

# CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

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## ABSTRACT

*Corporate Social Responsibility (CSR) and Sustainable Development (SD) are among the most important concepts applied and/or promoted by companies through specific programmes. Whether they are part of the company's PR strategy or an element of the company's operational system, CSR and SD programmes are becoming a constant part of corporate actions. Considered by some analysts as controversial concepts, studies regarding CSR and SD have increased especially over the last two decades and actions related to them have become both shield and weapon for companies, organizations and governments, depending on the purpose they are used for.*

*The following article makes a short presentation of the CSR and SD concepts, the relationship between them and benefits they generate, and ends with the case study of the eKOsistem programme launched by The Coca-Cola Company - a relevant example of programmes designed to promote and apply both CSR and SD concepts.*

## 1. CORPORATE SOCIAL RESPONSIBILITY

The history of social and environmental concern about business is traced by some economists „as old as trade and business itself”<sup>1</sup>. However, the impacts of business on society and the environment assumed a new dimension once the economy entered the industrialisation period. In time, as concerns about large corporations and their power grew in importance, **Corporate Social Responsibility (CSR)** became a debate-generating principle.

*Business started long centuries before the dawn of history, but business as we now know it is new - new in its broadening scope, new in its social significance. Business has not learned how to handle these changes, nor does it recognize the magnitude of its responsibilities for the future of civilization.*<sup>2</sup>

Corporate social responsibility is a principle that depends on a complex of economic, cultural and political factors, therefore companies do not apply it to the same extent. However, recent reports and analysis of the market show that companies make efforts to include CSR either as strategy or adopt it as corporate value, indifferent of the economic sector they perform in. In numerous cases, companies apply CSR rather to align to market tendencies than to express a true interest towards society. Even so, the growing interest for CSR is evident and its influence on the international business environment and society as a

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<sup>1</sup> [www.brass.cf.ac.uk/uploads/History\\_L3.pdf](http://www.brass.cf.ac.uk/uploads/History_L3.pdf) - History of Corporate Social Responsibility and Sustainability

<sup>2</sup> [www.brass.cf.ac.uk/uploads/History\\_L3.pdf](http://www.brass.cf.ac.uk/uploads/History_L3.pdf) - comment within an address delivered at Northwestern University in 1929 by the Dean of Harvard Business School, Wallace B. Donham

whole is more powerful than before.

*Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.*<sup>3</sup>

Philip Kotler, Nancy Lee - *Corporate Social Responsibility* (2005)

In recent years, the support granted to social causes has become a constant action in the corporate environment. Without being associated to a specific economic sector, CSR activities are promoted through various communication channels. Companies make use of their official websites, annual reports or other promotional materials in order to publicly show that the implication in the community's life and sustaining social causes are among the most significant activities that they perform.

This is partly due to the multiple requests for supporting social causes received from non-profit organisations, government agencies, interest groups, potential investors, politicians etc. Matters for which support is required varies from issues such as health, education and public safety to community development, animal rights protection or the environment. Companies respond to these "pressures" strategically by choosing to support both economical and social causes, to take actions that are beneficial to both the company and the cause itself.

The multitude of cases supported through CSR programmes determined a constant development of the concept, reaching a stage where it can now be associated to a great number of matters. Starting with ethics and human rights to corporate governance and the environment, the causes promoted by CSR programmes have been the origin of specific company policies or have been inserted in corporate values.

With regard to company policies, a report released in 2004 by the Centre of Urban Planning and Environmental Development (University of Hong Kong) analysed the incidence of CSR policies at a global level. The paper is based on a survey that asks 450 companies whether they had written policies on each of 20 aspects of CSR policies. From the 49% of companies that responded, 47.7% North American companies reported to have policies on CSR/sustainability compared with 60.4% in Europe and 33.3% in Asia<sup>4</sup>. Richard Welford, the deputy director of the Corporate Environmental Governance Programme (CEGP – University of Hong Kong) stressed that fact that the existence of a policy does not guarantee that it is implemented, and conversely, the absence of a policy does not mean that a certain CSR aspect is not practiced.

