



LINKING CSR WITH SUSTAINABILITY

MS. PRAGATI CHAUHAN*

*Assistant Professor,
Manav Rachna College of Engineering.

ABSTRACT

There is a general consensus that the health of the economy depends on the health of the earth's socio-ecological system. Empirical evidence (IPCC, 2007) reveals that the factors causing the biodiversity to be lost and earth's atmosphere to warm are in continuous rise. An understanding of the interdependence and relationship between the environmental, economic and social systems will enable organizations to think strategically and act proactively in order to mitigate their negative impacts on the environment and society through devising new organizational models and alternative solutions for the fulfillment of human needs and the renewal of the biosphere. Sustainable development and CSR are integrated to varying degrees through sets of operational principles identified by companies claiming to be socially responsible and committed to sustainability. This CSR movement will enable a shift towards sustainability by encouraging both scholars and administrators to focus on the problems that occur in the space between nature and humanity. International organizations like WBCSD, Natural step, Ceres have begun sponsoring certificates and rewards to these socially responsible businesses. These awards are intended to encourage the companies to thoroughly report on sustainability, economic, environmental and social performance

KEYWORDS: CSR, sustainability, social, environmental, strategies.

INTRODUCTION

The notion of corporate social responsibility (CSR) is not new in our society. It was born when corporations were born and societies to accommodate them. The 'soul' of corporate social responsibility is what the French philosopher Rousseau understood to be 'the social contract' between business and society. Rousseau conceptualised the relationship between business and society as being a 'symbiosis'. The Greek word 'symbiosis' means the co-living and co-existence of two parties in a mutually advantageous relationship. Thus, the social contract understands men (social members) as being able to act freely in a civil society that is united by a

general will or ‘volonte generale’: ‘The social contract that brings society into being is a pledge, and the society remains in being as a pledged good’.

The social contract signifies the relationship between society and business. Business hosts their operations within society and in return society expects business to show responsibility for aspects of its operations. According to the contract, society recognizes organizations as agents, particularly in the eyes of the law, and authorizes them to use land, natural resources and offer employment. From the business point of view, they improve the quality of life of a society. One can take the argument of the social contract further by adding to it that business is socially, morally and politically ‘bounded’ to improve the quality of life of society:

It is, however, the manner in which the social contract has been conducted, particularly on behalf of corporations during the past a hundred years, that makes the issue of corporate social responsibility so prominent and important nowadays. It may be that the reason behind the ‘misconduct’ of the social contract is the different understanding and explanations developed around the notion of CSR. The social contract is just one ‘plausible’ explanation of what is CSR. Many competing arguments that justify the nature and scope of CSR have been developed over the years, all of which have resulted in offering different discourses of the notion.

The decision to engage in CSR is different from Philanthropy because the corporate sector benefits firm investing in long term sustainable community development rather than simply reaping the simple tax advantages of philanthropic donations.

REVIEW OF LITERATURE

SUSTAINABLE DEVELOPMENT

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 lead 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.

It contains within it two key concepts: the concepts of “needs”, in particular the essential needs of the world’s poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization of the environments ability to meet present and future needs. Thus the goals of economic and social development must be defined in terms of sustainability in all countries developed or developing, market-oriented or centrally planned.”, cited in “Our Common Future” (World Commission on Environment and Development, 1987). Elkington goes more into detail when arguing that companies should not

only focus on enhancing its value through maximizing profit and out come but concentrate on environmental and social issues equally (Elkington, 1998).

Therefore SD is defined as a model of triple-bottom-line. In the United Nations Conference on Environment and Development in Rio de Janeiro 1992 and the Johannesburg Summit on Sustainable Development 2002, the Brundtland-concept of the three pillars has been further elaborated on.

According to Wilson (2003), sustainable development contributes to corporate sustainability in a way that it helps set out the areas of focus for organizations such as environmental, social and economic performance; and it provides a common societal goal for corporations, governments and civil society to work toward: ecological, social and economic sustainability

CORPORATE SOCIAL RESPONSIBILITY

Since the 1950s many theories have been reported for or against CSR. 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).

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). Friedman (1962) asserts that engaging in CSR is symptomatic of an agency problem. The agency theory perspective has been challenged by many researchers and particularly by the dominant theory in the field of Business and Society, the stakeholder theory.

