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The relationship between Sustainable Development and Corporate Social Responsibility

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Abstract

In recent years, the discussion about sustainability has risen above average and a huge amount of different terms have been established. This leads to a very broad and unspecified discussion about this topic, especially in economic science and business management.

The aim of this paper is to find out – due to an extended literature study – where the focus in the discussion of Sustainable Development (SD), Corporate Social Responsibility (CSR) and their relationship is. Clusters have been identified which intend to clarify whether CSR correlates with the social dimension of SD as defined by Brundtland and the model of the triple-bottom-line; whether CSR represents SD on a corporate level; whether SD and CSR are used synonymously; or whether articles exist which focus especially on the social dimension of SD but do not use terms such as CSR.

A framework is presented in which the relationship between SD and CSR is defined to ease further research in SD and CSR, moreover, to enhance the development of new methodologies and instruments towards the implementation of SD / CSR strategies into companies.

Keywords

Sustainable Development, Corporate Social Responsibility, Corporate Sustainability

Introduction

In recent years, the discussion about sustainability has risen above average. In an international context, the number of articles focusing on these subjects has increased year by year and the terms Sustainable Development (SD) and Corporate Social Responsibility (CSR) have become popular. The number of publications is high, however, there does not exist a common definition, especially of CSR. Often no visible differentiation between these terms is made. This leads to a very broad and unspecified discussion about this topic, above all in economic science and business management.



The aim of this paper is to find out – due to an extended literature study – where the focus in the discussion of SD and CSR and their relationship is. Clusters have been identified which intend to clarify whether CSR correlates with the social dimension of SD as defined by Brundtland and the model of the triple-bottom-line; whether CSR represents SD on a corporate level; whether SD and CSR are used synonymously; or whether articles exist which deal especially with the social dimension of SD but do not use terms such as CSR. Before presenting the extended literature study, the evolution of the terms SD and CSR will be discussed.

Evolution of SD and CSR

Sustainable Development

The origin of the term SD lies in the 18th century and was actually used in forestry. In those times, it was only allowed to cut down a certain number of trees so that a long-lasting protection of the tree population was guaranteed. This method ensured a continuous supply of wood without reducing resources for forthcoming generations. The Club of Rome precipitated an international discussion due to its report “Limits to Growth” (Meadows, 1972). In the course of this discussion, an eco-development approach was created which effected the protection of resources and environment coming to the fore. This development has led to the mission statement of SD we have today. In 1987, the World Commission on Environment and Development defined SD as an ethical concept and has become the major definition of SD: “Sustainable Development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concepts of “needs”, in particular the essential needs of the world’s poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organisation of the environments ability to meet present and future needs. Thus the goals of economic and social development must be defined in terms of sustainability in all countries developed or developing, market-oriented or centrally planned.”, cited in “Our Common Future” (World Commission on Environment and Development, 1987). Elkington goes more into detail when arguing that companies should not only focus on enhancing its value through maximising profit and outcome but concentrate on environmental and social issues equally (Elkington, 1998). Therefore SD is defined as a model of triple-bottom-line. In the United Nations Conference on Environment and Development in Rio de Janeiro 1992 and the Johannesburg Summit on Sustainable Development 2002, the Brundtland-concept of the three pillars has been further elaborated on.

Corporate Social Responsibility

Whereas the term SD has mainly started to be used in the 1980’s, the framework of CSR has already been established in the 1950’s and 60’s. Bowen defined CSR in 1953 - as one of the first - as “... an obligation to pursue policies to make decisions and to follow lines of action which are compatible with the objectives and values of society” (Douglas et al., 2004). In the beginning, however, the term Social Responsibility was rather used than CSR. Social Responsibility assumes that economic and legal duties of the companies should be extended by certain responsibilities to society (McGuire, 1963). Carroll argues that Social Responsibility exists of four components such as economic, legal, ethical and discretionary expectations that society has of a company and that companies have to decide which layer they focus on (Carroll, 1979).



On the other hand, Friedman – as most known defender of the neoclassical view of economics – defines Social Responsibility completely differently: “There is one and only one social responsibility of business - to use its resources and engage in activities to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud” (Friedman, 1962). Until today this neoclassical view has been the primary paradigm of business. Concepts of SD and CSR criticize this point of view. Of course, the economic perspective is important but a company also has a burden of environmental and social responsibilities to handle. As Wood puts it, “the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes” (Wood, 1991).

Organizations such as the World Business Council for Sustainable Development (WBCSD) actively take part in the sustainability and CSR discussion. WBCSD regards CSR as engine for the social dimension (social progress) which supports companies to fulfil their responsibilities as good citizens and defines CSR as "business' commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life” (WBCSD, 2006). On the other hand, the Commission of European Communities describes CSR as a “concept, whereby companies integrate social and environmental concerns into their business operations and interactions with their stakeholders on a voluntary basis” (Commission of the European Communities, 2001).

