

## Relationship between corporate social responsibility and social sustainability

Ionela Carmen PIRNEA, Marieta OLARU, Cristina MOISA

Bucharest Academy of Economic Studies,

Bucharest, Romania

[rizea.carmen@yahoo.com](mailto:rizea.carmen@yahoo.com)

[olaru.marieta@gmail.com](mailto:olaru.marieta@gmail.com)

[crista\\_lhd@yahoo.com](mailto:crista_lhd@yahoo.com)

### Abstract

Corporate social responsibility is one of the most important issues that business is facing today. Those who follow the way in which companies engage in social problems, they have noted that social responsibility has a strategic importance. The paper highlights the results of a study conducted by the authors regarding the passage devoted from the concept of corporate social responsibility to a new integrated design known as corporate sustainability and responsibility. Social sustainability is quite common in corporate social responsibility in the context of concerns for companies to develop strong and sustainable relationships with customers, employees, suppliers, stakeholders and last but not least, the social enterprise community. The research highlights the dynamic concept of social responsibility and stresses the need to promote research approaches and models in this field. This article is a result of the project POSDRU/88/1.5./S/55287 „Doctoral Programme in Economics at European Knowledge Standards (DOESEC)". This project is co-funded by the European Social Fund through The Sectoral Operational Programme for Human Resources Development 2007-2013, coordinated by The Bucharest Academy of Economic Studies in partnership with West University of Timisoara.

**Keywords:** corporate social responsibility, social sustainability, sustainable development

### EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY CONCEPT

Since the second half of the 20th century, a long debate on CSR has been taking place in order to answer to different questions such as “What does exactly it means?”, “How it is developed by corporations?”, “How much it affect the firms’ competitiveness?”.

The first scholar introduced the concept of Corporate Social Responsibility was Bowen (1953) with the book “Social responsibilities of the businessman”[1]. Since then, the social responsibility of business became the social responsibility of corporation encompassing a great proliferation of definitions [15, 13, 10, 8] theories and approaches [4], involving academic and institutional actors. Moreover, different terms have been using referring to the same phenomenon (Corporate Responsibility, Corporate Accountability, Corporate Ethics, Corporate Citizenship, Corporate Sustainability, Responsible Business and so on) and in different ways it was developed into business environment of the corporations.

Despite the multitude contributions, in both the corporate and the academic world there is uncertainty as to how Corporate Social Responsibility should be defined. Many definitions and theoretical frameworks have been developed but there isn’t a largely consensus on the exact meaning of term.

This confirms the Votaw’s (1972) perspective which recognizes that corporate *social responsibility* “means something, but not always the same thing to everybody [20]. To some, it conveys the idea of legal responsibility or liability; to others, it means socially responsible behaviour in the ethical sense; to still others, the meaning transmitted is that of ‘responsible for’ in a casual mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of

belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large”.

