

Integrating Sustainable Development & Corporate Social Responsibility

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Sustainable Development (SD) and Corporate Social Responsibility (CSR) have to be among the most important concepts that companies apply and/or promote through specific programmes. As some analyses show, SD and CSR programmes are becoming a constant part of corporate actions, either as part of the company's PR strategy or as an element of the company's operational system. The following article offers an overview of the sustainable development and corporate social responsibility concepts, emphasising the importance they have gained at corporate level and pointing out a few aspects that international organisations view as being essential for the future of SD and CSR.

1. Sustainable development

The term sustainable development (SD) was launched in 1987 within a UNCTAD report – Our Common Future, also known as the Brundtland report. The report stated that poverty was the main cause of environment destruction and proposed that resources should be generated by economic increase (activated by international trade).

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”¹

Lately, the terms most associated with the definition of sustainability are people, planet, profit or the three pillars of sustainability. This phrase originates in the terms that WBCSD - World Business Council for Sustainable Development used when defining the operational aspect of sustainability (people welfare, natural support and economic growth)

The Brundtland definition addresses all the parties it referred to: from common people or society, to environmentalist organisations and companies. Although defined in simple terms, sustainable development became a complex matter, which companies started to integrate more often with their programmes or daily activities. The reasons for getting involved in such matters and making them public are numerous and derive from

¹ <http://www.lca-net.com/products/sustainable.asp>

the importance of SD.

Forum for the Future, one of the most important charitable organisations in Great Britain, whose main purpose is to promote the sustainable development concept, presents the following factors, as being essential to understanding the importance of sustainable development¹:

- over the last 10 years, ecological disasters have generated losses of USD 600 bn – more than losses recorded in the last 40 years due to the same causes;
- if fossil fuels are burned at the same pace, greenhouse gases will increase by 50% in the next 5 years;
- over 100 million Europeans and North Americans live in cities with extremely high pollution level;
- a growing number of the world population is affected by the lack of drinkable water or food and by floods or draughts.

The same organisation draws attention to the fact that such problems, although not typical of developed countries, are emerging in economic environments where the level of welfare is much above the global average. The basis of this problem is the ignorance with which people treat the environment and the lack of understanding that any human activity is dependent on it. Fortunately, a higher number of organisations and persons try to contribute by coming with new methods of solving altogether, the economic, social and environment problems which society is dealing with, either through sustainable development or through what is known nowadays as social responsibility.

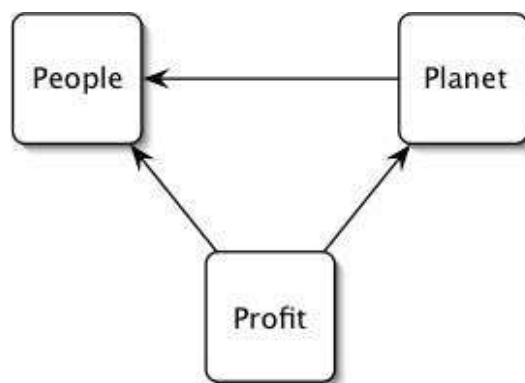


Fig. 1. "The three pillars of sustainability".

Sustainable development as well as social responsibility can be applied by any type of organisation – from small and medium enterprises or foundations to state governments. For example, the sustainable development strategy of Great Britain in 1999 ad-

¹ www.forumforthefuture.com

dresses the following matters¹:

- social progress which recognises everyone's needs;
- effective protection of the environment;
- prudent use of natural resources;
- maintenance of high and stable levels of economic growth and employment.

Companies will certainly have different approaches towards sustainable development programmes. However, since the general lines are respected, this helps to make an efficient link of economic, social and environmental aspects. Starting from the three pillars of SD, we can state that the main principle of sustainable development is that the right of a company to function in society should not come only from satisfying stakeholders, but also from the increase of social and environmental performances.

One of the main advantages of launching SD programmes is the reduction of operational costs. This benefit is most evident with companies that adopt ecological initiatives so as to reduce water, recycle materials, preserve water and electricity.

For example, Cisco Systems designed and built its San Jose headquarters so as to conserve an average of 49.5 million kilowatt-hours per year. By doing this, Cisco not only lowers costs and lessens environmental impacts, but also takes advantage of the incentives offered by the energy supplier, Pacific Gas & Electric (PG&E). Therefore, it is expected to save about \$4.5 million per year in operating costs that qualify the company for \$5.7 million in PG&E rebates when construction is completed. According to the Cisco case study presented on the company's website, the environmental benefits of Cisco's energy conservation at its San Jose headquarters could power 5,500 homes. In addition, almost 50 million fewer pounds of carbon dioxide are produced per year and 14,300 fewer pounds of nitrogen oxide. This is the equivalent of removing 1,000 cars from the road.

By analysing the value of the reduction in operational costs we may understand better why sustainable development has crossed the boundaries of theory and entered the area of practical measures taken or that are to be taken by companies. If applied properly, it is, obviously, a concept that may generate profit to all "the three pillars of sustainability".

¹ http://www.sustainable-development.gov.uk/publications/pdf/strategy/SecFut_complete.pdf - Securing the Future, pg. 16

2. Corporate social responsibility

The history of social and environmental concern about business is traced by some economists „as old as trade and business itself”¹. However, the impacts of business on society and the environment assumed a new dimension once the economy entered the industrialisation period. In time, as concerns about large corporations and their power grew in importance, **Corporate Social Responsibility (CSR)** became a debate-generating principle.