These last examples show how different the several terms are defined. This makes it difficult for researchers and practitioners to guide sustainability science into the same direction.

Study

Motivation for the study

Over the last decades, sustainability has become very popular in modern economics. Due to the strengthened focus in science on sustainability aspects, there has been an inflation on similar terms – especially on corporate level – such as CSR, Corporate Citizenship, Corporate Sustainability or Social Responsibility. All terms seem to go in the same direction: the prime objective is to consider the firm’s environment and its stakeholders which means being responsible to them for the company’s outputs and impacts and meeting not only shareholder’s interests. However, in scientific literature and practice, these terms are used differently which makes it very difficult to emphasize a common „direction“ and to embed SD as a clear, distinguished management discipline in business science.

In the majority of papers, only sustainability literature is taken into account which supports the specific opinion of the author. The purpose of this literature study is to get an overview of “all” actual scientific trends concerning CSR issues, without concentrating on only one special view. Hence, to find out where the focus in the sustainability discussion is and how the relationship between the terms SD and CSR is defined.

Methodology

Collection of data

For the extended literature study, articles concerning sustainability related issues were chosen. The main research was done by the abstract and citation database Scopus. Articles using terms



such as “SD, CSR, social dimension, social aspects or sustainability” in key words and titles of papers were selected. It came as no surprise to find hundreds of articles concerning sustainability issues from the last decades. However, as the focus of the paper is more on the relationship and the definition of the terms SD and CSR, only articles which tend to concentrate more on the social rather than environmental aspect were considered. A high percentage of papers were actually found in the Journal of Business Ethics; the latter has established itself as an important basis for the ethical, social and sustainable discussion going on during recent years. Also, three articles published in German journals were taken into account, as well as an article presented in the 14th IAMOT conference 2004, Washington.

About 55 articles from the last eight years (1998-2006) were selected. Some articles did not offer a kind of definition at all or discussed an issue that was related to the research purpose, therefore got excluded for this study. Finally, 43 articles were taken into account of which 13 concentrated on SD and 30 focused more on CSR related aspects. Also, each author was picked once to guarantee a broad basis for the research. The following table (Tab. 1) shows the distribution of the selected articles across the journals.

Tab. 1: Quantity of articles and journals.

Quantity	Journal	Quantity	Journal
21	Journal of Business Ethics	1	Int. Journal of Management and Decision Making
3	European Management Journal	1	Int. Journal of Sustainable Development
2	Corporate Governance	1	Int. Journal of Operations & Production Management
2	The TQM Magazine	1	International Journal of Life-Cycle Assessment
1	Business Strategy and the Environment	1	Journal of Cleaner Production
1	Corporate Social Responsibility and Environmental Management	1	Journal of the Academy of Marketing Science
1	Ecological Economics	1	managermagazin
1	European Journal of Marketing	1	The Journal of Corporate Citizenship
1	Harvard Business Manager	1	Zeitschrift für angewandte Umweltforschung
1	14th IAMOT Conference		

Research design

The purpose of the literature research intends to clarify whether

- CSR correlates with the social dimension of SD as defined by Brundtland and the model of the triple-bottom-line
- CSR is developed and integrated based on the SD-model
- CSR is used synonymously for SD
- articles exist which deal especially with the social dimension of SD (based on Brundtland) but do not use terms such as CSR.

Due to the analysis, different clusters, which picture the different hypotheses, were established and articles assigned to them depending on the author’s definition of SD or CSR. The detailed discussion of the definitions within each cluster and the relationship between the clusters itself finally indicates the trend in scientific sustainability management. Research trends which might exist due to the geographical position of the scientists were not analysed.



Papers were additionally investigated in regards of the main aims within SD or CSR. The purpose is to find out whether articles propose frameworks and models by which it is possible to implement and manage sustainability on a corporate level. For further research, it is important to prove the positive effects of sustainability in the performance of the corporation. Therefore, it was also of interest whether SD or CSR have impact on the company's (financial) performance. Additionally, the articles are analysed concerning interactions between SD and CSR. This is of importance when designing the framework of significance and relationship between SD and CSR.

In the following, each cluster is described to present how the articles have been assigned to.

Cluster 1: SD: basis is Brundtland or the triple-bottom-line

The first cluster represents papers in which the definition of SD is based on Brundtland or other definitions such as the Business Summit of Rio de Janeiro and Johannesburg. Their principle understanding of SD is the concept of triple-bottom-line which believes in an equal consideration of ecological, social and economic aspects to meet present and future needs. To make a clear distinction between the first and other clusters, only articles which concentrate on SD are allowed to be in the first one. This gives an overview of how many papers focus only on the social dimension of SD without mentioning CSR or other terms.

