

## **CORPORATE SOCIAL RESPONSIBILITY – A STRATEGIC APPROACH FOR SUSTAINABLE BUSINESS**

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**ABSTRACT:** *This paper emphasizes the importance of the role played by social responsibility in supporting sustainable businesses. The first part of the paper displays a short historical evolution and a series of definitions of this concept from the perspective of the social, environment and economic preoccupations of the French and German approaches of the issue concerning sustainable development that appears to meet the needs of nowadays generation. The largest part of the paper displays the advantages of CSR for organizations, employees, and communities as well as the implementation stages of CSR within corporations. The final part of the paper presents three approaches that characterize the practice of corporate social responsibility: the restrictive, cumulative and integrative approaches.*

**KEY WORDS:** *corporate social responsibility, sustainable business, corporations.*

**JEL CLASSIFICATIONS:** *M14.*

### **1. INTRODUCTION**

The concept, having come out after World War II, with the economic growth and the exacerbation of the role played by the large companies in society, should be perceived as distinct from the concept of socially responsible actions. This last concept appeared long before the 20<sup>th</sup> century and rather regards a sole point of a company's strategy concerning the involved parts (the stakeholders), without requiring a commitment towards these parts or towards the pre-existent social values. On the contrary, corporate social responsibility represents a **commitment** towards society and the parts involved as far as the actions in the area of economic activity are concerned.

In accordance, Kotler considers that CSR represents a company's commitment to contribute to the proper functioning of communities owing to a series of discretionary practices and resorting to the company's resources. The word *discretionary* refers to: acting or exerting the manner one considers appropriate,

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without being stipulated or allowed by law; acting that is given, by law, the whole liberty to act. Kotler considers that CSR does not involve activities imposed by the legislative system. The author refers to the **volunteering** commitments while implementing practice imposed from the outside (Hristea, 2011).

CSR is still a controversial concept, criticized not only by businessmen. This is because it appears as an innovating concept for the free market economy, which not only determines wealth increase but also social progress. During the '70s, the preoccupation for CSR moves beyond theoretical aspects, though the debate concerning the involvement of companies in social issues remains. After this date, most studies focus on CSR's content and the ways of implementing it, without calling in question its major interest in maximizing profits. There is no widely accepted definition of CSR; nonetheless, the concept is considered to represent the *manner through which companies integrate, responsibly and transparently, social, environment and economic preoccupations within their culture, decisional system and strategy to be implemented, so that exemplary practices are established and determine welfare increase and society improvement* (www.ic.gc.ca).

An already consecrated notion worldwide, *corporate social responsibility* has become a topical subject; it is a concept in full evolution and indispensable for the business environment. The European Multi - Stakeholder Forum on Corporate Social Responsibility (EMS Forum on CSR) defines CSR as “a concept through which companies voluntarily integrate social and ecology aspects within their business operations and their interactions with their stakeholders”, while a more recent definition of the European Commission considers CSR as the “companies' responsibility for their impact within society”, emphasizing the economic, social and ecologic role of the companies under the present-day context, marked by the economic and financial crisis and business globalization.

Irrespective of the multitude of definitions given to the concept of CSR, Michael E. Porter asserts that the common point of all these definitions is that “social responsibility is a reality impossibly to be avoided by the business leaders in all countries and all fields”.

Consequently, although it is “voluntary” by definition, corporate social responsibility (CSR) tends to become compulsory, regardless of whether the stipulations or interested parts are the main factors that exert pressure on the top management for adopting a responsible behavior. A socially responsible company that adopts this new paradigm is going to reinvent its manner of doing business through incorporating the need to comply with the multitude of demands of the interested parts with a view to provide the development of the human resources involved on multiple plans. (Górny, 2017, pp.1-8).

At present, the volume of the major objectives of large companies has grown considerably, from targeting limited goals, such as profit increase and initiating investment projects, to assuming ampler roles concerning business sustainability.

