CORPORATE SOCIAL RESPONSIBILITY – COLLABORATING FOR THE FUTURE

Petre Bosun1, Mirela Teodorescu2, Bianca Teodorescu3

1Professor, Technical University of Timișoara, Romania
2Researcher, University of Craiova, Romania
3Researcher, University of Craiova, Romania

Corresponding author: Petre Bosun
E-mail: bosunpetre@yahoo.com; Bosun Petre, Address: no 46, Rodna Street, Craiova, Dolj, Romania

Abstract

Global economy of the world is about to exceed the limit of endurance of the Earth, pushing civilization from early phase of the XXI century closer to a possible crash than ever. In our concern for quarterly profit growth from one year to another, we lose sight of the magnitude scale of human activity in relation to the earth's resources. A century ago, the annual growth of the global economy was measured in trillions. As a result, the consuming of renewable resources is faster than their regeneration. Forests are shrinking, grasslands are deteriorating, water fall, fishing seats collapse and soils erode. Depletion of oil is at a pace that leaves little time for planning what will be beyond its peak. And "unload" in the atmosphere gases with greenhouse effect faster than nature can absorb them, thus reaching a stage where increasing the soil temperature is significantly higher than it has ever been since the beginning of agriculture in here (Hawkins, 2006). Civilization of this XXI century is not the first which takes the way of a certain economy cannot be sustained by the environment. Many other previous civilizations were in trouble regarding the environment. As Jared Diamond (2005) noted some could change the course and avoided the economic downturn. Others could not.

The idea is that the world is today in what ecologists call “mode exaggeration-and-fall”. In the past, many times the request exceeded the production of sustainable natural systems locally. In this context, the major companies in their efforts to find ways to develop projects to stop the degradation of the planet, then restore the resources. One of the large projects is CSR acting in areas such as: environmental change, resources, waste, social change, pollution, energy, eco-efficiency, water, fauna, forests, fossil fuels, contaminants, GHG (greenhouse gases), GM (genetically modified), desertification are only few objectives. It is also the task of governments and NGOs to create structures that facilitate and control this activity.

Keywords: environment, globalization, corporate social responsibility, sustainable, regulation, governance, risk management.
1. Global business

Globalization is a factor in every business, either directly or indirectly, and impacts every community; clearly demand growth must also be affecting the broad spectrum of sustainability issues. It offers both challenge and opportunity but is still feared by many, as the more open markets become the greater the pressure on traditional comfort zones. In every aspect of dealing across national boundaries and, more importantly, integration of developing regions into the business process, there are social and economic impacts to be encountered. Many of these have caused high profile media exposure for a number of international business names (Hawkins, 2006).

The global community is changing. The impacts of globalization involve customer needs, regulation, politics, industry convergence, technology, economics, competition, liberalization. Some predictions suggest that in the next two decades the influence of the Asian business machine will radically increase. New global players are emerging, such as China and India, together with others. The major impacts will significantly change the geopolitical profile. At the same time the world economy will continue to grow, perhaps by as much per cent by 2020, but it is also suggested that average per capita income will be 50 per cent higher. The global business community will progressively become much less westernized, and thus the implications for creating a western brand of sustainability seems less likely (Cotoc, Traistaru & Stoica, 2013; Avram & Traistaru, 2014).

For many years, environmental experts cited the United States as the largest consumer in the world, noting that 5% of the total population of the world consumes almost a third of the planet's resources. China has replaced the United States as the largest consumer of commodities (EcoFuture, 2002).

Regarding the five food goods, energy and industrial base, cereals and meat, oil, coal and steel - consumption in China eclipsed the U.S. in all cases, except in the oil. How the world will cope with the expected needs of China, India and other developing countries in terms of grain, oil and other resources, will help to determine how it will address the associated stresses exceeding the productive capacity of the land. Past civilizations whose economy has followed a path of unsustainable environmental point of view made it isolated from the rest of the world, but the world economy increasingly integrated and interdependent nowadays. We must admit that the term "national interest" is in many respects surpassed.

What is perhaps less obvious is the economic pressures from cash flow and market dominance that prohibits true competition. For example, six international companies control 70% of the world’s agricultural commodities. Exports from the developing world are increasing dramatically, whilst inward investment is much less pronounced. Better working conditions and productive planning increase productivity and quality; this we have come to understand. It is also interesting to consider that poverty may provide low short-term costs but it increases absenteeism through ill health. A low educational base limits future growth options and raise the cost of training and recruiting (Hawkins, 2006).