Freeman (1984) asserts that firms have relationships with many constituent groups which are affected and affect the actions of firms. An extension to stakeholder theory has been suggested by Jones and Wicks (1999) who argued that instrumental and ethical stakeholder theories can be combined to arrive at a normative theory that illustrates 'how managers can create morally sound approaches to business and make them work. (1999:206). An earlier contribution very close to the stakeholder model which has gained a lot of attention in both the business and the academic communities is the Corporate Social Performance (CSP) model, (Carroll ,1979). 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).

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 fulfill 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).

Researchers in the field have also examined CSR activities from a resource based perspective and have tried to show how CSR can be a source of competitive advantage. Branco and Rodrigues (2006) have examined how CSR can have a strategic value for firms by providing them with a number of internal and external benefits such as increased reputation, morale, commitment and loyalty which constitute resources hard to imitate hence contributing to firm’s competitive advantage.

CSR IN INDIAN CONTEXT

In India, the CSR multi-stakeholder approach is rather fragmented, and interaction between business and civil society organizations, and especially trade unions, is still rare and takes place at best on an ad-hoc basis. The philanthropic approach continues to be widespread in India: While the Indian understanding of CSR shows a slight shift from traditional philanthropy towards sustainable business, philanthropic CSR patterns still dominate in many Indian companies. The Indian CSR agenda is constantly dominated by community development activities, particularly in the areas of health and education. While most Indian companies see their community development projects as important contributions to overcoming the existing development challenges in their region of operation. However, a company’s community development approach based on the argument that it feels an obligation to “give something back to society” lacks transparency and specific standards. There is a need that CSR should be a part of the core business processes and assigning CSR responsibilities to corporate departments to become sustainable..

Moving away from the traditional approach, companies today are increasingly sensitive about their social role. The companies not only concentrate on how they will position their product or how they will sell it but also they have a social strategy because they have started feeling that brands are built not only around good quality of the product; but also around emotions and values that people ascribe to those products

WHAT CSR AIMS AT

- **ENVIRONMENTAL PROTECTION-** finding sustainable solutions for natural resource use to reduce the company’s impact on the environment
- **HUMAN RIGHTS-** maintaining the rights and dignity of employees and communities.
- **LABOUR SECURITY-**freedom of association and effective recognition of the right to collective bargaining.
- **COMMUNITY INVOLVEMENT-**community partnership, employee giving, philanthropy, global community development, product and service donations
- **BUSINESS STANDARDS-**covers a broad area of corporate activities-ethics, financial returns, environmental protection, human rights and labor standards.

- **MARKET PLACE**- includes distribution, ethical marketing, consumer privacy, product disclosure, product quality and safety
- Enterprise and economic development
- Health promotion
- Education and leadership development
- Human disaster relief

BENEFITS THAT CSR OFFERS

“Companies are now recognizing that dealing with environmental and social issues can provide business benefits when reputational risk is high and sustainable competitiveness and development becomes a key strategy” Susan Ariel Aaronson, Senior fellow, National policy association

- **GETTING LICENSE TO OPERATE- FROM KEY STAKEHOLDERS NOT JUST SHAREHOLDERS**- those values needs to be focused that are best for the key stakeholders, and not just the shareholders .With the growing private sector, there lies an increased responsibility towards social and environmental progress.
- **SUSTAINABLE COMPETITIVENESS**- the impact of CSR on sustainable competitiveness can be seen as:
 - a) enhancing reputation and brands
 - b) More efficient operations
 - c) Increased financial performance
 - d) Increased sales and customer loyalty
 - e) Increased ability to attract and retain quality employees
- Creating new business opportunities
- Attracting and retaining Quality investors and business partners
- Co-operation with local communities
- Avoiding crisis due to CSR misconduct
- Government support
- Building political capital

CSR AND SUSTAINABILITY

CSR essentially represents the corporate response to Sustainable development. The ultimate objective for a company adopting CSR is to reach corporate sustainability.