A study performed by *Business for Social Responsibility* (a non-profit organisation that offers information, instruments, training and consultancy services related to integrating corporate social responsibility in a corporate operations and strategy) mentions the benefits that companies experience from having clearly articulated business principles<sup>5</sup>:

- Organizational Touchstone – Companies are now increasingly attempting to establish a set of holistic statements that reflect an interlinked set of values and commitments. This shift towards a world-view that recognizes the interrelated nature of stakeholder issues can provide a broader acknowledgement and consideration of stakeholder expectations.
- Values-based Decision-Making – Companies that institutionalise a values-based decision-making process can proactively address a broad range of legal and ethical dilemmas. Clearly defined values, when integrated into a company's organizational

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<sup>3</sup> Philip Kotler, Nancy Lee, *Corporate Social Responsibility*, John Wiley & Sons, Inc, 2005, pg. 3

<sup>4</sup> <http://web.hku.hk/~cegp/image/publications/report11.pdf> - Corporate Social Responsibility in Europe, North America and Asia: 2004 Survey Results, Richard Welford, May 2004

<sup>5</sup> <http://www.bsr.org/CSRResources/IssueBriefDetail.cfm?DocumentID=48977>

infrastructure, provide employees with the necessary tools and conceptual framework to make independent decisions in their daily operations that are consistent with the company's underlying values. As a result, these companies reduce their vulnerability to misconduct and the damage this can do to management focus, profitability, brand image, and overall reputation

- Greater Employee Commitment and Motivation – Research conducted by BSR revealed that employees have more positive feelings about their work and themselves - and as such demonstrate a stronger commitment to their workplace - when they believe that the company they work for demonstrates good values and ethical practices.
- Point of Reference for External Stakeholders – When a company articulates its business principles, it enables stakeholders to know exactly where it stands on relevant issues, thereby taking the first crucial step in aligning internal operations and external expectations.
- Enhanced Customer Loyalty – Increasingly, customers are taking into account companies' business practices and values when taking purchasing decisions. Several companies that are typically associated with values-based business practices in the media and by consumers credit their commercial success, in large part, to brand loyalty among customers who support the company's values and/or mission
- Supplier Alignment and Loyalty – Businesses with global supply chains are experiencing increased stakeholder pressure to take greater responsibilities for the activities of their suppliers and other business partners. Business principles may serve as a useful tool through which a company can communicate its expectations to suppliers regarding their conduct.
- Starting Point for Dialogue with Public Interest/Activist Groups – The public release of business principles often represents the starting point from which a dialogue between companies and organizations concerned with their operations begins. It is particularly important that this is backed up by recognizable performance related to the business principles.

In conclusion, corporate social responsibility is a concept that develops together with the business environment, at a pace imposed by stakeholders and society as well.

## 2. SUSTAINABLE DEVELOPMENT

The term sustainable development was launched in 1987 within a UNCTAD report – *Our Common Future*, also known as the Brundtland report. The paper stated that poverty was the main cause of environment destruction and proposed as solution the generation of resources by economic increase, activated by international trade - “*Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*”<sup>6</sup>

Lately, the expression most associated with the term of sustainability is *people, planet, profit* or *the three pillars of sustainability*. The expression originates in the terms that WBCSD - World Business Council for Sustainable Development used when defining the operational aspect of sustainability (people welfare, natural support and economic growth)

However, while the Brundtland definition explicitly mentions human needs (people) and the capacity of satisfying them in the future (planet) without interfering with economic growth (profit), the three pillars are not equally represented. People's needs are in the centre

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<sup>6</sup> <http://www.lca-net.com/products/sustainable.asp>

of the Brundtland definition and economic growth is the way in which these can be satisfied.

