

Integrating Corporate Social Responsibility (CSR) Governance into Sustainable Development

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Abstract—Over the last few years, corporate entities around the world have identified the value creation ability of CSR governance and have started to weave the so called triple bottom line idea -economic, social and environmental (ESE) considerations into their sustainable strategy. This article firstly examines the definition of corporate social responsibility (CSR), and then illustrates the interaction of CSR and sustainability. Finally, it analyzes the key approaches of integrating CSR into Sustainable development, so as to promote CSR governance and sustainable development.

Keywords-corporate social responsibility(csr); governance; sustainable development

I. INTRODUCTION

The intricate combination of governance and responsibility characterizing the post-Enron corporate transformation exhibits a decentralization of regulatory power and development of public private monitoring agencies. We live in an era of sustainability where corporate entities and those at the helm of managing their affairs – managers are not judged only by their financial performance anymore but also by their positive actions towards their stakeholders and the ecological environment; in other words, how socially responsible and sustainable they are. [1][2]Reckless and irresponsible actions on the part of corporate leaders are no longer tolerated by global citizens. Sadly, there is still a very small minority of people who are either indifference to the adverse impacts of some corporate actions on humanity and the environment or are totally oblivious to the impending catastrophe which these actions or inactions might bring on the ecological environment if we fail to change our behaviors or take corrective actions to reduce the adverse impact.

Societies around the world are gradually coming to terms with the understanding that we all have to behave responsibly and change our behaviors in dealing with certain issues which affect mankind regardless of whether we live in an advanced or the less advanced part of the world. Some of the consequences of past corporate actions are gradually unfolding and being felt either with similar or the same level of intensity by us all in terms of climate change or global warming, food crisis; (even in the first world which was thought unthinkable a few years back; talk less of the third world, this is now almost a reality in both parts of the world!), even though the reverse should actually be case (because of the advancements in modern technology in the science of agriculture), drinkable water is also posing some problems, some of man's natural resources

endowed by nature are gradually becoming extinct. Scientists are suggesting that things would have to change not just for the sake of the present generation but most importantly for the sake of future generations. [7]Man's natural resources are exhaustible; therefore we can no longer afford; any more to use these resources irresponsibly or behave recklessly with them either as individuals or corporate entities.

Over the last few years, corporate entities around the world have identified the value creation ability of CSR and have started to weave the so called triple bottom line idea - economic, social and environmental (ESE) considerations in to their strategy.[3]CSR is a growing area of interest for academics and practitioners and in terms of both theory and practice. We should combine our efforts to address climate change with efforts to promote the growth of developing countries and buildup their own dynamism for development and their ability for sustainable development."CSR contributes to scientific social development and a harmonious society, and is of great significance to comprehensive, coordinated and sustainable development of the economy.

II. DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

Defining CSR is a complex issue since it is a relatively new management idea, and the definition of CSR is not yet well developed and still remains vague and unclear to academics and practitioners. When defining CSR, it refer to the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm, which means, that a firm has to evaluate its decisions considering the effects on the society and sustainability. CSR and corporate sustainability involve the assessment of the company's economic, social, and environmental impact, taking steps to improve it in line with stakeholders' requirements and reporting on relevant and responsible measurements.[10] Corporate governance reflects the way companies address legal responsibilities and therefore provides the foundations upon which CSR and corporate sustainability practices can be built upon to enhance responsible business operations. It is also proposed that CSR is a broad concept and that businesses are more than just profit-seeking entities and they, therefore, have an obligation to benefit society and ecology; CSR should be integrated into the firm's strategic perspective and operations because it brings long-term benefits to the organization (and to the society).

What constitute CSR actions including Sustainability (S), Sustainable Development (SD) and Corporate Governance (CG) depend on a series of factor sand circumstances. Interestingly, several scholars and authors have identified – different issues that fall within the domain of CSR for instance, the following initiatives as issues falling within CSR activities: a. issues that contribute to community health b. issues that encourage safety c. issues that enhance education d. issues that improve employability e. issues that enhance the quality of life in the natural environment f. issues that enhance community and economic developments g. issues that facilitate the provision of basic human needs and desires.[7]These aforementioned issues fall either under internal or external CSR, needless to say internal CSR, relates to actions taken by an entity to address CSR related issues of its internal stakeholders whilst external CSR are issues relating to an entity’s external stakeholders. Corporate entities of today have realized that both classes of stakeholders have enormous power to affect their success or failure in both the marketplace and community; they therefore no longer take issues which affect these stakeholders lightly.

III. CSR AND SUSTAINABILITY

The argument that society, sustainability and business are interwoven has been used on countless occasions by scholars and advocates of CSR. Business cannot operate without cautions of sustainability and society and conversely the evolution of sustainability and society will find it difficult, if not totally impossible to function effectively without business. That the three are interdependent may appear too simplistic an argument, but that is the truth. It therefore follows that what is needed in order for the three to co-exist in harmony is really not confrontation or any form of coercing by NGOs or some activist groups; but an atmosphere that creates the opportunity for a deep understanding between the three.