In the business community it is perhaps the view of many that corporate social responsibility (CSR) is the primary focus and that sustainability belongs on the next level down. On the one hand, CSR has become somewhat of a millstone for the business community, creating a whole new raft of pressure in what is an increasingly complex trading environment. On the other hand, the concept of
sustainability, which was once a sensible idea to conserve resources, has become a buzzword for every NGO trying to generate support. Typically one reads of sustainable housing programmes and such like that, unless they truly are built from wholly renewable resources, cannot be considered sustainable in the strictest sense, when forest land is being converted to housing (Hawkins, 2006).

There are six dimensions of globalization: finance, politics, technology, environment, culture, security.

The financial implications and economic influences clearly set the agenda for the global trading landscape but, in relation to the sustainable challenges, these introduce a wide range of factors. The growing influence of global players such as China and India are already changing the profile of trading patterns. Within the financial aspects of global trading one must also consider the ethical trading implications and the control of corruption.

The political agendas are very diverse and frequently unstable and creates a fragile climate to develop and perform business operations. Wanting and getting political power may induce some countries to adopt a positive approach, whilst others may use the exploitation of natural resources to build and get influence.

Security is the most visible influence on the global market. Its growth in network terrorism will continue to influence much the business environment and implications for developing of sustainable programmes. Technology is a major factor at every level. “Globalization and information technology are bringing about the most dramatic transformation in the history of business” (Tom Peters, 1994).

Culture is influenced by progressive growth in population in Asia over the next decade changing the balance, also the global market place will become less western and the growth in the transient Islamic population will change the profile of the sustainable community. The environment has been the main focus of sustainable development, and with current rates of consumption, waste and pollution the more we integrate globalization the greater the pressure on each of these aspects. Deforestation through to genetically modified (GM) crops creates a wide range of issues and challenges between the tree-huggers and the business community.

2. New rules for Corporate Social Responsibility Announced

Most of countries developed projects supported by another countries or organizations because of the lack of the regulations, government rules. More and more countries are aware of the collapse of the Earth resources. Recently, India announced the regulation regarding CSR. By providing the definition of CSR, the scope and application of CSR that can be undertaken by the companies has been further clarified. The definition of CSR assumes significance as it allows companies to engage in projects or programs relating to activities enlisted under the Schedule. It also permits flexibility to companies by allowing them to choose their preferred CSR engagements that are in conformity with the CSR policy. While the introduction of CSR provision in the Companies Act is a welcome step, however the current discourse of corporate philanthropy without giving any express autonomy to companies in choosing their CSR activities may not yield the desired outcome. By allowing only selected list of activities within the Schedule in a sectional
manner may end up encouraging only a passive participation by corporate towards CSR activities. In order to enable corporate to participate fully in the philanthropy space, the participation must start with a more inclusive management of CSR policies where government and industry work side by side, which does not assume that (social) business and CSR are incompatible. Thus, the policymakers should frame rules for social business projects instead of eliminating it from the scheme of CSR regime altogether. (Press Release dated 27th February 2014; http://pib.nic.in/newsite/erelease.aspx?relid=104293)

3. How can be measured the Corporate Social Responsibility

1. When in the world are so many different ratings for corporate social and environmental responsibility, how is an investor or a consumer supposed to keep track of which companies are doing good, and which are not? Perhaps the biggest challenge at this stage in the evolution of CSR and sustainability awareness is the skepticism that is created as a result of the prolific outpouring of so-called sustainability reports, many of which simply reflect good works but frequently fail to include a more substantial commitment (Hawkins, 2006). In CSR companies activity, more information can attract more benefits for investors to make informed decisions. The proliferation of rating schemes can create confusion, for investors who need to figure out metrics are important and which ratings are credible.

Different ratings utilize different criteria, different methodologies, different weighting schemes, and perhaps most importantly, data from different sources. Unfortunately, there is often little transparency regarding the metrics used to evaluate corporate social and environmental performance and the trade-offs involved in the evaluation. It should be helpful to configure a specific rating scheme in isolation and then to analyze, evaluate and see what could be learned from ratings data drawn from multiple sourced (Magali Delmas, 2013).

