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Corporate Responsibility and Sustainable Development

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ABSTRACT: Sustainable development and corporate social responsibility are closely related business concepts that have greatly affected corporate governance in the early 21st century. Sustainable development involves the use of environmentally responsible and efficient operational practices. Corporate social responsibility, or CSR, involves balancing corporate citizenship and environmental responsibility to give back to the communities in which they operate, which also supports long-term business success. Socially responsible companies preserve environmental resources crucial to future generations, according to the International Institute for Sustainable Development. The development of corporate social responsibility has been driven in part byincreased consumer social consciousness and expectations of accountability. Due to prominent business scandals, such as public outrage over a passenger being dragged off an overlooked United Airlines flight in 2014, and increased emphasis on environmental preservation, the public pays more attention to company practices.

KEYWORDS: corporate, sustainable, development, responsibility, social, expectations, business, public

I.INTRODUCTION

Companies are increasingly coming to appreciate the role of CSR in sustainable development. Operating in a way that benefits society now and in the future can earn favor with core customers, while ignoring expectations for responsible activities can lead to negative public relations, boycotts and general backlash from communities in which you do business.[1,2]

Responsiveness to Stakeholders

Consumers prefer to do business with companies that give back to the communities they serve, according to Business News Daily. To achieve full congruence with these areas of responsibility, a company must operate with fairness and honesty with customers and suppliers.[3,4]

Socially aware companies give back to and actively participate in local communities, and value employees, while earning profits for shareholders. Meeting expectations of each of these stakeholder groups is a tall order. Companies at times have created jobs specifically in CSR to emphasize its importance.

Protection of the Environment

One factor integral to both sustainable development and CSR is the environment. CSR and sustainable development goals both emphasize stronger environmental preservation, recycling and renewal programs. Employers interested in supporting the environment may involve all employees in efforts to promote green-friendly operations, offer paid time off for employees to participate in green activities or create recycling programs promoted internally and with customers.[5,6]

Companies may also encourage employees to reuse materials and resources whenever possible to cut down on costs and waste. Organizations truly committed to environment protection often invest in green-friendly resources and business processes.

Sustainable Economic Development Practices

Sustainable and responsible companies also recognize the importance of promoting economic development domestically and abroad, according to the United Nations Industrial Development Organization. Companies can demonstrate an emphasis on sustainable development by investing in suppliers that produce more natural products.

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Global businesses can establish operations in less industrious nations and train or support local farmers or producers to help build up their local supply network. This may include sending employees to foreign markets to train local workers and help build stronger infrastructures that serve both local economies and the company.[7,8]
Corporate social responsibility (CSR) has become increasingly important as economic globalisation has taken off. As businesses grow, it is more important than ever before that they consider their impact on a country's domestic populace. In this article, Dr Julie Broussard, country programme manager for the United Nations Women in China Office, and Chia-LinCoispeau, co-founder of Maverlinn Impact Innovation, discuss the role corporations can play in improving their local environment.Corporations play a major role in the economic system. By generating profits, corporations create value that can be re-invested to create economic development that can positively impact society at large."Corporate social responsibility is not simply limited to charitable donations, but is closely related to corporate values, employment mechanisms, business models… CSR has to be integrated into the company's core values and business models."[9,10]

A business engaging in CSR should not be considered a luxury that one might or might not be able to afford. Corporations that practice CSR and sustainable development need to operate in ways that are respectful to the general population and their surrounding environment. Doing these things successfully requires businesses to pay special attention to product quality and the impact their activities might be having on their community, something that might initially be considered a simple operational cost. However, not all costs are equal and some corporations have learned that by acting responsibly, they can become more innovative, increase their revenue by producing higher quality products, and reduce costs by making smarter business decisions.

II.DISCUSSION

Having been the orchestrator of the many challenges humanity now faces, countries around the world are now responsible for finding solutions to these global issues. The Sustainable Development Goals, adopted by the United Nations (UN) General Assembly in September 2015, contained 17 global goals, such as "no poverty, zero hunger, good health and well-being, quality education, gender equality, clean water and sanitation, and affordable and clean energy". Collective efforts to address these issues can be triggered by individuals with innovative ideas and the support of the private and/or public sector.