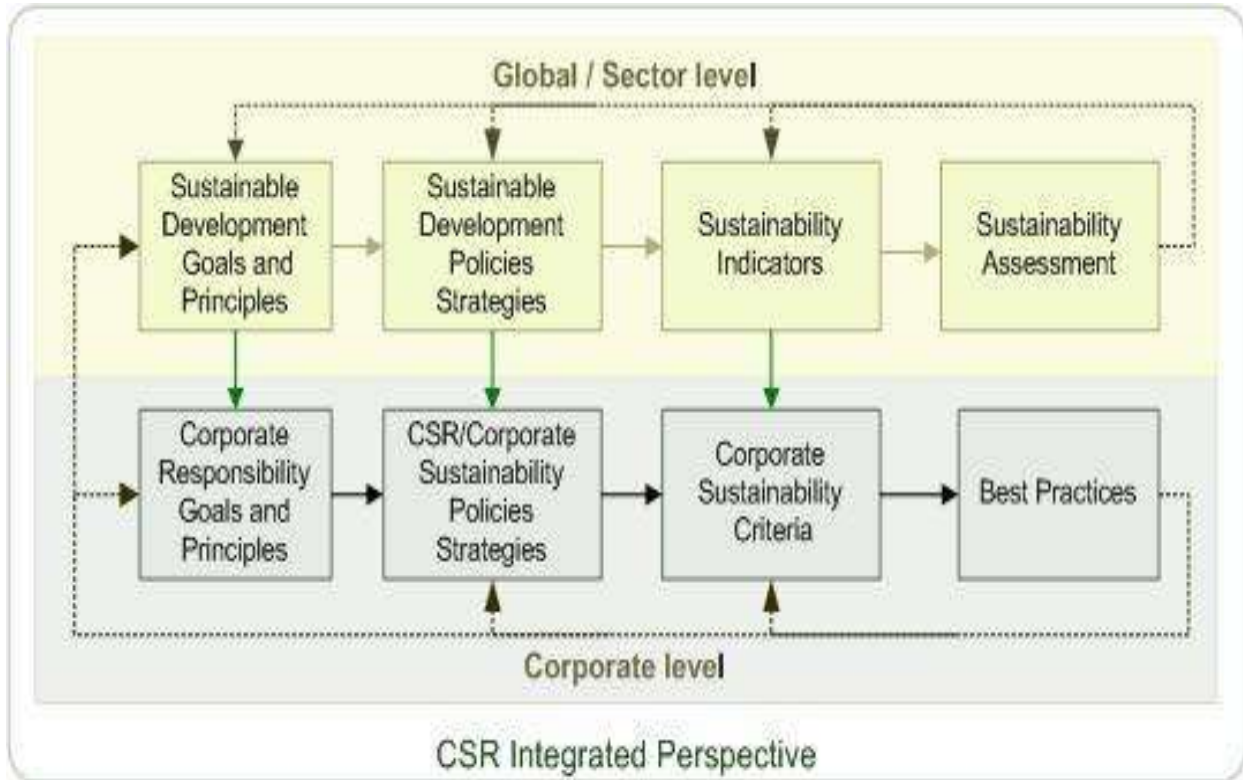


FIGURE:1: AN INTEGRATED PERSPECTIVE FOR CSR(SOURCE: CSR QUEST SUSTAINABILITY FRAMEWORK)