## 2. APPROACHES OF SUSTAINABLE STRATEGIES

The awareness of the companies' sustainability concept in a world where resources are limited, where ecosystems deteriorate, where climate changes are influenced by the activities of the human beings and where economic growth does not include all the citizens of the world, determines that the *traditional role of companies is no more enough in order to provide sustainable development*. As a consequence, sustainable development involves a manner of development that meets the needs of the present-day generation without compromising the needs of future generations. From such a perspective, two approaches appear as important:

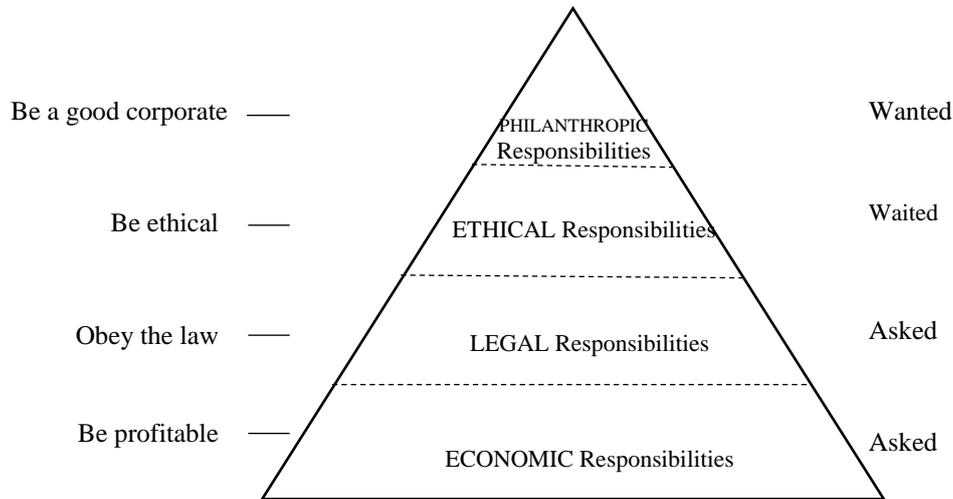
- *The French approach* of sustainability introduces the new term of "social/ society responsibility" together with the term of durable development. The social responsibility of a company consists in its contribution to sustainable development and targets at considering a company's best practices that regard environment and society issues (Responsabilite societale des entreprises, 2013);
- *The German approach*, according to which sustainability is a comprehensive development concept that "has as a goal what is right for the environment, meaning socially correct and economically possible" (Nachhaltige Entwicklung als Handlungsauftrag, mai, 2012).

At present, more and more companies have to integrate sustainability within their strategies and operations. Nidumolu, Pralahad and Rangaswami consider that environment and social sustainability may be fully integrated within the strategy and operations of the companies. From this perspective, the strategy of sustainability should become the strategy of the company, while the strategy of the company should become the strategy of sustainability.

Such an approach is required in order to perceive sustainability as the objective of the whole company that incorporates all the aspects and relations of the company. A realistic sustainability strategy relies on various firm pillars, (Danciu, 2013, pp.7-26):

- The strategy for the company's sustainability should *grow progressively* and gain ground from the narrow, egocentric objective of market domination towards more elevated, more important objectives;
- Company's management should become the adept of both short-term and long-term administration;
- Sustainability strategy should be correlated with all the activities of the company, which should be connected with the environment under continual change;
- The exploration of a wide variety of opportunities, mainly concerning social responsibility and organizational culture should be taken into account;
- Rediscovering entrepreneurial spirit and creating real advantages while transforming the pattern of the company should also be taken into account.

Starting from these pillars and establishing correlations with the structuring of the corporate responsibility strategies, *depending on the level of action*, a series of strategies might come out: social and societal strategies, ecologic and environment strategies, distribution and supply responsible strategies, strategies for building corporate image, strategies for creating competition advantage and strategies for getting added value.



