A COMPREHENSION AND LITERATURE ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENTAL SUSTAINABILITY

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ABSTRACT

The subject of Corporate Social Responsibility has evolved during last few decades from simple philanthropic activities to integrating the interest of the business with that of the communities in which it operates. By exhibiting socially, environmentally and ethically responsible, the business can generate value and long term sustainability for itself while making constructive contribution in the betterment of the society. On the other hand, the quest for a comfortable life has led humankind to create a society based on convenience. The environmental problems have also surfaced, such as climate change, resource depletion, and ecosystem destruction, leading to need of environmental sustainability. This paper of corporate social responsibility (CSR) and environmental sustainability (ES) is an attempt to comprehend the concept of CSR and ES and to review the present state of knowledge.

Keywords: Corporate social responsibility, Environmental sustainability
Introduction:

'Earn your crores but understand that your wealth is not yours; it belongs to society. Take what you require for your legitimate needs and use the remainder for society'.

Mohandas Karamchand Gandhi

The above citation throws light on what Gandhi ji has thought and said years before has started taking a shape in form of corporate social responsibility in 21st century. In the last twenty years, there has been a sea change in the nature of the triangular relationship between companies, the state and the society. No longer can firms continue to act as independent entities regardless of the interest of the general public. The evolution of the relationship between companies and society has been one of slow transformation from a philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining paramount importance. Companies are beginning to realize the fact that in order to gain strategic initiative and to ensure continued existence, business practices may have to be moulded from the normal practice of solely focusing on profits to factor in public goodwill and responsible business etiquettes (Reynard and Forstater, 2002). The subject of corporate social responsibility has evolved during last few decades from simple philanthropic activities to integrating the interest of the business with that of the communities in which it operates. By exhibiting socially, environmentally and ethically responsible behavior in governance of its operations, the business can generate value and long term sustainability for itself while making positive contribution in the betterment of the society. The Indian corporate sector has seen the current decade as a period of high growth and the emergence of a strong India Inc. having a significant global footprint. The decade also saw the financial crisis that shook the global markets. While the corporate sector is recovering from the jolt of the global financial crisis, the future is looking bright. We have seen the business sector generating wealth and value for the shareholders in the last sixty years, but simultaneously we also have the problems of poverty, unemployment, illiteracy, malnutrition etc. facing the nation. While the government undertakes extensive developmental initiatives through a series of sectoral programmes, the business sector also needs to take the responsibility of exhibiting socially responsible business practices that ensures the distribution of wealth and well-being of the communities in which the business operates. On the other hand, the quest for a comfortable life has led humankind to create a society based on convenience. However, environmental problems have surfaced, such as climate change, resource depletion, and ecosystem destruction. To realize a material cycle society in harmony with the earth, it has become of paramount importance for corporate their vision for environment sustainability and promote environmental conservation. Therefore, this study of corporate social responsibility (CSR) and environmental sustainability (ES) is an attempt to get an insight into the practices adopted by the corporate for the same.

Corporate Social Responsibility (CSR): A Perspective:

Corporate social responsibility (CSR), also known as corporate conscience, citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self-regulation integrated into a business model. The entirety of CSR can be best understood by three words: ‘corporate,’ ‘social,’ and ‘responsibility.’ In extensive terms, CSR relates to responsibilities corporations have towards society within which they are based and operate. Corporate Social Responsibility has become a worldwide concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. It is one of the most important global issues with serious challenges and implications on almost all sectors. Corporate Social Responsibility (CSR) is generally understood to be the way a company balances the economic, environmental and social aspects of its operation, addressing the expectations of its stakeholders.

Definitions of CSR:

Different organizations have framed different definitions - although there is considerable common ground between them. The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts used the following definition. "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". Philip Kotler and Nancy Lee (2005) define CSR as “a commitment to
improve community well being through discretionary business practices and contributions of corporate resources”. Archie Carroll in 1991 describes CSR as “a multi layered concept that can be differentiated into four interrelated aspects – economic, legal, ethical and philanthropic responsibilities”.

