strategic plans is seen as prominent mark in realization of social concern moving towards sustainable development. The common approach of CSR should be community-based development approach that leads to more sustainable development.

The emergence of industrial economies, following the Industrial Revolution, was characterized by a drive of business organizations to produce goods for mass markets. In the industrial era capital and labour were by far the most important ingredients of success, leading to a hundred years of astonishing economic progress: "the industrialised countries are about 20 times better off at the end of this century than they were a hundred years earlier" (Coyle, 1999).

Society's Changing Expectations of Business:

Society's perception of corporate social responsibility seems to undergo a phase of fundamental change. A variety of forces -geopolitical, socio-economic, demographic and technological- appear to influence society's changing expectations of business, new problems are emerging -shaking up existing assumptions about our world.

The population of the industrial nations is ageing rapidly. The proportion over 60 in the industrialized countries that make up the OECD is predicted to rise from less than a fifth in 1990 to a third in 2030 (Coyle, opcit, p. xi). The combined effect of rapid technological progress, ageing and unemployment exerts an unbearable pressure on the organization, that made them to think of sustainable development.

At the same time -responding to society's changing expectations of business- a growing number of companies seem to take pride in corporate citizenship, committing themselves to social responsibility. A most notable evolution in this respect has been the development of Social Accountability 8000 (SA-8000) - a global standard "providing a framework for the independent verification of the ethical production of all goods, made in companies of any size, anywhere in the world" a major opportunity for companies "to demonstrate their commitment to best practice in the ethical manufacture and supply of the goods they sell" (Fabian, 1998, p.1). SA-8000 involves auditing companies by independent assessors on a wide range of issues, comprising: child labour, health and safety, freedom of association,

the right to collective bargaining, discrimination, disciplinary practices and compensation (Fabian, opcit, p. 2). Organizations meeting the standard earn a certificate attesting to their "social accountability policies, management and operations" (ibid, p. 3).

Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles.

The Global Reporting Initiative is an international, multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental, and social impact of organization-level activity. Its mission is to improve the comparability and credibility of sustainability reporting worldwide

The role of corporate social responsibility might run within 4 main areas of interest as a matrix called "corporate social responsibility matrix", as follows: **ethical practices, local community, social infrastructure, environment**, to its protection and **sustainability, economic development**.

Effectiveness companies will no longer be measured only in terms of economic performance, which are directly influenced by the social and environmental approach. Operation in long-term competitiveness in the context of an increasingly globalize economy challenge the company to develop strategies and policies to ensure the business **transformation in an environmentally and socially responsible business**.

Shift from physical production-centered economic model based on exploitation, pursuing individual interests, towards the **sustainable development model, centered on intangible assets**, focusing on quality of life, resource conservation, the interests of society as a whole.

The balance between developing new global economic structure and people's expectations is a first contributing factor of the global trend towards a greater awareness of Social Responsibility.

A study of IBE (Institute for Business Ethics) has shown, by calculating financial and corporate responsibility indicators, that 'ethical' companies generated a net superior value added and a profits on average 18% higher than other companies [20];

Moreover, a large number of analysis and empirical studies analyzing the effect of environmental performance on financial performance (Lapalnte & Lano, 1994, Lano et al., 1998, Konar & Cohen, 2001, Khanna & Damon, 1999) and theoretical results indicate either a positive or negative connection. Konar and Cohen (2001) have shown significant positive effect of good environmental performance, measured by toxic emissions on the value of intangible assets of firms. Similarly, Austin et al. (1999) demonstrated that good environmental performance, expressed through various measures (eg. toxic emissions) positively influence the rates of return on equity. In accordance with the above-mentioned studies, Hart and Ahuja (1996) showed that the decrease of emission level results in a better financial performance, based on accounting information for a period of two years and Filbeck and Gorman (2004) by comparing for a period of three years the revenues to the penalties related to the environment, show a positive link between financial and environmental performance.