Source: adapted after Carroll (1991), pp. 39 – 48

**Figure 1. The Pyramid of Corporate Social Responsibility**

It is quite important to choose these corporate social responsibility strategies attentively, which may have as a result business sustainability through determining *advantages for the organization* (image improvement and increase of organization's reputation, increase of operative efficiency, growth of turnover and customer loyalty, getting competition advantage, etc.), obtaining *benefits for the employees* (increase of their motivation, increase of team cohesion, decrease of conflicts, stimulation of ethical practices, development of social solidarity, etc.), *benefits for society* (improvement of cooperation with governmental institutions, trade partners and other stakeholders) as well as *benefits for the environment* (decrease of the polluting effects on air, water and soil, continual decrease of energy consumption, implementation of ecology education throughout life, promotion of materials' recycling) (Ganescu, 2012, pp.93-109).

### 3. CSR IMPLEMENTATION WITHIN CORPORATIONS

The arguments in favor and against CSR show that the vision favoring social responsibility perceives the issue within a larger context or during longer periods of time able to *support organization's sustainability*, while the vision contrary to social sustainability is more interested in immediate profitability.

During the last two decades, more companies have become interested in social responsibility issues, as an important strategic approach for sustainable businesses. With a view to achieve such a goal, specialized literature displays five stages, detailed in the table below:

**Table 1. Stages of CSR implementation within corporations**

Stage	Why?	Zadek items	New items
<i>Defensive stage</i> of denying certain responsibility practices	To protect against those who attack reputation, which may affect sales, recruitment policy, productivity and the brand image on a short term.	<p>The company is not interested by issues belonging to society that regard the manner it carries out its activity.</p> <p>The company involves in settling a series of society issues only in the case when it is accused of breaking the law or as a denial of getting involved in illegal actions.</p>	<p>The company is an individual or a department dealing with social issues that come out of the usual carrying out of its activity.</p> <p>The company was never audited externally.</p> <p>The company does not draw out reports regarding its own activity.</p>
<i>Compliant stage</i> of adopting a series of compliance-based policies	To decrease the erosion of average-term economic value and due to the risks concerning reputation or litigations.	<p>The company gives money to settle society issues only in the case when other companies do the same thing.</p> <p>The company I work for involves in settling society issues only to comply with the requirements of the law.</p>	<p>The company has compartments dealing with social responsibility as required by the law.</p> <p>The company I work for performs the audits required by the law, especially in the financial domain.</p> <p>The company I work for draws out a yearly activity report that contextually mentions CSR issues.</p>
<i>Management stage</i> of including a series of social issues within the fundamental management processes.	To decrease the erosion of average-term economic value and to have long-term profits while integrating responsible business practices within daily activity.	<p>The company involves in settling a series of society issues as part of a marketing strategy.</p> <p>The company involves in settling a series of society issues as it realizes the potential economic capital of such an approach.</p>	<p>The company distributed CSR issues to those employees in marketing, PR or communication departments.</p> <p>The company requires external audits concerning products' quality.</p> <p>The company draws out, as part of the yearly report, a CSR report, in a separate chapter.</p>
<i>Strategic stage</i> of integrating social issues within business strategies	To increase long-term economic value and to take the advantage of the first movement while matching strategy and innovation processes with social issues.	<p>The company involves in settling certain society issues based on a general strategy owing to the fact that this approach determines a market competition advantage.</p> <p>The company knows that in the case when it adapts production and business strategy with a view to responsibly relate to society's issues, it will have a competition advantage in comparison with its competitors.</p>	<p>The company has a specialized department (it set up a foundation) that deals with community and stakeholders relations.</p> <p>The company is CSR-accredited after an external audit, in accordance with one of the national CSR standards or the standards of its domain of activity.</p> <p>The company elaborates a yearly report exclusively dealing with CSR.</p>
<i>Civic stage</i> of promoting the participation of the branch to corporate responsibility with a view to achieve its sustainability	To increase long-term economic value through overcoming the disadvantages of those who made the first movement and	<p>The company is a leader in the domain of social involvement.</p> <p>The company not only adapts its production and strategy to the issues of the society, but determines other companies to find a solution to such issues.</p>	<p>The company does not need structures to deal with CSR owing to the fact that <i>all</i> the company's employees carry out their activity in accordance with CSR principles.</p> <p>The company is CSR-accredited after an external audit, in accordance with an international standard.</p>

	accepting the incomes resulting from collective action.		The company integrated CSR practices within its activities while the report upon these activities is integrated within the sustainability report.
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Source: processed after Dumitru Bortun (coordinator) – *Corporate Social Responsibility: From Public Relations to Durable Development. Course Notes, SNSPA – 2010*