2. The content of many ratings are reporting on processes (what companies are doing to comply with regulations) rather than outcomes (what they are actually accomplishing or not). Certainly a number of corporate sustainability reports appear to have simply collected together the voluntary actions of its staff and taken corporate credit. Charitable contributions should be recognized as worthwhile it is perhaps questionable as to whether these really offset investment strategies that may be seriously damaging, or provide justification for ignoring the big issues. On the other hand, some organizations have made a real effort to embed sustainability, and corporate responsibility, within their business processes by developing internal programmes to ensure these values are supported and promoted. Being a good company and having a sound policy and sustainable processes in place is viewed as only part of the equation. If nobody knows you are a responsible company, how do you benefit from the investment made? This is one perspective; the other is that in the majority of cases these corporate reporting processes were started to respond to concerns in the market. So now the premise in many places is that they are PR, and if you don’t issue one you must have something to hide (Vlăduțescu, 2014). We should expect that all
organizations and business leaders would operate in a responsible manner, but the world offers a wide variety of cultures and practices where best practice is relative (David E. Hawkins, 2006).

The fact that there are, indeed, two distinct dimensions of CSR implies that processes and outcomes are much less linked than we would expect. Firms can perform both well and poorly on these two dimensions. Companies may excel at reporting, governance and the utilization of environmental management systems, yet they may still emit substantial amounts of pollution. Or, more cynically, they may put in place such processes "just for show" rather than actively pursuing meaningful outcomes. Moreover, process measures can be easily communicated by companies (for example, reporting that "all our facilities are ISO 14000 certified"), and so are perhaps more easily fed into rating schemes. This information is what is made available for investors to base their decisions upon. Unfortunately, it is outcomes, with their tangible and material impacts on people and the planet that ultimately matter. (Magali Delmas, 2013)

3. How important is doing well by the environment for successful business strategy?
Organizations need to have the courage to stand by their declared position, which should already have been validated by the principal stakeholders through structured CSR reporting, as: environment, health& safety, ethics& human rights, community, economic, market, employees, supply chain. If the stakeholder expectations are incorporated, then isolated protest will have a limited impact. It is important to gauge the progress of any such strategy, to ensure that indicators are in place which are relevant, clear, robustly integrated in the business process and comparable in general terms to the competition. It is also important to establish key external indicators that can be used to benchmark results. These indicators have to be sustainable, measurable, accurate, realistic and in time. This ensures that internal profiles are not reflecting external influences that the organization cannot control; to take an extreme example, a pollution control measure when the nearby volcano erupts (David E. Hawkins, 2006).

It has to be took in consideration also, that any investment in the natural environment comes as an additional cost to firms and detracts from profit maximization. An emerging body of research, however, has challenged this long-standing assumption. Proponents of a "win-win" theory, including socially responsible investors, claim that improving environmental performance produces latent profit opportunities. For example, by switching to more environmentally friendly production processes, firms gain access to new markets for green products and can differentiate themselves from dirtier competitors while improving resource efficiencies and reducing costly waste. An improved environmental image can also help firms gain credibility by socially responsible investors and help firms attract capital (Magali Delmas, 2013).

4. What are some of the greatest challenges that firms encounter when they try to improve their environmental performance?
The assumption that environmental responsibility is an integral element of CSR seems less controversial than the aforementioned multifaceted nature of CSR. However, even with respect to corporate greening, important research questions remain. For example, there are several different definitions of sustainable development (Gladwin, Kennelly, & Krause, 1995), and many of them seem conceptually deficient (Beckerman, 1994). In addition, there is a vigorous debate regarding managerial motives—instrumental (Siegel, 2009) versus noninstrumental (Marcus & Fremeth,
that should be driving environmental sustainability. Industry structure is a third example illustrating the many unresolved issues with respect to corporate greening. Specifically, there is a vigorous debate about the impact of industry structure (monopoly, oligopoly, perfect competition, and so on) as a context in which environmental sustainability may translate into competitive advantage and abnormal profits (McWilliams & Siegel, 2002; Piga, 2002; Siegel, 2009). Clearly, many issues remain unresolved in the field of environmental sustainability as well (Ambec & Lanoie, 2008; Nordhaus, 2008; Vlăduțescu, 2013).

Economic theories of strategic CSR have evolved since the original “theory of the firm” perspective on CSR was outlined in McWilliams and Siegel (2001). In this article, the authors demonstrated how cost-benefit analysis can be used as a strategic tool for optimizing a firm’s CSR activities. To apply this analytic tool effectively, managers must consider CSR as a normal good (i.e., a good whose demand increases as income increases) and analyze its demand and supply, without any preconceived ideas or normative commitments. Only by correctly analyzing supply and demand conditions can managers hope to make CSR decisions that are strategically or economically sound. Important contingency factors implied by a theory-of-the-firm approach to CSR include research and development, advertising, organization size, diversification, government sales, consumer income, labor market conditions, and stage in the industry life cycle (McWilliams & Siegel, 2000, 2001; Siegel and Vitaliano, 2007).