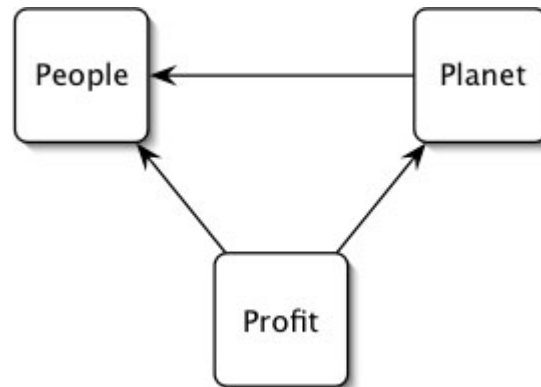


Fig. 2. "The three pillars of sustainability".

*Forum for the Future*, one of the most important charitable organisations in Great Britain, whose main purpose is promoting the sustainable development concept, draws the attention on the following factors, as being essential to understanding the importance of SD<sup>7</sup>:

- over the last 10 years, ecological disasters have generated losses of USD 600 bn – more than losses recorded in the last 40 years due to the same causes;
- if fossil fuels are burned at the same pace, greenhouse gases will increase by 50% in the next 5 years;
- over 100 million Europeans and North Americans live in cities with extremely high pollution level;
- a growing number of the world population is affected by the lack of drinkable water or food and by floods or draughts.

In addition, the organisation draws attention on the fact that such problems although are not typical for developed countries, are emerging in economic environments where the level of welfare is much above the global average. The basis of this problem is the ignorance with which people treat the environment and the lack of understanding that any human activity is dependent on it. Fortunately, a higher number of organisations and persons try to contribute with new methods of solving altogether, economic, social and environment issues with which society is dealing nowadays.

Sustainable development as well as corporate social responsibility can be applied by any type of organisation – from small and medium enterprises or foundations to state governments. For example, the sustainable development strategy of Great Britain in 1999 includes the following matters<sup>8</sup>:

- social progress which recognises the need of everyone;
- effective protection of the environment;
- prudent use of natural resources;
- maintenance of high and stable levels of economic growth and employment.

A company will certainly have a different approach towards a sustainable development programme, however the general lines are respected – efficient link of

<sup>7</sup> [www.forumforthefuture.com](http://www.forumforthefuture.com)

<sup>8</sup> [http://www.sustainable-development.gov.uk/publications/pdf/strategy/SecFut\\_complete.pdf](http://www.sustainable-development.gov.uk/publications/pdf/strategy/SecFut_complete.pdf) - Securing the Future, pg. 16

economic, social and environmental aspects. Starting from the *three pillars of SD* we can state that the main principle of sustainable development is that the right of a company to function in society should not come only from satisfying stakeholders but also as a result of the increase of social and environmental performances.

In the previous chapter we mentioned among the main advantages of applying CSR the reduction of operational costs. This benefit is most evident in case of companies that adopt ecological initiatives so as to reduce waste, recycle materials, preserve water and electricity.

For example, Cisco Systems designed and built its San Jose headquarters so as to conserve an average of 49.5 million kilowatt-hours per year. Cisco not only lowers costs and lessens environmental impacts, but also takes advantage of incentives offered by energy supplier Pacific Gas & Electric (PG&E). Therefore, it is expected to save about \$4.5 million per year in operating costs that qualify the company for \$5.7 million in PG&E rebates when construction is completed. According to the Cisco case study presented on the company's website, the environmental benefits of Cisco's energy conservation at its San Jose headquarters could power 5,500 homes. In addition, almost 50 million fewer pounds of carbon dioxide are produced per year and 14,300 fewer pounds of nitrogen oxide. This is the equivalent of removing 1,000 cars from the road.

A similar example is that of the environment management system adopted by Coca-Cola (Chapter 3).

Considering the characteristics of the two concepts we can draw the following conclusions:

- CSR and SD are tangent concepts. Specific elements of *sustainable development* (people-planet-profit) are used in *corporate social responsibility* programmes as well (fig. 2)
- In numerous cases, the causes promoted through CSR programmes are the origin of complex sustainable development programmes (see the Coca-Cola case presented in chapter 3)
- Both concepts are used by companies to promote a general interest cause and, at the same time, to obtain a „benefit” for the company – represented by profit increase of a better image of the company
- Company interest in CSR and SD is constantly growing (fig. 3).