Current ecological ruin, economic turmoil and financial meltdown around the world in the form of environmental pollution, credit crunch and high commodity prices which has led to several painful strategic decisions being taken on the part different corporate entities have affected every aspect of our lives. We were made to understand through the media that nothing of this scale had been seen worldwide since the 1930s. It is hoped that corporate entities would not take the current climate as an excuse to either cut back or abandon their CSR projects. [9]It is a general belief that during a period of hardship in an individual’s life, decisions are made about those things they could survive without; insurances are cancelled or allowed to lapse and not renewed, cutbacks are made in leisure activities and so on. The individual just exists to survive. Corporate entities are not individuals! This is in fact a period when CSR should be seen as a vehicle for social and sustainable opportunities which provide the impetus for innovation and placing an entity at a competitive advantaged position over its rivals in its line of business or industry by its actions on CSR and Sustainability related issues.

To remember: CSR is a human management approach to ensure sustainability! Sustainability according to the UN Declaration of Brundt land 1987 is such that: Sustainable development is development that meets the needs of the

present without compromising the ability of future generations to meet their own needs. It is necessary to find out which abilities the next generation needs so that they can operate sustainably. It is helpful to ask the questions about the biggest constraints. [9] Identify the strengths which are worth transferring into the future. Global CSR efforts to tackle climate change will fundamentally transform societies and economies as we know them. However, transitioning to a low carbon and sustainable economy, while challenging, will present abundant opportunities for product and service innovation, adaptation, and greener development paths. Aligning social and environmental objectives with productivity and innovation is the key to responsible competitiveness. It is the pathway to the low carbon and sustainable economy. Business of CSR will find the means of mitigating the effects of climate change, such as researching more drought-resistant crops, dealing with rising sea levels and providing micro-insurance. And business will find opportunity in the new markets that climate change will create, and will benefit from the development of more energy efficient technologies and energy supplies. As for china, Integrating CSR and sustainable development together will not only help resolve conventional environmental problems and climate change, but at the same time will help resolve China’s energy resource bottlenecks, improve overall competitiveness, and spur energy reducing and environmentally friendly social construction.

IV. KEY APPROACHES OF INTEGRATING CSR INTO SUSTAINABLEDEVELOPMENT

A. *Integrating Multi-Stakeholders Management System into Company’s Mission*

The mission of a company as an essential part of its Corporate Identity typically gives an indication whether a company is already thinking in terms of multi-stakeholders interests and CSR. Most companies have at least two or three stakeholder groups included in their company’s mission, commonly shareholders, employees and customers. To get an idea how multi-stakeholders can be included in a company’s mission and what concepts have to be considered accordingly are of great importance. [7]For instance, for becoming an employer of choice as one important objective in the company’s mission in order to be competitive in the “war for talents”, it’s crucial to achieve a high level of employee commitment and to evaluate your management. Corporate Reputation (including CSR) is a concept that by definition spans all stakeholders groups, as every stakeholder has a specific reputation of accompany.

From a more general management perspective, the integration of Multi-stakeholders and hence reputation management in the company’s overall management can follow eight process steps: 1. Identification of all relevant stakeholders 2. Identification and prioritization of relevant key stakeholders 3. Installation of a reputation management (information) system 4. Measuring 5. Managing 6. Monitoring (continuous) 7. Embedding into (existing) management systems and models.

B. Promoting Social and Responsible Investment

Social investment examines how businesses, civil society, and policy-makers are investing to support national development agenda and global responsibilities. Social investment means integrating sustainability, philanthropy, or other kinds of the public good) into business strategy, operations, core competencies, and the bottom line.

Social investment is closely linked to business strategy, in the assertion of issues that are key to future sustainable development; be that developing new consumers, training a new generation of technology users, or working with groups of companies, governments, and civil society organizations to agree on common rules for achieving common objectives.

Social investment does not only refer to business investment in civil society. It can also mean business to business investment, when the social or environmental responsibility of a client presents an attractive financial offering. The increasing practice of socially responsible investment (SRI) and the emergence of sustainability indexes such as the FTSE4Good are signals of this trend.[8]

Globally, despite the global economic downturn, investment into 'sustainable' funds has grown and the total global portfolio, according to the European Social Investment Fund, accounted for US\$6 trillion in 2010. In the United States, nearly US\$1 in US\$7 are invested in funds that are screened to exclude some social or environmental criteria (e.g. avoiding investment into weaponry, tobacco or polluting industries). These stocks have held up relatively well in turbulent markets, with the consultancy AT Kearney concluding that sustainability-focused companies outperformed their industry peers by 15 per cent over six months.