While the definitions of CSR may differ, there is an emerging consensus on some common principles that underline CSR:

1. **CSR is a business imperative**: whether pursued as a voluntary corporate initiative or for legal compliance reasons, CSR will achieve its intended objectives only if businesses truly believe that CSR is beneficial to them.

2. **CSR is a link to sustainable development**: businesses feel that there is a need to integrate social, economic and environmental impact in their operation; and

3. **CSR is a way to manage business**: CSR is not an optional add on to business, but it is about the way in which businesses are managed.

**Conceptual Framework of Corporate Social Responsibility:**

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**AREAS**

- Customers
- Shareholders
- Workers
- Society/Community (environment)
- Government

**OUTCOMES**

- Motivated And Happy Workforce
- Satisfied Customers, Loyal Buyers
- Loyal, Reliable Suppliers And Distributors
- Satisfied Investors
- Healthy Environment

**DIMENSIONS**

- Economic
- Legal
- Ethical
- Social

**DRIVERS**

- Company Culture/Values
- Securing Long Term Viability In The Market Place
- Competitive Advantage
- Customer Demand
- Compliance With Legislation/Standards
- Increased Productivity
- Shareholder Demand
- Pressure From NGO’s
- Easier Access To Foreign Markets

**EFFORTS**

- Care for all Stakeholders
- Ethical functioning
- Respect for Workers' Rights and Welfare
- Respect for Human Rights
- Respect for Environment
- Activities for Social and Inclusive Development

**BENEFITS**

- Higher Productivity
- Higher Market Share
- Efficient Supply Chain
- Higher And Long Term Investment Trends
- Image Makeover
- Goodwill

**Fig. 1 Conceptual Framework of CSR**

**Environmental Sustainability-A Perspective:**

For the last decade, the risks and opportunities posed by climate change have been climbing the corporate and investor agendas. In the months before the UN Climate Change Conference in Copenhagen, interest in this issue has seemed to reach a new high – in particular, interest in the corporate response to the risks and
opportunities of climate change. Maintaining the factors and practices that contribute to the quality of environment on a long-term basis. The concept of sustainable development provides a framework for integrating environmental sustainability with economic, social, cultural and political sustainability.

**Meaning of Sustainability:**

Sustainability is the capacity to endure. In ecology, the word describes how biological systems remain diverse and productive over time. Long-lived and healthy wetlands and forests are examples of sustainable biological systems. For humans, sustainability is the potential for long-term maintenance of well-being, which has environmental, economic, and social dimensions.

Healthy ecosystems and environments provide vital goods and services to humans and other organisms. There are two major ways of reducing negative human impact and enhancing ecosystem services. One approach is environmental management; this approach is based largely on information gained from earth science, environmental science, and conservation biology. Another approach is management of consumption of resources, which is based largely on information gained from economics.


**Definition of Environmental Sustainability:**

The maintenance of the factors and practices that contribute to the quality of environment on a long-term basis. *Environmental sustainability is "the ability to maintain things or qualities that are valued in the physical environment."* This is the simplest and most fundamental way to express the concept.

**The Present State of Knowledge:**

The aim of the following literature review is to identify the most important and knowledgeably important academic and practical works throughout the past decade upon the concept of corporate social responsibility (CSR) and ethics. The report should gradually flow through the history of the concept, definitions, academic and practical view of various writers, including the appraisals and criticisms as well as real live examples if applicable.

There has been a good academic and practical works done on concept of corporate social responsibility worldwide.

A pioneer study conducted in Trinidad and Tobago named *Mapping Corporate Social Responsibility in Trinidad and Tobago Private Sector and Sustainable Development* (2007), by Fabio Balboni, Kelly Bute & Ron Sookram, provides an overview of the current level of corporate social responsibility and related activities.
of private sector companies in Trinidad and Tobago. This study comprised a series of company interviews, questionnaires and, wherever possible, a review of publicly available information on ninety locally owned and foreign-owned companies and both large and Small And Medium Enterprises (SME’s) within all major sectors of the economy. The study visibly identified that the private sector plays an important role in the provision of social and environmental programmes in the country.