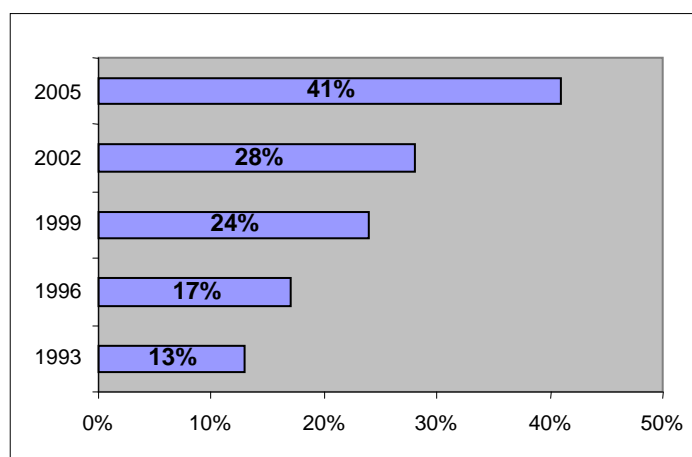


Fig. 3 – Percentage of companies that publish reports on CSR issues<sup>1</sup>.

### 3. THE *EKOSYSTEM* PROGRAMME – COCA-COLA

In what follows we shall analyse the *eKOsistem* management programme, launched by Coca-Cola, from the *corporate social responsibility* and *sustainable development* points of view.

Through its specific activities, Coca-Cola is among the companies that combine elements of corporate social responsibility and sustainable development within the same programme. It is not a unique case, but it included the company in the category of those that grant equal importance to both concepts and that it actively promotes the actions that are originated in this category of concepts.

As a first step, we will present the way in which the company promotes the programme to a segment of the population that is hard to target through CSR. For many years, Coca-Cola is a member of the *Business in the Community* organisation whose purpose is determining companies to get involved in the local communities in which they operate. Coca-Cola is also a member of *The Per Cent Club*, a group of renowned national and international companies, directly involved in community activities. In order to sign in to such a group, the companies have to donate at least 0,5% of profits before tax to the community.

From the social responsibility point of view, Coca-Cola distinguished itself over the years through activities meant to consolidate the image of the company among consumers, as a company that includes CSR in its core principles. The study presented in the following, presents one of the programmes initiated by Coca-Cola that tackles two important issues: the environment and the community.

The environment management system adopted by Coca-Cola is called *eKOsistem*. According to this programme, the company performs its activity so as to protect, conserve and develop the environment, objectives reached in most of the cases together with public, private and governmental organisations. According to the principles set by the programme, the company directs its abilities, energy and resources towards activities that can generate positive results in an efficient way.

Once it set its place on the market as a valuable company, Coca-Cola constantly promoted a „moral attitude” towards the environment. Thus, the company made everything possible to reduce the impact of its activities on the environment and, through specific actions and technologies used over the years, the company tried to become a leader in water use, quality of water, efficient use of energy and waste reduction.

Coca-Cola is known on the British market not necessarily through commercial actions. One the most efficient ways of demonstrating its interest in social matters was the correlation of its ecological objective to the one set by Great Britain on the long term. Thus, for more than thirty years, Coca-Cola supported the *People and Places* programme, an initiative that supports local authorities in maintaining a clean environment, through actions that follow the reduction and elimination of waste, of graffiti and of abandoned vehicles. A similar programme is *The National Spring Clean*, recently renamed *Just Bin It*, which takes place every year in April and involves schools, companies and local authorities in cleaning polluted zones (*grot spots*).