With the expansion of socially responsible investing and green consumption, green advertising has increased almost tenfold in the last 20 years and nearly tripled since 2006. As of 2009, more than 75 percent of S&P 500 companies had website sections dedicated to disclosing their environmental and social policies and performance. But instances of greenwashing have skyrocketed in recent years, misleading consumers about companies’ actual environmental performances (Dima & Man, 2013; Dima & Man, 2013). Greenwashing can have profound negative effects on consumer and investor confidence in green products and environmentally responsible firms, making these stakeholders reluctant to reward companies for environmentally friendly performance. Consequently, improving environmental performance requires more than just improving communication. It is about undertaking substantive organizational changes and investments that might be costly initially (Grabara, 2001; Delmas, 2013).

5. Looking ahead to the future, how will these efforts to improve corporate social and environmental responsibility evolve? What should companies be looking for on the horizon? Creating the future is better than predicting it but, in real terms, in order to create a sustainable future and sustainable business, the most that we can hope to do is to measure the trends and reflect this against our best judgment (Hawkins, 2006). What we know is an opportunity, what we don’t know is a risk. Between these statements is management: what, when, where, how, why, who related to knowledge, trends and guesswork (Grabara & Bosun, 2014; Modrak & Bosun, 2014).

Transparency is key and well established within the financial reporting scheme. Some scholars have argued that the openness about the way firms operate in the United States makes American industry more efficient and competitive. If this is correct for environmental performance as well, then once reporting and measuring environmental performance becomes more common, some standardization and rules for transparency will be needed. However, this will only be feasible
if information about corporate environmental performance becomes as publicly available as financial information is now (Siminică & Traistaru, 2013). We already see some of this coming in Europe; for example, the UK mandates environment, social and governance reporting. In France, there is a mandatory triple bottom line reporting. The European Commission is currently considering putting forward a legislative proposal requiring companies to publish information on their management of environmental and social issues (Delmas, 2013; Colhon, 2012).

The globalization of economic, financial, social phenomena is, on the one hand, the result of knowledge development, of creativity and innovation, and one the other, of their putting into practice. The world is in the information age. There has been a digital revolution that have succeeded everywhere. Interaction, network, connectivity, that is always the engine of society acquires new values in the new context. Social relations, are digitally imprinted. Some of them even develop completely or partially, as mediated by computer. Many social relations have a virtual component (Smarandache & Vlăduțescu 2013).

4. Conclusion

Ever since the term “corporate social responsibility” became popularized in the 1960s, it’s been used to cover a broad swath of ethical issues, including those that affect the environment, human rights, supply-chain sustainability, consumers and transparency with corporate governance.

All of the world’s largest companies have corporate social responsibility programs; indeed, according to a 2013 study by Boston College’s Center for Corporate Citizenship, 97% of surveyed companies reported being allocated a discreet operating budget for corporate citizenship, compared with 81% in 2010. So it seems safe to say that CSR is a business approach that is here to stay (Colhon & Tandareanu, 2010).

Companies integrate CSR into their businesses in a variety of ways. Organizations that prioritize environmental sustainability, for example, minimize their carbon footprints by reducing their pollution and developing clean energy solutions. Ethical labor practices are also a significant focus of many CSR programs, particularly with organizations that have a global presence. And of course corporate philanthropy is an important aspect of CSR, one that can be achieved through donations of money, goods or time, with employee volunteering and giving a particular source of charitable firepower if properly harnessed.

But there is still lively debate about the merits of CSR. Supporters insist that CSR is intricately tied to a company’s profitability and long-term viability, specifically helping to supercharge a company’s public image, media visibility and positive workplace environment, for starters. Detractors argue that CSR distracts from a company’s bottom line and serves as nothing more than expensive window dressing for a company’s PR efforts. The issue between profitability and social responsibility is one that continues to be much studied, but the debate is bound to persist until more conclusive data is gathered.
References


Delmas, Magali (2013) interview—“Corporate Responsibility” or “greenwashing” UCLA Center for Corporate Environmental Performance.


Marc Orlitzky, PhD, Donald S. Siegel, PhD, and David A. Waldman, PhD-Strategic Corporate Social Responsibility and Environmental Sustainability. *Business & Society* 50(1) 6–27


Vlăduţescu, Ștefan (2013). What kind of communication is philosophy. Jokull, 63(9) 301-318.


Smarandache, F., & Vlăduţescu, Ș. (2012). Extension communication for solving the ontological contradiction between communication and information. In F. Smarandache (Ed.), Extensics in higher dimensions (pp. 99-112). Columbus, OH: Education Publisher.