A study conducted in 1997 by DePaul University - Chicago found that those companies that have defined a social involvement towards the ethical principles strategy have financial benefit (based on the annual sales / revenues) more better than companies that do not involve themselves in this direction .[21]

A study over a period of 11 years conducted by Harvard University found that companies that act as social partners in the market had a growth rate of 4 times and 8 times higher when increasing the number of employees were compared with companies that are focused only on their business and profit.. [21].

A survey conducted in year 2000 by the prestigious company Burson-Marsteller in three most important European markets: Britain, Germain and France attends to the followings results

- 66 % of opinion leaders were interviewed strongly agreed that business involment in the community will matter greatly in the future;
- 64 % of opinion leaders surveyed were strongly agree that a company's reputation will affect their decisions as legislators, decision factors, journalists and investors;
- 42 % of opinion leaders were interviewed strongly agreed that corporate social responsibility will influence a company's share price in the future.

Experts from Business for Social Responsibility said that "the company's efforts to improve working conditions, reducing environmental impact and increase employee involvement in decision making, most often leads to **increased productivity and reduced error rate**. "For example, companies that invest in improving working conditions and good practice with providers often reveals that decreases the number of scrap or raw material that is damaged and can not lead to a quality product that is sold.

Corporate social responsibility (CSR) is in fact a complementary and effective agreement between business and society in which they operate. CSR is defined by how businesses align their values and expectations with the needs and requirements of the society where we include - not only customers or investors, but also their employees, suppliers, community, legislators, special interest groups, with other words, society as a whole. CSR is in fact, the extent to which business is committed to match the expectations of society. CSR is a concept very generous, and has begun to change the world we live. Society today is interested in both the financial performance of companies and the way they do their business. In this context, an increasing number of companies adopt, as part of organizational culture and business strategy, the corporate social responsibility.

CSR's key points include business management, supply chain, environmental protection standards on relationships with employees, and the community that we are part, human rights and social equity. CSR is not merely the fulfillment of a debt against the society; it can bring a real competitive advantage. Thus, through an effective social responsibility, companies can benefit from these advantages: optimization of opportunities of access to capital, improving brand image, increase sales, attract, retain, motivate and develop employees, improve decision making, improve risk management and reduce costs.

Methodology

Collection of data

For the extended literature study, articles concerning sustainability related issues were chosen.

The main research was done by the abstract and citation database Scopus. Articles using terms such as "SD, CSR, social dimension, social aspects or sustainability" in key words and titles of papers were selected. It came as no surprise to find hundreds of articles concerning sustainability issues from the last decades. However, as the focus of the paper is more on the relationship and the definition of the terms SD and CSR, only articles which tend to concentrate more on the social rather than environmental aspect were considered.

About 20 articles were selected. Some articles did not offer a kind of definition at all or discussed an issue that was related to the research purpose, therefore got excluded for this study.

The purpose of the literature research intends to clarify whether

- CSR correlates with the social dimension of SD as defined by Brundtland and the model of the triple-bottom-line
- CSR is developed and integrated based on the SD-model
- CSR is used synonymously for SD
- Articles exist which deal especially with the social dimension of SD (based on Brundtland) but do not use terms such as CSR.

Due to the analysis, different clusters, which picture the different hypotheses, were established and articles assigned to them depending on the author's definition of SD or CSR. The detailed discussion of the definitions within each cluster and the relationship between the clusters itself finally indicates the trend in scientific sustainability management. Research trends which might exist due to the geographical position of the scientists were not analyzed.

Papers were additionally investigated in regards of the main aims within SD or CSR. The purpose is to find out whether articles propose frameworks and models by which it is possible to implement and manage sustainability on a corporate level. For further research, it is important to prove the positive effects of

sustainability in the performance of the corporation. Therefore, it was also of interest whether SD or CSR have impact on the company's (financial) performance.

Additionally, the articles are analyzed concerning interactions between SD and CSR. This is of importance when designing the framework of significance and relationship between SD and CSR

In the following, each cluster is described to present how the articles have been assigned to.