Corporations need to take action to improve the economy, society as a whole, and the environment. The way to do so is to innovate. Innovation can uncover new ways to foster societal progress and when it comes to innovation, the private sector has a crucial role by engaging in CSR.[11,12]

The private sector also has a largely unrecognised role to play in advancing gender equality. Without female empowerment, the world cannot fully eradicate poverty or attain zero hunger. As employers, the private sector can potentially empower millions of female employees and consumers, who often prioritise the well-being of their families. Additionally, multiple studies have unequivocally demonstrated that companies with a more gender-equal workforce, and women in more leadership positions, are more profitable on average. In their CSR efforts, companies should not only promote gender equality, but consider the role they can play in promoting all 17 Sustainable Development Goals.
Corporate sustainability can be viewed as a new and evolving corporate management paradigm. The term 'paradigm' is used deliberately, in that corporate sustainability is an alternative to the traditional growth and profit-maximization model. While corporate sustainability recognizes that corporate growth and profitability are important, it also requires the corporation to pursue societal goals, specifically those relating to sustainable development — environmental protection, social justice and equity, and economic development. The contribution of sustainable development to corporate sustainability is twofold. First, it helps set out the areas that companies should focus on: environmental, social, and economic performance. Second, it provides a common societal goal for corporations, governments, and civil society to work toward: ecological, social, and economic sustainability. However, sustainable development by itself does not provide the necessary arguments for why companies should care about these issues. Those arguments come from corporate social responsibility and stakeholder theory. Like sustainable development, corporate social responsibility (CSR) is also a broad, dialectical concept. In the most general terms, CSR deals with the role of business in society. Its basic premise is that corporate managers have an ethical obligation to consider and address the needs of society, not just to act solely in the interests of the shareholders or their own self-interest. In many ways CSR can be

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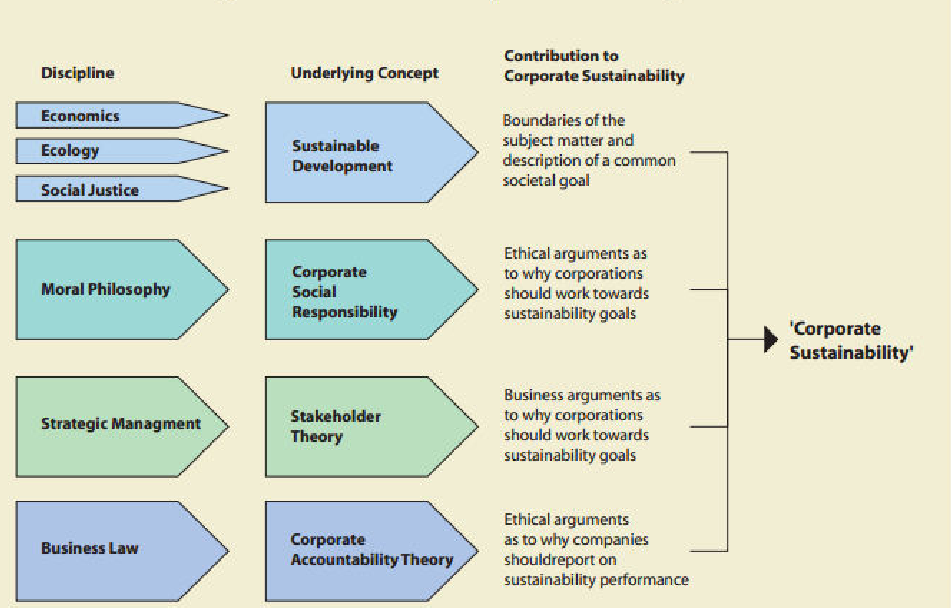
considered a debate, and what is usually in question is not whether corporate managers have an obligation to consider the needs of society, but the extent to which they should consider these needs.[13,14]

The arguments in favour of corporate managers having an ethical responsibility to society draw from four philosophical theories:

- **Social contract theory.** The central tenet of social contract theory is that society consists of a series of explicit and implicit contracts between individuals, organizations, and institutions. These contracts evolved so that exchanges could be made between parties in an environment of trust and harmony. According to social contract theory, corporations, as organizations, enter into these contracts with other members of society, and receive resources, goods, and societal approval to operate in exchange for good behaviour.
- **Social justice theory.** Social justice theory, which is a variation (and sometimes a contrasting view) of social contract theory, focuses on fairness and distributive justice— how, and according to what principles, society's goods (here meaning wealth, power, and other intangibles) are distributed amongst the members of society. Proponents of social justice theory argue that a fair society is one in which the needs of all members of society are considered, not just those with power and wealth. As a result, corporate managers need to consider how these goods can be most appropriately distributed in society.
- **Rights theory.** Rights theory, not surprisingly, is concerned with the meaning of rights, including basic human rights and property rights. One argument in rights theory is that property rights should not override human rights. From a CSR perspective, this would mean that while shareholders of a corporation have certain property rights, this does not give them licence to override the basic human rights of employees, local community members, and other stakeholders.
- **Deontological theory.** Deontological theory deals with the belief that everyone, including corporate managers, has a moral duty to treat everyone else with respect, including listening and considering their needs. This is sometimes referred to as the "Golden Rule."[15,16]