Sustainability-oriented companies that offer technologies, products and services throughout the entire value chain of water processing and transportation. Even in strained economic times, sustainable investment is providing strong economic performances and the opportunity for companies to create new product and service offerings. Sustainable investment is presenting a growing opportunity for companies. According to Head of Climate Change Investment at HSBC, Nick Robins, "the market is moving in favor of sustainable investment".

C. Reinforcing Responsible Communication

CSR communication, aimed at gaining legitimacy and minimizing reputational risks are directed towards key stakeholders and rely on Sustainability reports, Annual reports and websites. Further, CSR communication has become synonymous with Corporate Disclosure. [6] Communication needs to be taken seriously among the promising interventions to build on stakeholder communication, pro-active reporting, building trust, and organizing multi-stakeholders voice.

In the developed world, the terms of CSR, corporate strategic, volunteerism, social marketing, and strategic philanthropy have penetrated the mainstream literature and multinational practices. Generally, CSR is considered to be the firm's obligation to protect and improve social welfare through various business and social actions and by ensuring equitable and sustainable benefits for the various stakeholders. Increasingly, companies are taking CSR initiatives that have

been shown to be key success factors for sustainable competitive advantages [12].

CSR arises out of the public's concern about the social and sustainable consequences of the pursuit of economic gains by corporations. By its nature, CSR is a public action by a firm about social issues that should be publicly communicated if the firm wants to gain dividends from its efforts. The effect of institutional factors at the country level on CSR is beginning to be recognized. In rule-based societies, laws are transparent, fair, effective, and efficient. As a result, citizens have a higher level of trust in public information, such as corporate communications (e.g., annual reports or voluntary CSR reports). In relation-based societies, the state controls public information, the law, and its enforcement.

People tend to distrust official (publicly) released information and resort to private means (such as bribery and word of mouth) to govern their transactions and interests. The government in a relation-based society tends to be less focused on social issues due to the lack of checks and balances in the political system, and citizens tend to have less say in social issues and less ability to influence social issues. In turn, firms face little public pressure to behave responsibly. Under such an institutional arrangement, firms feel neither obliged to communicate their social responsibility nor to act in the interest of the public.

Beyond awareness, the key challenge of CSR communication is how to minimize stakeholder skepticism. While stakeholders claim they want to know about the good deeds of the companies they buy from or invest in, they also quickly become leery of the CSR motives when companies aggressively promote their CSR efforts. It is imperative for managers to have a deeper understanding of key issues related to CSR communication. These include questions surrounding what to communicate (i.e. message content), where to communicate (i.e. message channel), as well as an understanding of the company- and stakeholder-specific factors that impact the effectiveness of CSR communication. The way businesses communicate with stakeholders is essential to sustainable CSR governance. Responsible communications means effective, honest, and transparent communication, internally and externally, with a range of stakeholders from employees and government, to NGOs, consumers and the media.

D. Integration of CSR and Innovation

Sustainable development cannot escape from continuous innovation; CSR enjoys the advantages to push innovation forward. Discussions of innovation hardly ever impact on discussions of corporate social responsibility (CSR) and vice versa. This is surprising, given the degree of interdependence between the two areas. [5] On the one hand, product innovation and the development of new technologies by business—whether advances in IT, biotechnology or green and low-carbon technology—have fundamental implications on the consumption choices, living standards and quality of life of individuals and societies globally. On the other hand, CSR can contribute to innovation. For example, the emphasis on leveraging external sources of new ideas in the concept of Open Innovation complements the emphasis on stakeholders in

the CSR literature, such as NGOs or local communities [9]. However, so far there has been little discussion of the overlap between CSR and innovation. CSR is today often approached from a strategic management perspective. According to this view, companies can reap significant benefits from differentiating themselves from competitors through their CSR activities. However, the business case for CSR has a number of disadvantages. Consumers are able to support some CSR initiatives but may lack power in the marketplace with regard to others [4]. Benefits from CSR also seem to be industry-specific, as large, branded manufacturers can reap benefits from addressing environmental and social challenges of their products more easily than capital goods manufacturers or small businesses.

We should use the mechanism of CSR, in order to pursue technical innovation, speed up, amplify and encourage energy saving, environmental policies, and innovation mechanisms. Product and service innovation is essential to green and sustainable development, and requires concentrated efforts from business, policy makers and civil society, particularly research institutes. Achieving a low carbon economy is especially reliant on advances in technology, so innovation driven by CSR is particularly important to developing low carbon technology and sustainable growth.

V. CONCLUSION

The key conclusion of this essay is that Ambitious, collaborative and timely CSR action is at the core of sustainable innovation and development. Business of CSR has the scale, expertise and speed to reshape economies for sustainable development globally. Only innovative, collaborative and inclusive approaches are developed to integrate CSR into sustainable development can the low-carbon economy and sustainability of society achieve. Fulfilling social responsibility requires enterprises and peers to be human-oriented, stick to scientific development, be responsible to stakeholders and environment, so as to achieve the harmony between enterprises' growth, society and ecology.

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