Corporate has widely understood the concept of CSR as in the article Corporate Social Responsibility & Business Sustainability featured on www.unescap.org/tid/publication/indpub2565_chap1.pdf, it is said that for a business to be sustained long-term, a company needs to replace a single-financial bottom line with a more balanced triple-bottom line encompassing economic, social and environmental objectives into its business practices (also referred to as “people, planet, profit”). The CSR approach outlines key areas of focus and guidance for its implementation which ultimately seek to achieve these three objectives.

In one of the study named Company Attitudes to Corporate Social Responsibility (2009), by Véronique De Broeck, a survey was carried out to assess company’s commitment to practices in the area of corporate social responsibility. The study’s target population consisted of private law legal entities. The sample population comprised companies with 10 or more employees and face-to-face interviews were conducted. Despite the low proportion of companies (10%) stating that they are implementing CSR initiatives, analysis of companies activities shows that a much higher proportion of them have undertaken actions in the last three years under the environmental or social pillars of CSR. This discrepancy can be explained by the unfamiliarity of the great majority of companies (79%) with the concept of CSR. When asked about their three most important objectives, companies most often choose objectives of an economic nature. However, it is interesting to note that almost all companies (90%) believe that they should be concerned with major social and environmental issues. This clearly shows a positive attitude of companies towards CSR.

It has been identified by many academicians that CSR is the means to attain sustainability. George Pole & Jeff Hitter, Attaining Sustainable Growth Through Corporate Social Responsibility (2008) and also Jeremy Moon in The Contribution Of Corporate Social Responsibility to Sustainable Development (2007), have acknowledged that well-known companies can differentiate their brands and reputations as well as their products and services if they take responsibility for the well-being of the societies and environments in which they operate. For the purpose of study IBM’s global survey was conducted on more than 250 business executives’ worldwide to gauge just how deeply the CSR issue has penetrated the core of the corporation – its strategies and operations. The analysis led to three dynamics that companies should understand and act upon in dealing with CSR. These dynamics are: impact for business – from cost to growth, information – from visibility to transparency, relationships – from containment to engagement. In the study, it was acknowledged that to attain sustainable growth through CSR, companies must: align and incorporate CSR with business strategy and integrate it across all operational functions, thus making it easy to invest (not spend) the funds necessary to achieve its objectives and Implement an open information strategy for more transparent information sharing with multiple stakeholders.

In one of the study CSR - A Mantra for Corporate Sustainability, Nick has stated that “In India roots of CSR penetrate deep into the social strata. It has been conceptualized in the form of Shubh Labh "Spiritually guided materialism" which shows that profits should have ethical orientation; here shubh refers to concern for surroundings which could well be achieved through working on principle of Harm Minimization. CSR approach could also be visualized in the Gandhian ideas of Trusteeship i.e. a person more than his share of wealth acts as a trustee for that, it focuses on voluntary grants by the corporate.

In another study CSR in Asia The Real Picture (2007) by LRQA, many drivers of CSR in the region, including powerful institutions such as government and stock exchanges which are putting in place requirements, voluntary initiatives and standards to encourage CSR has been identified. The study indicates that in some countries it has been seen a move away from voluntary approaches to CSR and the mandating of certain activities through the law. Particular challenges in the region include under-developed governance structures within companies and a continued concern about bribery and corruption. The key findings are that in China much interest from the government is seen, in Hong Kong, NGOs have demanded improved CSR initiatives from large listed companies. In both Malaysia and Australia significant leadership on CSR, issues from stock exchanges Singapore’s approach is a tripartite one including business, government and trade unions.

