



Framing corporate social responsibility and contribution to sustainable development

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Abstract

Based on a review of literature, this paper provides formal definitions of corporate social responsibility (CSR) and corporate sustainability (CS) that are theoretically founded within the body of Paretean welfare economics and the economics of sustainable development, respectively. It shows that CS and CSR are distinct, but interacting concepts that are usefully formalized in terms of capital-theoretic and welfare-economic approaches. Only when externalities and reputational risks effectively or potentially harm profit prospects and corporate value, can CSR constitute a necessary condition for corporate sustainability. This provides the formal foundations of a company's internal CSR and CS evaluation. However, it is not sufficient for sustainable development. Therefore, we propagate the use of a sustainability-based social value function that integrates different concepts of sustainability at the aggregate level, and can be used for the evaluation of a company's CSR performance from a societal perspective of sustainable development. This approach is complementary to the capital-based assessment of a company's corporate sustainability.

Keywords: Corporate social responsibility; corporate sustainability; sustainable development; social welfare; capital theory; Pareto improvement.

A revised version of the paper will be available upon request from the author.

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