Cluster 1: Sustainable development is base of CSR or the triple-bottom-line

Another trend in the sustainability discussion is the opinion that SD or Corporate Sustainability provides the basis for Corporate Responsibility or CSR. The arguments of this cluster are that SD represents a broad basis due to its concept of triple-bottom-line. The framework of SD is ethically justified as it attaches importance to an intra- and an intergenerative aspect. SD is rather seen as an ethical concept for institutional issues – a society related concept, whereas the ideas of SD on a corporate level are seen as CSR.

Cluster 2: CSR as development approach

Dyllick and Hockerts, 2002 describe social sustainability on a corporate level and define that “socially sustainable companies add value to the communities within which they operate by increasing the human capital of individual partners as well as furthering the societal capital of these communities. They manage social capital in such a way that stakeholders can understand its motivations and can broadly agree with the company's value system.”

In literature CSR is likely to be interpreted as the social strand of SD as for example the World Business Council does for SD and the European Parliament for CSR. Korhonen, 2003 declares that although the definition of SD has been discussed a lot and many advocates disagree, “the notion of sustainability has nevertheless become the basis for CSR and corporate environmental management”. This is an opinion also shared by Gauthier, 2005.

Moir, 2001 identifies CSR as an ethical basis which should satisfy the needs of the stakeholders. His definition of CSR is based on Business Impact, 2000 and he argues that a company which focus on CSR has to “treat employees fairly and equitably, operate ethically and with integrity and to respect basic human rights”. Hopkins, 2005 declares that “CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. The aim of Social Responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation.” He develops a concept to measure CSR which consists of principles of Social Responsibility, principles of social responsiveness and outcomes of social responsibility. For Welford, 2005 CSR is a business concept and he presents twenty elements such as internal and external aspects, accountability and citizenship which should be fulfilled by

CSR - companies. Due to these indicators, his concept can be seen as a description of the social dimension of SD.

Whereas the above mentioned scientists rather define CSR as the social pillar of SD, others tend to focus on the stakeholder aspect of CSR such as Jones, 1999 or Bazin and Ballet, 2004.

Zambon and Del Bello, 2005 argue that without identifying the needs of the stakeholders, no company can act in a social responsible way. Therefore, sustainability concepts are the natural evolution on the basis of the stakeholder theory.

Kok et al., 2001 define CSR as “the obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large and improving welfare of society at large independent of direct gains of the company.”

Snider et al., 2003 mention that “stakeholder theory provides a useful framework to evaluate CSR through social reporting activities.” Knox et al., 2005 focus their empirical study on CSR on stakeholder aspects. Together with Maignan and Ferrell, 2004 they argue that CSR is a concept of corporations to meet stakeholders interests effectively which has an impact on the company's success in the long run.

In literature, it is often stated that commitment to sustainability impacts the economic performance of companies in the long-term (e.g. Kröher, 2005, Schwarz et al., 2006, Dawkins and Lewis, 2003, Salzmann et al., 2005, Hopkins, 2002). Nevertheless, it is difficult to measure if an increasing financial performance is (only) related to SD activities.

Cluster 3: SD as basis for CSR

SD is rather seen as an ethical concept for institutional issues – a society related concept, whereas the ideas of SD on a corporate level are seen as CSR.

The arguments of this cluster are that SD represents a broad basis due to its concept of triple-bottom-line. CSR is associated “with the communion aspect of people and organisations” and relates to things such as “transparency, stakeholder dialogue and sustainability reporting”. He depicts three concepts of Corporate Sustainability and CSR. The first, corporate societal accountability is more likely to define CSR as SD; CSR as deriving from a model of sustainable economics (“rather than the prevailing neoclassical model”, DesJardins, 1998), which means that CSR is SD on a corporate level – with specific focus on corporate related issues and targets. For these advocates, CSR and SD are in a strong relationship to each other with high interdependences

In conclusion, we can assess corporate social responsibility as "an obligation freely assumed by a firm, beyond the legal obligations or restrictions imposed by economic, to pursue long term goals are for the benefit of society“ [14].

The advantages of CSR have been seen and will be taken increasingly on the future by more and more companies which are interested in a long-term strategy and an investment that brings benefits not only the image and confidence level but also at sales, all leading to the identity of a smart and healthy organization.