Dr. P Katsoulakos & Prof. Y Katsoulakos in their white paper A Multi-Dimensional View of Corporate
Responsibility (2006) have identified the main driving forces for corporate responsibility. These are investor and consumer demands and governmental and public pressures. In similar manner www.suite101.com Jo Bilson (2010) and Robert L. Heath and Lan Ni (2008), discussed the perplexities and challenges of corporate social responsibility (CSR). Their work features the “what,” “why,” and “how” of CSR. As they help formulate CSR standards and give voice to organizations. Public relations practitioners can use experts carefully considered thoughts as well as research findings to determine the best plan of action. Internally and externally, practitioners can help build a foundation for image/reputation management, brand equity, relationship management, issues management, and crisis management.

In India too corporate social responsibility has become an exhortation, in a white paper on Corporate Social Responsibility Towards A Sustainable Future by KPMG (2008), a comprehensive understanding of how corporate social responsibility has evolved as a concept and the reasons that encourage companies in India to be socially responsible has been done through 27 outstanding case studies on companies in India taking CSR initiatives. The aim of the case studies presented in the compendium was to create awareness on successful implementation of CSR practices and acknowledge the efforts of corporate, leading socially responsible initiatives. The thematic areas identified for the study were health, education, livelihood, poverty alleviation, environment, housing, education and microfinance. During the case studies analysis, it was identified that environment garnered the maximum attention of corporate. It was observed that 37 percent corporate implement the CSR initiative through a well structured separate Foundation.

During the year (2009) Ministry of Corporate Affairs Government of India introduced Corporate Social Responsibility Voluntary Guidelines. It stated that the CSR Policy should normally cover core elements such as care for all stakeholders, ethical functioning, respect for workers’ rights and welfare, respect for human rights, respect for environment, activities for social and inclusive development. The department has also issued implementation guidelines for the same that are- companies should allocate specific amount in their budgets for CSR activities; the companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large; the company should engage with well established and recognized programmes/platforms which encourage responsible business practices and CSR activities.

In the study CSR Initiatives of Indian Companies (2010), Dr. V.V.S.K. Prasad has examined the nature and extent of corporate social responsibility (CSR) initiatives taken by Indian companies and studied its relevance in business. He said that, organizations must realize that government alone will not be able to get success in its endeavor to uplift the downtrodden of society. The Indian corporate sector spent US$ 6.31 billion on social expenditure during 2007-08, up from US$ 3.68 billion spent during the previous fiscal.

There are many drivers which are responsible for undertaking CSR initiatives the same has been acknowledged by Anne & Laure Legendre in their research paper Drivers for Corporate Social Responsibility and Sustainable Practice in Australia(2008). Their research looks at the reasons or drivers that have led Australian companies to take up a more responsible or sustainable approach to business. It also analyses the different approaches to CSR that companies develop, and then looks at links between these approaches and the levels of integration of CSR into the core business. For the purpose of study forty eight company representatives completed a confidential on-line survey, and in-depth interviews were conducted with eleven of them. The study analyzed that company culture/values and reputation where very important drivers for CSR, the financial sector responds to very positive drivers and CSR was not a fixed status to achieve for a firm to achieve, but was seen an ongoing and progressive process through which companies work to embed CSR into their business.

Environmental sustainability has garnered a positive response lately by companies as climate change has become a serious threat for human kind. There has been lot of research done on the same by academicians and other institutions worldwide linking CSR initiatives and environmental sustainability. Vikramaditya Singh Malik & Roshan Santhalia in their paper Corporate Social Responsibility and Environmental Ethics: the Indian Context defined the concept of corporate social responsibility (CSR) with relation to the newer concept of environmental ethics and extending to the boundaries of corporate involving themselves in the international carbon trading market. The paper gave reasons as to how exactly Carbon trading is an excellent answer to the prevailing disrespect shown by the corporate against the environment trading. As of now, India is still not ready for a substantive law for the enforcement of CSR. However, certain judicial pronouncements are a positive indication that the country is slowly getting ready for such a law. They have stated that India should also try to develop
industrial techniques and production methods, which utilize renewable sources of energy. The best technique to match up to the challenges brought about by globalization is to anticipate the future commitments under international treaties and obligations. India will have to cut its GHG emissions under the second commitment period of the Kyoto Protocol, which starts from 2012. India should try to frontload its preparations to meet its commitment under the Kyoto Protocol and concentrate on harnessing renewable sources of energy.