<b>Corporate Social Responsibility Content</b>	<b>Motivations for CSR</b>	<b>Effects of CSR on firm performance</b>
Attempts to define CSR “Businessmen...must follow those lines of action which are desirable in terms of objectives and value of our society” <b>Bowen (1953)</b>	Socially responsible decisions can have long terms benefits <b>Davis (1960)</b>	Not possible to gauge economic impacts of socially responsible actions in most cases. <b>Manne and Wallich (1972)</b>
Broadening of scope of CSR to include: Considerations of employee and community welfare and educational and political needs of society. <b>McGuire (1963)</b> Service to improve the quality of human life. <b>Committee for Economic Development (1971)</b>	Firms need to balance multiple interests to ensure achievement of multiple goals and long-run profit maximization <b>Johnson (1971)</b>	Lexicographic view of social responsibility: firms pay attention to social issues only after meeting profitability goals. <b>Johnson (1971)</b>
Acknowledgement of managerial role in discharging CSR: quality of managerial response to charging societal expectations is explicitly mentioned. <b>Committee fo Economic Development (1971)</b> Business must not spoil society and provide solutions through voluntary assumption of obligations. <b>Manne and Wallich (1972)</b>	Iron Law of Responsibility: business must behave responsibly or lose the power and legitimacy granted by society. <b>Davis (1973)</b>	Theory of slack resources states that firms that have resources to spare outperform those that don't in terms of social performance. <b>Waddock and Graves (1997)</b>
Delineations of CSR and Actionable Models: CSR encompasses economic, legal, ethical and discretionary expectations of society. <b>Carroll (1979)</b> Corporate Social Performance (principles, processes and polities) <b>Wartick and Cochran (1985)</b> Corporate Social Performance Framework <i>Principles, Processe, Outcomes.</i> <b>Wood (1991)</b>	Normative stakeholder theory: firms are moral agents due to contractual abligations to satisfy societal expectations. <b>Danaldson (1983)</b>	Social problems can be turned into business oppotunities to create wealth. <b>Drucker (1984)</b>
Delimiting the Scope of CSR and Development of Complementary Constructs Stakeholder Theory Business are responsible to those who can affect of are affected by its purposes. <b>Freeman (1984)</b> Environamental Marketing <b>Menon and Menon (1997)</b> Corporate Citizenship <b>Maignan, Ferrell and Hult (1999)</b> Corporate Environmentalism <b>Bannerjee, Iyer and Kashyap (2003)</b>	Instrumental stakeholder theory Firms must satisfy stakeholders because they are instrumental to achieving frm objectives. <b>Freeman (1984)</b>	Environmentalism improves business performance Environmentally responsible firms can gamer competitive advantages through cost reductions, differentiation potential and strategic direction <b>Porter and van der Lindle (1995)</b> <b>Hart (1995)</b> <b>Klassen and McLaughlin (1999)</b> <b>Judge and Douglas (1998)</b>
Corporate Sustainability Corporate Sustainability demands attention to economic, environmental and social issues. <b>Van Marrewijk (2003)</b>	Sustainable Theory of firm Satisfying stakeholders is the sole purpose and reason for a firm's existence. <b>McWilliams and Siegel (1995)</b> <b>Stead and Stead (2001)</b> Sustainable Value Strategies that simultaneously drive sustainable development and shareholder value create sustainable value. <b>Hart, Milstein and Caggiano (2003)</b>	Sustainable Growth: “a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments”. <b>Dow Jones Sustainability Index 1999</b>

**Table 1 - Evolution of corporate social responsibility concept**

Source: Rajiv Kashyap, Raza Mir, Ali Mir, *Evolution of the Corporate Social Responsibility Concept, Corporate Social Responsibility: A Call For Multidisciplinary Inquiry*, Journal of Business & Economics Research Volume 2, Number , pp.51-58, 2004.

The lack of both a largely consensus and a single standard to implement the phenomenon generate many critical issues in terms of different stakeholders' perception about what represents the social responsibility of the corporation, what kind of activities may be implemented into different business environments and the nature of the relation between these and the competitiveness of the firms. Moreover, the specificities of each corporation – in terms of dimension, industry, corporate governance system and so on – directly affect its capability to develop CSR systems [2, 6, 5].

In order to this, different CSR approaches are developed by large firms and by small and medium enterprises (SME) due to the specific characteristics of SMEs [4].

Several studies are now stressing that SMEs are not “little big firms”, but rather that certain traits distinguish them from large corporations [4].

Academic work on social responsibility in small firms is limited [5]. A knowledge gap exists because research on CSR has basically focused on large firms.

Developing a specific branch of research focused on these specific economics units is necessary because of the important role they have into countries development process. Focusing on European economic system, and particularly on Italian business environment, this is characterized by the widespread diffusion of small and medium enterprises, which employ more than 65% of total employees and generate more than 50% of national value added [7].

The current economic environment is marked by globalization phenomena (widening gap) of the interdependence between environment and development recognition. It is increasingly shared the view that corporates social responsibility and sustainable development approaches should become an integral part of the economic concepts used by business, to ensure a balance between economic growth, natural resource reserves and social progress. [12].

It is for these reasons that lately, researchers and businesses became more and more interested in the implications of the social responsibility in the business performance.

The Social Responsibility (Corporate Social Responsibility - CSR) is defined as the actions undertaken by a company in order to promote the social interest before the purely economical one and even before the legislative requirements. [16].

In 2001 the European Commission has adopted the Green Paper entitled "Promoting a European Framework for Corporate Social Responsibility." Firstly this document was to launch a debate about the Corporate social responsibility concept. Secondly, to identify a way to create a partnership in order to produce the necessary framework to promote the concept.