Business started long centuries before the dawn of history, but business as we now know it is new - new in its broadening scope, new in its social significance. Business has not learned how to handle these changes, nor does it recognize the magnitude of its responsibilities for the future of civilization.²

Corporate social responsibility is a principle that depends on a complex of economic, cultural and political factors, therefore companies do not apply it to the same extent. However, recent reports and analysis of the market show that companies make efforts to include CSR either as strategy or adopt it as corporate value, indifferent of the economic sector they perform in. In numerous cases, companies apply CSR rather to align to market tendencies than to express a true interest towards society. Even so, the growing interest for CSR is evident and its influence on the international business environment and society as a whole is more powerful than before.

Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.³

Philip Kotler, Nancy Lee - Corporate Social Responsibility (2005)

In recent years, the support granted to social causes has become a constant action in the corporate environment. Without being associated to a specific economic sector, CSR activities are promoted through various communication channels. Companies make use of their official websites, annual reports or other promotional materials in order to publicly show that the implication in the community's life and sustaining social causes are among the most significant activities that they perform.

This is partly due to the multiple requests for supporting social causes received from non-profit organisations, government agencies, interest groups, potential investors, politicians etc. Matters for which support is required varies from issues such as health, education and public safety to community development, animal rights protection or the

¹ www.brass.cf.ac.uk/uploads/History_L3.pdf - History of Corporate Social Responsibility and Sustainability

² www.brass.cf.ac.uk/uploads/History_L3.pdf - comment within an address delivered at Northwestern University in 1929 by the Dean of Harvard Business School, Wallace B. Donham

³ Philip Kotler, Nancy Lee, Corporate Social Responsibility, John Wiley & Sons, Inc, 2005, pg. 3

environment. Companies respond to these "pressures" strategically by choosing to support both economic and social causes, to take actions that are beneficial to both the company and the cause itself.

The multitude of cases supported through CSR programmes determined a constant development of the concept, reaching a stage where it can now be associated to a great number of matters. Starting with ethics and human rights to corporate governance and the environment, the causes promoted by CSR programmes have been at the origin of specific company policies or have been inserted among corporate values.

A report released in 2004 by the Centre of Urban Planning and Environmental Development (University of Hong Kong) analysed the incidence of CSR policies at a global level. The paper is based on a survey that asks 450 companies whether they had written policies on each of the 20 aspects of CSR policies. Out of the 49% of companies that responded, 47.7% North American companies reported to have made policies on CSR/sustainability, as compared to 60.4% in Europe and 33.3% in Asia¹. Richard Welford, the deputy director of the Corporate Environmental Governance Programme (CEGP – University of Hong Kong) has stressed the fact that the existence of a policy does not guarantee that it is implemented, and conversely, the absence of a policy does not mean that a certain CSR aspect is not practiced.

In conclusion, corporate social responsibility is a concept that business absorbed fast, at a pace imposed by stakeholders and society as well.

3. The future of sustainable development and corporate social responsibility

In its strategic planning document, "ISO Horizon 2010 – Standards for a Sustainable world," the ISO Central Secretariat identifies, as a key driver, "the urgency of a responsible approach to sustainable development, covering economic, social and environmental aspects, where all actors in society have a role to play and all companies and organizations have new commitments to make."²

This is consistent with evolving international sustainable development policy, which highlights the role of voluntary, market-based tools to promote sustainable development. In Paragraph 17 of the World Summit on Sustainable Development (WSSD) Plan of Implementation, companies are urged to: enhance corporate environmental and social responsibility and accountability. This would include actions at all levels to encourage industry to improve social and environmental performance through voluntary

¹ <http://web.hku.hk/~cegp/image/publications/report11.pdf> - Corporate Social Responsibility in Europe, North America and Asia: 2004 Survey Results, Richard Welford, May 2004

² idem

initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organization for Standardization (ISO) standards and Global Reporting Initiative guidelines on sustainability reporting, bearing in mind principle 11 of the Rio Declaration on Environment and Development.

With such strong recommendations, reiterated in many important documents, the two concepts discussed above have great chances to turn into principles of normal life. And, it is quite clear that, no matter how complex the process may be, it has to go on.

4. Conclusions

Sustainable development and corporate social responsibility share the common belief that economic growth and development cannot continue unless the social aspect, in its global dimension, is taken into account. They both work in the direction of increasing the awareness of the social aspects of both governments and companies and to determine every member of the society to develop a sense of responsibility towards the future.

According to the International Institute for Sustainable Development (IISD), the social responsibility of an organization should define its contribution to the balanced promotion of all three pillars of sustainable development: economic growth, social development and environmental protection.

Although the variety of CSR and SD programmes might be confusing in determining which concept comprises the other, it is clear that both social responsibility and sustainable development are interdependent. We could consider that for companies defining their programmes as purely CSR or SD programmes might not be very relevant. As long as the programme has a clearly defined purpose, which is attained at the end, debate on the CSR vs. SD-type of action should not be of great importance. But requests for standardising CSR practices and policies are increasing.

As any beginning, the development of CSR/SD actions may not distinguish clearly from other actions a certain company usually takes. At the same time, as CSR/SD actions span over a variety of economic and social issues, it could be difficult to determine to what extent companies are socially responsible and whether their actions do have the promised effect. This is still a test for many policy makers. Let us hope that all of them will pass it successfully as soon as possible.

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