In Sustainable Development and Corporate Environmental Responsibility: Evidence from Chinese Corporations (2009), Mao He E Juan Chen has employed data from Chinese and multinational corporations to identify why Chinese corporations seldom engage in CER by investigating their motivations and stakeholders. The results show that the most important reason why Chinese corporations do not engage in CER is the fact that their competitive strategy of cost cutting makes them limited in resources, such as money, employees, information. Further study implies that Chinese corporations face more survival pressure, though they are willing to take environmental responsibilities as multinational corporations do. The results also imply that government and social surroundings can play an important role to arouse CER consciousness of Chinese corporations in all stakeholders. Consequently, Chinese government has a heavy duty to promote corporations to respond to their CER in the long run.

In article Taking on the Rising Challenge of Environmental Sustainability (2010), featured in Business Line it has been mentioned that India has announced an action plan to reduce emissions intensity of its GDP by 20-25 per cent between 2005 and 2020, thus making a major contribution to mitigating the climate change. Even as the call for ecological sustainability gets louder, Indian corporate, especially the larger ones are seen pro-actively working towards greener initiatives and are seen becoming more vocal in proclaiming the adopted sustainability measures. “The big challenge is how you mainstream this issue,” says Ms Arora (Principal Counselor and Head, Confederation of Indian Industry - ITC Centre of Excellence for Sustainable Development). Sustainability is still a sideline issue for many a corporate. “It is still not a boardroom issue,” she adds. The sustainable initiatives are by and large confined to the large corporate. However, the small- and medium-size companies could also be forced to adopt such sustainable measures to be part of the supply chain. As SMEs are part of supply chain, they would be forced to look at sustainable measures seriously going forward.

In another one of the pioneer study on Environmental Sustainability in India named India and The Path to Environmental Sustainability by Ethan Goffman, the author has stated that currently, India ranks 101 out of 146 countries on the 2005 Environmental Sustainability Index (ESI), which ranks countries based on such measures as health, governance, technology, and international cooperation and evaluates- the likelihood that a country will be able to preserve valuable environmental resources effectively over the period of several decades. Sustainable development is the watchword of the day, which means that care must be taken to preserve existing environmental resources for the benefit of future generations.

Strengthening Institutions for Sustainable Growth: Country Environmental Analysis for India, underlines the need for ‘environmental sustainability’ as the next great challenge that India faces along its path to development. The report identifies five areas for priority: strengthen multi-stakeholder partnership and public participation, expand regulatory toolkit to match the needs of the economy and successful global practice, increase capacity and accountability of the environmental regulator to keep pace with growing mandates and demands, facilitate good environmental performance through sectoral policies, procedures and incentives, foster cross-sectoral coordination for measurable area-based environmental outcomes.

Conclusion:

The brief overview of CSR literature provided here throws light on the present state of knowledge existing on the topic. The literature clearly shows that CSR is becoming a leading principle of top management and of entrepreneurs. But in order to move from theory to concrete action, many obstacles need to be overcome. A lot is required to be done in this field as new theories are emerging in the field. Few suggestions that can be undertook by companies based on reviewing the literature are:

• CSR should be embedded within every level of an organization.
• Have a CSR policy and vision - Look at long term projects/programs with impacts.
• Involve the top management and sensitize the employees.
• Focus on the triple bottom line of People, Planet and Profit.
• Form Partnerships with civil society/corporate and the Government.
• Corporate should change their way of thinking and must start taking CSR as profit center rather than cost center.

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