The Green Paper defines CSR as being *"a concept whereby companies willingly integrate social actions and environmental protection in their daily activities and stakeholders relationships, .* The companies are now becoming aware that a responsible behavior leads to a long lasting business success. The social responsibility actions of a company should go beyond its obligations according to social or environmental regulations, so that the company can be perceived as a supporter of public interest. It is important to underline that in the Communiqué relaunching the Lisbon Strategy, The European Commission addresses (takes) the social responsibility concept as a real part of competitiveness. Therefore, *"voluntary businesses(?) initiatives, taking the aspect of social responsibility practices may have an essential contribution to the sustainable development, strengthening, at the same time, the innovation and competitiveness potential of Europe."*

CSR is based on a long term strategy that includes various actions, such as volunteering, sponsorships, donations, benefits, expertise [9].

## **DIFFERENCE BETWEEN CORPORATE SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY**

To see if there is difference between the two terms we have to first define what sustainability or sustainable development is.

Thomas Dyllick and Kai define Corporate Sustainability as, "meeting the needs of a firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities) without comprising its ability to meet the needs of future stakeholders as well" [26].

The Australian government defines Corporate Sustainability as, "encompassing strategies and practices that aim to meet the needs of the stakeholders today, while seeking to protect, support, and enhance the human and natural resources that will be needed in the future."

Corporate Social Responsibility according to the World Business Council for Sustainable Development defines corporate social responsibility as, "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as a local community and society at large".

In *Capitalism and Freedom* Milton Friedman defines corporate social responsibility as. "There is one and only one social responsibility of business, to use its resources and engage in activities designed 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." Neither of the corporate social responsibility definitions touches upon sustainable development, which is the ability to renew natural resources at a rate equal to its ability to regenerate.

Looking at the definitions above there is a difference between corporate responsibility and corporate sustainability. Corporate responsibility concentrates more on the non-financial societal activities that a company contributes to whereas corporate sustainability concentrates on both the impact of environmental factors on a company and the company's impact on the environment. This was a point Michael E. Porter and Forrest L. Reinhart stated in their article *A Strategic Approach to Climate*, "Companies that persist in treating climate change solely as a corporate social responsibility issue, rather than a business problem will risk the greatest consequences." Porter and Reinhart believe that businesses need to look both "inside out," which they define as a company's impact on climate and "outside in" on how climate regulatory change may affect the business environment in which the company competes [7].

If we take a look at the mining companies, there are several ways in which a business can take action from a corporate sustainability perspective. First, mining companies would have to take a look at their own mining operations. Their impact on mining the land, the fuel that they use in running the mining equipment, and how they will restore the land once they have exhausted the mines resources. From the retail store perspective it would have to take a look at product packaging, transportation of goods and services, and store operations.

These are just a few of the considerations that this particular business would have to look at under its corporate sustainability efforts. The company's corporate sustainability efforts are very different from their corporate responsibility efforts of fighting AIDS in an area they currently mine in. Both efforts are important but each one impacts the businesses economic and strategic position differently. Going forward, with stronger legislation being enacted on a business impact on the environment, it is strategically imperative that companies know the difference between corporate responsibility and corporate sustainability [8].

## **CORPORATE SUSTAINABILITY AND RESPONSIBILITY**

Corporate social responsibility is a one of the challenges for the future.

Although it can be defined in various ways; we consider the following definition is a synthetic approach to the concept of social responsibility of business: corporate social responsibility is the application of a strategy which systematically integrates the economic, environmental and social impact of a business into the management of that business.

