

CORPORATE SOCIAL RESPONSIBILITY IN A CONTEXT OF SUSTAINABLE DEVELOPMENT

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"The future we want", the main document summarizing the action areas advocated by the Rio+20 conference (Rio de Janeiro, Brazil, June 20-22nd), advocates "green economy" as a main instrument to eradicate poverty, while maintaining the healthy functioning of the environment. "Green economy" is a reply to global capitalism and the excesses of its elite practitioners, as they became manifest during the recent economic crisis. A classical contribution of the private business sector to sustainable development is corporate social responsibility (CSR). The concept dovetails in the doctrine that a company is not only responsible for a positive economic performance, but also has to take care about the environmental, social and ethical aspects of its activities. Companies have to transparently report on these activities in their sustainability or CSR report. One of the main external advantages for CSR conscientious companies is that they are included by banks in ethical and sustainability portfolios. These funds, although originating in the US Methodist and Quakers traditions, are among the fast growing sections of the products offered by European banks. The CSR system is criticized by developing countries and NGOs for its improper use of green economy products ("green washing").

The fast increasing literature on CSR contains numerous definitions of the construct. Often cited is this of the European Commission (2010) which defines corporate social responsibility as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". More recently the Commission moved out the explicit reference to environment and proposed a more generic definition which reads as "the responsibility for enterprises for their impacts on society" [EC (2011)].

These and other CSR definitions have in common that firms should (voluntary) go beyond their legal and contractual obligations. To meet the CSR criteria enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business

operations and develop a core strategy in close collaboration with their stakeholders. This process should aim at:

- maximizing the shared value for their owners/shareholders and for the other stakeholders and society at large;
 - identifying, preventing and mitigating their possible adverse impacts.

Calls of people to invest in "good causes" are of all times. More recently these calls gained momentum because of the problems banks runned in, the confidence they have to regain, and the civil society (including environmental ant development NGOs) becoming more vocal. This increased vocal position of the civil society is not only related to a call for more democracy, but also to the regressing, if not failing role of the governments, the growing interest of companies to promote values, the high cost and limited benefit of e.g. bank operations (a combination of high transaction costs, poor information, and high delivery costs). An important segment of this civil society in a CSR context is the fair and equitable trade/responsible investment movement.

It is difficult providing a complete list of factors which contributed to this evolution. The following elements are however important concerns:

- (-) Economy should not only be driven by the "invisible hand of the market". Responsible economy should be about "common goods" or "commons", as core environmental resources (clean air, drinking water, good quality soil) which are considered abundant and therefore hardly valued in free market economies.
- (-) The call for more transparency, which is based on more and better information about markets, companies, organizations, and networks.
- (-) The increasing recognition that companies not only have an economic responsibility, but also social and environmental targets to pursuit. Environmental and social factors should no longer be externalized, but form an intrinsic part of the company management.
- (-) Experience in countries with a delayed water treatment policy in the past, and the current refusal to deal with climate changes and atmospheric pollution, illustrate that a curing environmental policy is more expensive than a preventive and proactive one [Bénabou and Tirole (2010)].

In summary, a CSR organization is transparent, accountable, and socially responsible. It is characterized by a comprehensive management which establishes effective incentives on the above listed critical parameters. It should do so because a strategic approach to CSR is increasingly important for the competitiveness of enterprises. If well managed, it brings benefits for the internal risk management, cost savings, access to capital, customer relationships, human resources management, and innovation capacity [EC (2011)]. In short, CSR should improve the competitiveness of the company, while behaving in a more responsible way to society.

References:

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