Figure 1: The Evolution of Corporate Sustainability



III.RESULTS

One of the first challenges for companies is to identify their stakeholders. There appears to be general agreement among companies that certain groups are stakeholders — shareholders and investors, employees, customers, and suppliers. Beyond these, however, it becomes more challenging because there are no clear criteria for defining stakeholders. Most authors agree that if the term 'stakeholder' is to be meaningful, there must be some way of

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separating stakeholders from non-stakeholders. Some authors have suggested that stakeholders are those that have a stake in the company's activities – something at risk. Other authors have suggested that if you consider the global impacts of industry – such as climate change or cultural changes due to marketing and advertising – everyone is a stakeholder. The issue of qualifying criteria for stakeholder status is currently being debated.[17,18]

Corporate accountability need not be restricted to the traditional fiduciary model, nor only to the relationship between corporate management and shareholders. Companies enter into contracts (both explicit and implicit) with other stakeholder groups as a matter of everyday business, and these contractual arrangements can serve as the basis for accountability relationships. For example, companies that receive environmental permits and approvals from regulators to operate facilities are often held accountable by the regulators for whether the terms of the approval are being met. Proponents of social contract theory often argue that corporations are given a 'licence to operate' by society in exchange for good behaviour, and as such the corporations should be accountable to society for their performance.
The contribution of corporate accountability theory to corporate sustainability is that it helps define the nature of the relationship between corporate managers and the rest of society. It also sets out the arguments as to why companies should report on their environmental, social, and economic performance, not just financial performance. In 1997, John Elkington of the UK consultancy, Sustain Ability, called this type of accounting on environmental, social, and economic performance as 'triple bottom line' reporting.[19,20]

Corporate sustainability is a new and evolving corporate management paradigm. Although the concept acknowledges the need for profitability, it differs from the traditional growth and profit-maximization model in that it places a much greater emphasis on environmental, social, and economic performance, and the public reporting on this performance.
Corporate sustainability borrows elements from four other concepts. Sustainable development sets out the performance areas that companies should focus on, and also contributes the vision and societal goals that the corporation should work toward, namely environmental protection, social justice and equity, and economic development. Corporate social responsibility contributes ethical arguments and stakeholder theory provides business arguments as to why corporations should work towards these goals. Corporate accountability provides the rationale as to why companies should report to society on their performance in these areas.

Not all companies currently subscribe to the principles of corporate sustainability, and it is unlikely that all will, at least not voluntarily. However, a significant number of companies have made public commitments to environmental protection, social justice and equity, and economic development. Their number continues to grow. This trend will be reinforced if shareholders and other stakeholders support and reward companies that conduct their operations in the spirit of sustainability.[21,22]

IV.CONCLUSIONS

Corporate social responsibility is a business model by which companies make a concerted effort to operate in ways that enhance rather than degrade society and the environment.CSR helps both improve various aspects of society as well as promote a positive brand image of companies.Corporate responsibility programs are also a great way to raise morale in the workplace.CSRs are often broken into four categories: environmental impacts, ethical responsibility, philanthropic endeavors, and financial responsibilities.Some examples of companies that strive to be leaders in CSR include Starbucks and Ben & Jerry'

Ethical responsibility is the pillar of corporate social responsibility rooted in acting in a fair, ethical manner. Companies often set their own standards, though external forces or demands by clients may shape ethical goals. Instances of ethical responsibility include:

- Fair treatment across all types of customers regardless of age, race, culture, or sexual orientation.
- Positive treatment of all employees including favorable pay and benefits in excess of mandated minimums. This includes fair employment consideration for all individuals regardless of personal differences.
- Expansion of vendor use to utilize different suppliers of different races, genders, Veteran statuses, or economic statuses.
- Honest disclosure of operating concerns to investors in a timely and respectful manner. Though not always mandated, a company may choose to manage its relationship with external stakeholders beyond what is legally required.[23]

Philanthropic Responsibility

Philanthropic responsibility is the pillar of corporate social responsibility that challenges how a company acts and how it contributes to society. In its simplest form, philanthropic responsibility refers to how a company spends its resources to make the world a better place. This includes:

- Whether a company donates profit to charities or causes it believes in.
- Whether a company only enters into transactions with suppliers or vendors that align with the company philanthropically.
- Whether a company supports employee philanthropic endeavors through time off or matching contributions.
- Whether a company sponsors fundraising events or has a presence in the community for related events.[23]

Financial Responsibility

Financial responsibility is the pillar of corporate social responsibility that ties together the three areas above. A company make plans to be more environmentally, ethically, and philanthropically focused; however, the company must back these plans through financial investments of programs, donations, or product research. This includes spending on:

- Research and development for new products that encourage sustainability.
- Recruiting different types of talent to ensure a diverse workforce.
- Initiatives that train employees on DEI, social awareness, or environmental concerns.
- Processes that might be more expensive but yield greater CSR results.
- Ensuring transparent and timely financial reporting including external audits.[24]

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