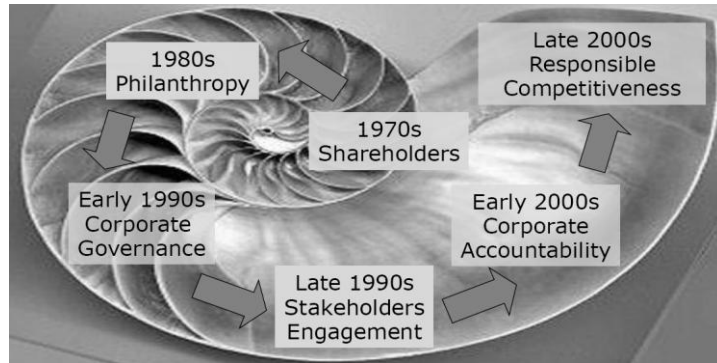


Figure 1 - The evolution of responsibility

Source: CSR 2.0 The Future of Corporate Social Responsibility, www.csrinternational.org

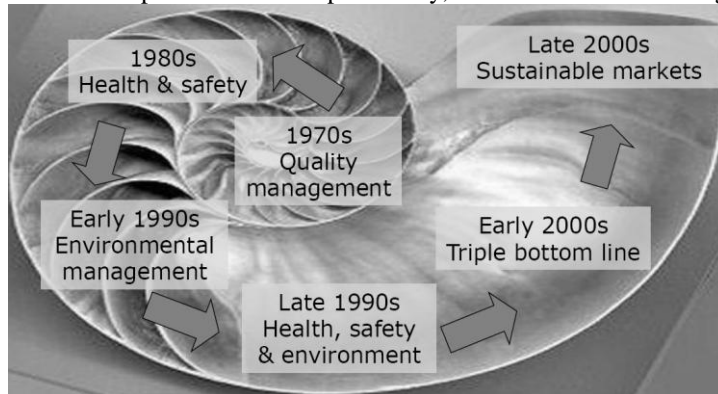


Figure 2 - The evolution of sustainability

Source: CSR 2.0 The Future of Corporate Social Responsibility, www.csrinternational.org

According to Wayne Visser (2008) "Corporate Social Responsibility" is the classic notion, which he call CSR 1.0. He also integrate a new conception CSR 2.0, which can be more accurately labelled "Corporate Sustainability and Responsibility". The allusion to Web 1.0 and Web 2.0 is no coincidence [30]. The transformation of the internet through the emergence of social media networks, user-generated content and open source approaches is a fitting metaphor for the changes business is experiencing as it begins to redefine its role in society.

Web 1.0	CSR 1.0
A flat world just beginning to connect itself and finding a new medium to push out information and plug advertising.	A vehicle for companies to establish relationships with communities, channel philanthropic contributions and manage their image.
Saw the rise to prominence of innovators like Netscape, but these were quickly out-muscled by giants like Microsoft with its Internet Explorer	Included many start-up pioneers like Traidcraft, but has ultimately turned into a product for large multinationals like Wal.Mart.
Focused largely on the standardized hardware and software of the PC as its delivery platform, rather than multi-level applications.	Travelled down the road of "one size fits all" standardization, through codes, standards and guidelines to shape its offering.
Web 2.0	CSR 2.0
Being defined by watchwords like "collective intelligence", "collaborative networks" and "user participation".	Being defined by "global commons", "innovative partnerships" and "stakeholder involvement".
Tools include social media, knowledge syndication and beta testing.	Mechanisms include diverse stakeholder panels, real-time transparent reporting and new-wave social entrepreneurship.
Is as much a state of being as a technical advance - it is a new philosophy or way of seeing the world differently.	Is recognising a shift in power from centralised to decentralised; a change in scale from few and big to many and small; and a change in application from single and exclusive to multiple and shared.

Table 2 – Similarities between Web 1.0. and CSR 1.0, Web 2.0 and CSR 2.0

Source: Wayne Visser, *CSR 2.0 – the new era of Corporate Sustainability and Responsibility*, CSR Inspiration Series, No.1, 2008.

As our world becomes more connected and global challenges like climate change and poverty loom ever larger, businesses that still practice CSR 1.0 will (like their Web 1.0 counterparts) be rapidly left behind. Highly conscientised and networked stakeholders will expose them and gradually withdraw their social licence to operate. By contrast, companies that embrace the CSR 2.0 era will be those that collaboratively find innovative ways tackle our global challenges and be rewarded in the marketplace as a result.



**Figure 3 – CSR 1.0 versus CSR 2.0**

Source: Wayne Visser, *CSR 2.0. The future of corporate social responsibility*, 2010, www.csrinternational.org

The CSR 2.0 model proposes that we keep the acronym, but rebalance the scales, so to speak. Hence, CSR comes to stand for ‘Corporate Sustainability and Responsibility’. This change acknowledges that ‘sustainability’ (with roots in the environmental movement) and ‘responsibility’ (with roots in the social activist movement) are really the two main games in town. A cursory look at companies’ non-financial reports will rapidly confirm this – they are mostly either corporate sustainability or corporate responsibility reports.