Cluster 2: CSR as social strand / stakeholder approach

Cluster two presents CSR as a kind of social strand of SD. These articles focus on social aspects such as the responsibility companies have to people who are affected by the firm and to society in general. Also, the stakeholders of corporations and the measures companies should undertake to satisfy them are dealt with in cluster two. Ecological aspects or the economic dimension of SD are omitted from the CSR framework. However, some ecological measures are accepted, if stakeholders put pressure on the company to realize them. CSR is presented as the "new" stakeholder-approach. Advocates for CSR as social argument refer to the evolution of CSR or Social Responsibility and stakeholder concepts from some decades ago and argue that CSR is the new way how companies should treat their stakeholders today. The shareholder value concept is not in the fore of the discussion. This cluster represents articles and definitions of CSR which focus on the social strand of SD and/or define CSR as a stakeholder-approach.

Cluster 3: SD as basis for CSR

Another trend in the sustainability discussion is the opinion that SD or Corporate Sustainability provides the basis for Corporate Responsibility or CSR. The arguments of this cluster are that SD represents a broad basis due to its concept of triple-bottom-line. The framework of SD is ethically justified as it attaches importance to an intra- and an intergenerative aspect. SD is rather seen as an ethical concept for institutional issues – a society related concept, whereas the ideas of SD on a corporate level are seen as CSR.

Cluster 4: SD and CSR are used synonymously

Cluster four includes articles which indicate that CSR and SD can be used synonymously. Advocates of cluster four do not distinguish different frameworks or definitions. They believe in an ethical concept of triple-bottom-line in which stakeholders are in the focus of a corporation. This means that CSR, too, has to consider all three dimensions, although it is not always explicitly put like this. Regardless which term is used, it always means the same. Advocates of this cluster want to ease the sustainability discussion. Cluster four has the same basis as cluster one, but the discussion is taken further.



Cluster 5: Miscellaneous

Some articles could not be assigned to any of the four clusters. Therefore, the fifth cluster is a “melting-pot” of various opinions.

Findings

Cluster 1: SD: basis is Brundtland or the triple-bottom-line

Nine articles could be assigned to cluster one. All these papers focus on SD aspects and base their definitions mainly on the ethical concept of Brundtland which is seen as the most common definition of SD. This model of SD is often referred to as the triple-bottom-line which represents an economic, ecologic and social pillar (Elkington, 1998). The bottom line of this model is continuously in flow (Hardtke and Prehn, 2001). The advantage of the Brundtland definition is its holistic and generic view, whereas other definitions only see sustainability as an isolated system or specific aspects.

The articles in cluster one only deal with SD related issues and do not make any comments to other sustainability terms such as CSR or Corporate Responsibility. Their starting point is always the concept of triple-bottom-line. As a common definition of SD exists, the majority of advocates does not define it anew. They offer integrated frameworks in which all dimensions are equally considered, provide arguments why SD should be dealt with on a corporate level and argue that SD can cause positive long term effects for the company. Also, the social dimension has been highlighted, which has not been done satisfyingly in the past, when the environmental pillar has namely been in focus of the sustainability discussion. To sustainable development, a huge amount of papers can be found, but due to the research limitations and the database Scopus, only this number of articles has been selected. Nevertheless, they give a good overview about actually research trends.

A major argument of Payne and Raiborn, 2001 concerning sustainability aspects is that without SD “neither business nor the societies in which they exist will have a long term future”. However, others use the Brundtland definition to develop the framework on SD further, such as Fergus and Rowney, 2005 who present a semantic framework which clearly defines the terms and logical meanings of sustainability and its three dimensions as it is understood today. MacDonald, 2005 proposes a framework on how SD aspects can be implemented into the ISO 14001 standard. Baumgartner, 2004 suggests a generic concept for business management with key elements and implications for strategic management, organizational structure and culture.

Dyllick and Hockerts, 2002 use the term Corporate Sustainability which represents SD on a firm level. This “can accordingly be defined as meeting the needs of a firm's direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders as well. Towards this goal, firms have to maintain and grow their economic, social and environmental capital base while actively contributing to sustainability in the political domain.”

The social dimension of SD is still the weakest pillar and has been neglected in discussions over the years in comparison to the other two aspects. Labuschagne and Brent, 2006 focus on sustainability criteria and design a comprehensive framework which is used to assess the social sustainability performance of projects, technologies or the company itself. Lehtonen, 2004 highlights the economic-social interface due to capability approach and social capital. Bizer,