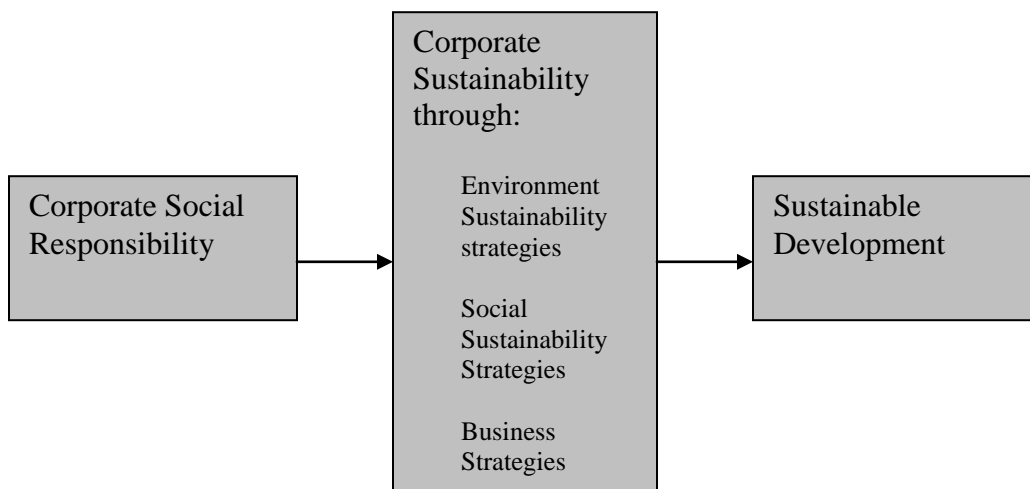


FIGURE:2: SUSTAINABILITY THROUGH CORPORATE SUSTAINABILITY

This is how sustainability merges with corporate activities to form a model where sustainable development become a part of the organization vision in strategizing and conducting its business operations from sustainability perspective.

The above diagram represents how the overall sustainable development goals and principles is translated into policies and strategies by the government and their impact is measured by the appropriate sustainability parameters. Corporate responsibility goals and principles are defined mainly by different international organizations reflecting the sustainability goals. These goals guide the corporate sustainability policies and strategies, which reflect also the sector specific requirements. Corporate Sustainability criteria takes into account the broader sustainability indicators and guide CSR best practices. Feedback loops from government policy implementation, assessments and corporate strategy implementations enable improvements in each part of the process.

If the model of social responsibility adopted by the business is a philanthropic one then the starting point assumption is that, through CSR, corporations simply get to "give away" money which rightfully belongs to other people. If CSR is seen as a process by which the business manages its relationships with a variety of influential stakeholders who can have a real influence on its license to operate, the business case becomes immediately apparent. CSR is about building relationships with customers, about attracting and retaining talented staff, about managing risk, and about assuring reputation. The market capitalization of a company often far exceeds the "property" value of the company. For instance, in many knowledge based industries "intangibles" - account for a large percentage of capitalisation - a major part of which rests on the reputation of the company. No company would like to or should risk the reputation of the company.

Corporate social responsibility is often presented as an extra cost, an added burden born by the corporation already struggling to be profitable in a difficult economic phase. But in some situations, the opportunity to improve its business ethics also offers the company extra ordinary marketing and branding possibilities.

As companies move forward to design a CSR strategy that provides the intended leverage point as intended, key success factors need to be borne in mind. Whatever corporates do within the purview of CSR has to be related to core business. It has to utilise things at which corporates are good; it has to be something that takes advantage of the core skills and competencies of the companies. It has to be a mandate of the entire organisation and its scope does not simply begin and end with one department in the organisation

CONCLUSION

Policy makers are beginning to realize that development centered only on economic growth paradigms, is unsustainable and there is a need for a more pro-active role in the development process. Creating a sustainable future, economically, socially and environmentally requires government, organizations, society and individuals to rethink their expectations, their responsibilities and their interactions. There is an increasing recognition that we are all part of a

complex dynamic system whose sustainable development is dependant on a responsible global partnership between people, companies and government.

REFERENCES

- Bhal Kanika T. “Construct of Corporate Social Responsibility : A Framework “ Management & Change Vol. 6 . No. 1, Summer 2002 PP. 37-50
- Carrel A.B., Business & Society - Ethics and Stakeholder Management, South Western Publishing Company, Ohio, 1993.
- Carroll, A.B. (1979) ‘A three dimensional conceptual model of corporate social performance’, Academy of Management Review, 4.
- Carroll, A & Buchholtz, A 2005, Business and society: ethics and stakeholder management, OH: South- Western Educational Publishing, Mason.
- Friedman, M. (1962) ‘The Social responsibility of Business is to Increase Profits’, New York Times Magazine, September 13th : 122-128.
- Jones, T.M. (1995) ‘Instrumental stakeholder theory: A synthesis of ethics and economics’, Academy of Management Review, 20:404-437.
- N. Balsubramanian "From Shareholder to Stakeholders" Business Today, Special Issue on managing in the Trimillennium, January 7, 2000
- Porter, M.E and Kramer, M.R (2006), ‘Strategy and Society: The link between Competitive advantage and corporate social responsibility’, Harvard Business Review, December 1st : 78-92.
- The case for doing atleast some good: In Corporate Social Responsibility, Doing the most good for your company and your cause, by Philip Kotler and Nancy Lee, 2005