However, CSR 2.0 also proposes a new interpretation on these terms. Like two intertwined strands of DNA, sustainability and responsibility can be thought of as different, yet complementary elements of CSR. Hence, as illustrated in Figure 1, sustainability can be conceived as the destination - the challenges, vision, strategy and goals, i.e. what we are aiming for – while responsibility is more about the journey – solutions, responses, management, actions, i.e. how we get there.



**Figure 4 - Corporate Sustainability & Responsibility (The New CSR)**

Source: Wayne Visser, *The Evolution and Revolution of Corporate Social Responsibility*, Responsible Business: How to Manage a CSR Strategy Successfully, Chapter 21: CSR 2.0, 2010.

The DNA of CSR 2.0 (Figure 3) can be conceived as spiralling, interconnected, non-hierarchical levels, representing economic, human, social and environmental systems, each with a twinned sustainability/responsibility manifestation: economic sustainability and financial responsibility; human sustainability and labour responsibility; social sustainability and community responsibility; and environmental sustainability and moral responsibility.

## CONCLUSIONS

Agreement across disciplines regarding concepts and definitions is necessary for the purpose of establishing construct validity.

Companies must make the leap from having the performance to ensure sustainable performance, environmental performance is one of the dots of support. Sustainable success of an enterprise is achieved through the ability to meet the needs and expectations of its customers and other stakeholders in the long term and balanced. Sustainable success can be achieved through effective management of the organization, the environmental awareness organization, by learning and applying appropriate improvements, innovations or both. [21]

CSR 2.0 comes down to one thing: clarification and reorientation of the purpose of business. It is a complete misnomer to believe that the purpose of business is to be profitable, or to serve shareholders. These are simply means to an end. Ultimately, the purpose of business is to serve society, through the provision of safe, high quality products and services that enhance our wellbeing, without eroding our ecological and community life-support systems.

## References

- [1] Bowen, H. R.: 1953, *Social Responsibilities of the Businessman*, Harper & Row, New York;
- [2] Campbell J.L., 2007, "Why should corporations behave in socially responsible ways? An institutional theory of corporate social responsibility", *Academy of Management Review*, 32(3);
- [3] Garriga E., Melè D., 2004, "Corporate social responsibility theories: mapping the territory", *Journal of business ethics*, 53(1);  
Maignan I., D. Ralston, 2002. "Corporate Social Responsibility in Europe and the U.S. : Insights from Businesses' Self-presentations", *Journal of International Business Studies*, 3rd quarter;
- [4] McWilliams, A., Siegel, D., & Wright, P. M., 2006, Corporate social responsibility: Strategic Implications, *Journal of Management Studies*, 43;
- [5] Ocse, 2000, "Linee Guida Ocse destinate alle Imprese Multinazionali", available on site <http://www.rsinews.it/newsformat1.asp?news=40>;
- [6] Olaru, M., Dinu, V., Stoleriu, G., Sandru, D., Dincă, V. (2010). *Responsible entrepreneurship and SME specific values sustainable development in terms of European Excellence Model*, *Revista Amfiteatru Economic*, Nr.27, pp.10-16.
- [7] Olaru Marieta, Carmen Rizea (Pirnea), Sava Tița - *Promoting the concept of social responsibility by SME'S in Romania, in the context of concerns the implementation of integrated management systems*, 7<sup>th</sup> International Conference Management of Technological Changes, Sustainable Development through Technological Change, MTC 2011, september 2011, Alexandroupolis, Greece, abstract acceptat în 15 februarie 2011, lucrare în curs de evaluare. ISI Web of Knowledge, ISI Proceedings Database.
- [8] Olaru, M., Stoleriu, G., Langă C. (2010), *Concerns of SMEs in Romania on sustainable development in relation to the implementation and certification of quality management systems*, in journal „Calitatea - acces la succes” (Quality-access to success), year 11, no. 118/ 2010, Publisher SRAC, Bucharest, pp. 7-12, national journal ranked by CNCISIS as B level and included in international databases Scopus and EBSCO Publishing, Inc, ISSN 1582-2559, [www.calitatea.srac.ro](http://www.calitatea.srac.ro).
- [9] Olaru Marieta, Diana Pitic, Cristian Codre (2009), *Social responsibility of romanian smes within the context of financial crisis and sustainable development*, in journal „Calitatea - acces la succes” (Quality – access to success), year 10, no. 11/2009, Publisher SRAC, Bucharest, pp. 220-227 national journal ranked by CNCISIS as B level and included in international databases Scopus and EBSCO Publishing, Inc, ISSN 1582-2559, [www.calitatea.srac.ro](http://www.calitatea.srac.ro)