In Great Britain, Coca-Cola is the founding member of the *Environment 21 Club of Going for Green* movement, an important campaign meant to raise the population's awareness on ecological issues. The same objective is also being pursued by the *Coca-Cola Youth Foundation* through actions that intend to raise students' interest in protecting the environment. The foundation encourages the young to actively take part in the school's management and that of the community without having a negative impact on the environment. Thus, Coca-Cola came with practical ideas on how the ecological impact of schools can be diminished by offering practical guides and book destined to school children of the primary

level. Here are some examples of the materials used as support in the campaign:

- Our World, Our Responsibility – a guide on environmental issues addressed to schools
- Wise Up to Waste: The Dustbin Pack – presentation of main aspects related to recycling, addressed to primary and secondary school students, issued together with the Waste Watch organisation
- Finding Out...About Packaging – history, use and deposit of packaging together with a poster offered by INCPEN

The involvement of the company in this kind of activities is not without reason, since the company is a strong supporter of recycling the cans it produces. By ensuring an adequate education even in the first years of school, the company ensures that it sets a place in the preferences of the children-consumers.

With reference to the community programme, the one addressed to the younger population was particularly interesting. The programme's objective was determining high school students among which there is the highest school abandon rate to take tutoring jobs of school children. The experience showed that this type of initiatives led to improvement of academic results and of responsibility attitudes of the tutore-students. The tutors worked together with a teacher from the primary or gymnasium level on a certain subject which was flexible enough so as to be accessible to young tutors and useful to even younger students.

The philosophy of the programme is based on the following concepts:

- all students can actively take part at their own education and at the education of the ones around them;
- excellency in schools contributes to individual and collective development and stability;
- educational excellency is obtained by involving students, parents and teachers in establishing purposes, taking decisions, monitoring progress and evaluating results;
- students, parents and teachers must have access to specific resources that allow students to learn, teachers to teach and parents to get involved.

The analysis of previous cases demonstrated that this type of activity is equally important to those that perform it (students-tutors) and to those that benefit from it (gymnasium students). On the one hand, younger students are inspired by their young tutors and see them as a source of inspiration. On the other hand, through the responsibility and role that they assume, student-tutors become, in turn, much more motivated and less willing to give up their studies. This programme was initially launched in 6 areas, expanding afterwards in other 30 areas by the end of 2001.

Up to this point, the presentation has concentrated on CSR elements involved by the *eKOsyste*m programme in Great Britain. However, the programme's complexity is much greater and goes beyond the frame of social actions. Coordinated by the operations department of the company, *eKOsyste*m is presented as a priority of the company, as an integrated part of its philosophy and is guided by sustainable development principles.

*Responsible stewardship of the environment is a top priority for The Coca-Cola Company. Our long-term success depends on quenching the thirst of consumers each day in an environmentally sound and sustainable manner. (...) The Coca-Cola Environmental Management System outlines specific steps to make environmental excellence and sustainability a priority in the daily operation of our business.*<sup>9</sup>

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<sup>9</sup> Introductory word of the *eKOsyste*m programme, signed by Douglas N. Daft, Chairman and Chief Executive Officer, The Coca-Cola Company

From the sustainable development point of view, among the most relevant chapters included in the environment management programme is the "Minimizing impact, maximizing opportunity" programme. It describes the multitude of actions taken by the company, among which we mention the following:

- ongoing environmental improvement;
- responsible procurement;
- hazardous material management;
- ozone protection and prevention of global climate change;
- energy efficiency;
- water resources management;
- waste management.

All these elements are specific to sustainable development and demonstrate the complexity of the programme and of the interest shown by Coca-Cola in dealing with environmental issues. The eKOsystem programme is even more efficient since it can be used within CSR campaigns as well (educating children on ecology) and for solving sustainable development issues.

In conclusion, we may say that CSR becomes a key element of a company's activity that involves value-oriented actions on three dimensions – People (ensuring welfare both in the external and internal environment of the company), Planet (obtaining quality by respecting ecological principles) and Profit (maximizing the profit of the company) – by respecting, at the same time, a relationship based on transparency and a permanent dialogue with stakeholders.

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