During the first stage (*defensive stage*), the structure of the companies does not include a department specialized in issues of social responsibility and the reaction concerning CSR implementation is negative. This reaction is one for defending reputation, companies involving in settling society issues only in the case when illegal actions occur.

During the second stage (*compliant stage*), companies have departments that also deal with social responsibility actions, a fact that determines the adoption of a series of compliance-based policies. During this stage, the companies invest money to settle society issues, considering such expenditures necessary only in the case when other companies do the same thing or with a view to observe legal stipulations.

Stage 3 (*management stage*) includes social responsibility within management fundamental processes. Companies integrate responsible business practices within daily activity, involve in solving company's problems as part of a marketing strategy as well as with a view to a potential economic profit of such an approach; companies distribute social responsibility issues to employees in the marketing, production or communication departments.

As far as stage 4 (*strategic stage*) is concerned, companies integrate social issues within their fundamental business strategies with a view to increase long-term economic value and involve in solving company's problems relying on a general strategy; such a perspective gives companies a competition advantage on the market; they also have a specialized department that deals with community and stakeholders relations.

During the last stage (*civic stage*), organizations positively respond to CSR implementation. In accordance, companies adapt their production and strategy in order to provide organization's sustainability, on the one hand, and to responsibly relate to society's issues, on the other hand. At a formal level, sustainability reports are delivered more and more frequently by corporations.

The last two stages are specific for the developed companies and for the countries having a CSR history. Under such circumstances, Zadek considers that CSR features may be adapted, while the speed with which an organization learns and applies a series of policies and procedures directly depends on the speed with which the change-triggering phenomena are generally assimilated by the company; meanwhile, the experience of public-private partnerships or of multi-stakeholders partnerships are going to move towards new and more stable institutions. These modifications are displayed by the company's sustainability.

At present, sustainability is the key of business success and continuity. Meanwhile, focusing exclusively on financial performance might determine neglecting a series of aspects that are important for the company as well as for society as a whole,

such as efficiently administering the limited resources of the planet and elements of social responsibility. The maturity of the life cycle of a business is also determined and measured in accordance with the degree of implementation of social responsibility.

Specialized literature shows that there are three approaches that characterize the practice of the social responsibility of corporations: a restrictive approach, a cumulative approach and an integrative approach.

The *restrictive approach*: the company is motivated by financial profitability, while the social domain or environment represents constraints stipulated by laws which the company has to observe.

The *cumulative approach*: the company strives to efficiently solve social issues, environment issues and financial performance. The corporation draws out a series of yearly reports (reports of activity, environment reports, and reports on social responsibility/durable development). These yearly reports, and especially the report on social responsibility/durable development, display all the domains separately and show a segmented organizing of those responsibilities.

The *integrative approach*: with a view to becoming more credible, the company has to design a system of social responsibility management that is able to administer the connection among the three pillars - economic, society and environment performance - and their integration and corporate managing.

This integrative approach transforms corporations' social responsibility into a vision and meaning shared by their groups of interest and turns it into an extraordinary future ambition.

Irrespective of the approaches concerning the practice of social responsibility, in accordance with Epstein and Roy, the idea that *sustainability indices should be explicitly associated with business performance* gains a wider support. Otherwise such indices might be considered improper and not worth integrating within management charts.

#### 4. CONCLUSIONS

The concept of sustainable development widens its applicability from a macro-economic level to a microeconomic level and is influenced by CSR instruments. In accordance, sustainability implies the implementation of those strategies that match the present needs of the organizations and stakeholders with a "view to protect human and natural resources required in the future".

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