- [10]Orlitzky, M., Schmidt, F. L. and Rynes, S. L., 2003. Corporate social and financial performance: A meta-analysis, *Organization Studies*, 24(3): 403-441.
- [11]Rajiv Kashyap, Raza Mir, Ali Mir, *Evolution of the Corporate Social Responsibility Concept, Corporate Social Responsibility: A Call For Multidisciplinary Inquiry*, Journal of Business & Economics Research Volume 2, Number , pp.51-58, 2004.
- [12]Sava T., Rizea (Pirnea) C., Flood I.– *Benefits of the implementation and certification for environmental management system SMEs in Romania*, Revista Quality – access to success, volumul II, pp. 248-254, 2010.
- [13]Sethi S.P., 1990, “An analytical framework for making cross cultural comparisons of business responses to social pressures: The case of the United States in Japan” in L.E. Preston (ed.) *International and Comparative Corporation and Society research*, Jai press: Greenwich, CT;
- [14]Serban Viorica, Malte Kaufmann, (2009), *Sustainability and Quality- Sustainable chain improve the product quality and create the parth to business excelence*, in journal „Calitatea - acces la succes” (Quality – access to success), year 10, no. 11/2009, Publisher SRAC, Bucharest, pp. 220-227 national journal ranked by CNC SIS as B level and included in international databases Scopus and EBSCO Publishing, Inc, ISSN 1582-2559, [www.calitatea.srac.ro](http://www.calitatea.srac.ro)
- [15]Simpson, G. W., Kothers T., 2002, “The link between corporate social and financial performance: evidence from the banking industry”, *Journal of Business Ethics*. Dordrecht, 35(2), p. 97-109;
- [16]Spence, L.J., 2007, CSR and Small Business in a European Policy Context: The Five ‘C’s of CSR and Small Business Research Agenda 2007, *Business and Society Review*, 112 (4);
- [17]Tilley, F., 2000, “Small firm environmental ethics: how deep do they go?”, *Business Ethics: A European Review*, Vol. 9 No. 1;
- [18]Thomas Dyllick and Kai Hockerts, Beyond the business case for corporate sustainability, *Business Strategy and the Environment Bus. Strat. Env.* 11, 130–141 (2002) Published online in Wiley InterScience ([www.interscience.wiley.com](http://www.interscience.wiley.com)).
- [19]Unicredit, 2009-2010, “The small enterprise and the recovery of economic system”, VI Ed., pp. 169- 170.
- [20]Votaw D., 1972, “Genius become rare: a comment on the doctrine of Social Responsibility Pt1”, *California Management Review*, 15(2);
- [21]Wayne Visser, *CSR 2.0 – the new era of Corporate Sustainability and Responsibility*, CSR Inspiration Series, No.1, 2008.
- [22]Wayne Visser, *CSR 2.0.The future of corporate social responsibility*, 2010, [www.csrinternational.org](http://www.csrinternational.org)
- [23]Wayne Visser, *The Evolution and Revolution of Corporate Social Responsibility*, Responsible Business: How to Manage a CSR Strategy Successfully, Chapter 21: CSR 2.0, 2010.
- [24]World Business Council for Sustainable Development, 2000, *Corporate Social Responsibility: Making Good Business Sense*, Geneva.
- [25]<http://www.wbcsd.org/templates/TemplateWBCSD5/layout.asp?MenuID=1>
- [26]<http://www.isc.hbs.edu/pub-articles.htm>
- [27]<http://hbr.org/product/harvard-business-review>
- [28][www.csrinternational.org](http://www.csrinternational.org),