

Chapter 19

The Role of Corporate Social Responsibility in Environmental Sustainability



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Abstract Traditionally, environmental protection has been considered to be ‘in the public interest’ and external to private life. Since the Brundtland Report was published in 1987 as a result of the work of the World Commission on Environment, business and management scholars have been grappling with the question of how and why corporations should incorporate environmental concerns into their own strategies. Today, many companies have accepted their responsibility to do no harm to the environment. In relation to corporate social responsibility (CSR), the business community uses frequently-used terms that are commonly considered to be related to corporate ethics. The goal of this paper is to present, to some extent, current practices and approaches to environmental aspects of corporate social responsibility in the case of some Hungarian organizations.

Keywords Corporate social responsibility · Environment · Hungary · Sustainable development

1 Introduction

The major industrial development that began in the nineteenth century was essentially based on exploiting resources more efficiently and maximizing profits. However, in the last third of the twentieth century, it became clearer that this path of development had led to unreasonable exploitation of natural resources, and that sustainable social and economic development cannot be achieved (Porter and Van der Linde 1995; Sen et al. 2006). For some companies, investing in environmentally-conscious operations simply represents additional costs, while others have become more competitive due to this investment. According to Chen (2008), companies that invest in environmental issues are often able to improve their reputation and develop new market opportunities, as well as to increase their competitive advantages. The objectives of responsible corporate leaders are not only competitiveness and

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compliance with the law, but also long-term success, sustainability and value creation (Aluchna and Idowu 2017).

The most well-known definition of sustainable development is contained in the 1987 United Nations Environment and Development Commission's document "Our Common Future", also known as the Brundtland report, named after the Norwegian Prime Minister. 'Sustainable development' is defined in the report as "a development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Visser and Brundtland 1987). Many researchers believe that the Brundtland Report was the turning point in the emergence of the referential of corporate social responsibility (CSR) (Cohen and Winn 2007; Hueting 1990).

In this study, I will attempt to answer the following question: how important is the CSR in corporate environmental responsibility? One of the components of sustainable development is environmental damage caused by the companies during their production of products or services, while the other component is related to the consumption. The unreasonable use of resources in the company's production, the decline in biodiversity, poor water management and the increase in greenhouse gas emissions are all part of the environmental problem. Solving environmental problems and building a sustainable economy without strong corporate environmental responsibility is impossible.

2 History of CSR and Relationship with Environmental Protection

Conscious thinking about CSR was the first time in America in the 1950s. The first major study on corporate social responsibility Howard R. Brown's 1954 thesis was: Social responsibilities of the businessman. In the 1970s, the term 'Corporate Social Responsibility' spread, which was used both in professional and public relations. Most commonly, the following topics were concerned: consumer protection, workplace safety, fair pay, support for local communities etc.

In the 1970s, Milton Friedman's article, the Corporate Social Responsibility in Profit Growth explained that people are only ethically responsible for their actions, so companies can not have such a responsibility. He stated that social responsibility of companies is merely an increase in profits, and business leaders have no social obligation beyond compliance with basic rules. He felt that social responsibility was nothing but a charity for shareholders. He argues that solving social or environmental problems is within the sphere of government (Friedman 1970).

In the 1980s stakeholder theory points that the company has to work in a space where different stakeholders, that is, interest groups, all of which must be met. According to this, not only the opinion of consumers, but also employees, suppliers, capitalists, trade unions, civil organizations, local communities and everyone who can influence the achievement of the goals of the organization (Evan and Freeman

1983; Frederick 1986). For the 1990s, sustainability and environmental protection were even more focused, more and more people wrote environmental reports, and the theme of public discourse continued. Porter and Linde in their work *Green and Competitive*, explained that in the long term the company could be competitive if it uses environmentally friendly techniques in its production (Porter and Van der Linde 1995). In the 2000s, CSR became increasingly conscious and critical, and the pressure on the civil sector has been steadily increasing. In the interest of large corporations, which are committed to CSR, it became important that competitors who do not take social responsibility or simply perform a visual activity are at a competitive disadvantage. That is why they argued in the 2000s to create more corporate responsibility legal bases (Matten et al. 2003).

Daly (1994) has suggested that sustainable development can be operationalized in terms of the conservation of natural capital. CSR is an attempt by corporations to integrate social and environmental objectives on a voluntary basis into their businesses, and to shape their relationships with their stakeholders along these principles (Ozdora Aksak et al. 2016; Perrini 2006). In other terms, CSR means commitment in which the company pursues a voluntary, freely chosen business practice for the well-being of the community, supported by its resources (Trong Tuan 2012). The most common manifestations of CSR in a company's business practices are:

- facility design, including the development of environmental standards and recommendations (energy conservation, waste-free technologies);
- production process: waste reduction including hazardous waste, and a reduction in the use of chemicals;
- selecting suppliers with an emphasis on sustainable development of the most environmentally friendly raw materials and packaging materials;
- public or employee well-being programs;
- marketing activities; and
- charity programs, etc.

For future generations, the best we can do is sustainable growth, so we can grow on the economic and social levels without endangering the living conditions of future generations. What can a company manager do for this purpose? CSR provides a promising solution: making profit while paying attention to environment in the interest of future generations. The environmental policy formulated by a company also means that the organization also enhances environmentally conscious operations as its central goals (Khojastehpour and Johns 2014). CSR helps businesses achieve these environmental goals. If the organization is committed to CSR, it can have a number of positive effects, as the operation of an optimized system can reduce energy and raw material costs, authorities are more positive about the organization, the company's reputation may improve, and its social perception may be more positive. Leadership's commitment is decisive, as their roles greatly determine the success of the organization's environmental-conscious strategy (Khan and Lund-Thomsen 2011).

Environmentally-conscious corporate governance is a behavior which means that the management operating a company are aware that the products and services it produces may endanger human health and negatively impact the workplace, urban and natural environment. Therefore, companies should be committed to manage the environmental and social externalities of their activities, while taking into account global issues such as climate change (Behnassi et al. 2013). Within this perspective, the interest of the company is, among others, to improve the environmental image constantly, therefore, environmental policy must take into account the needs of consumers, the expectations of society, technological progress and the state of science as well. Products and services provided by the company should have no adverse environmental impact, with safe continuous use, and permit an effective energy and natural resource use (Radhakrishnan et al. 2014).

In an increased competitive environment, companies often ignore environmental factors in order to gain the greatest competitive advantage (Kolk 2016).

From an environmental point of view, companies can be divided into several groups (Fryzel and Seppala 2016). Companies with a relatively high level of environmental protection belong to the first group. These companies are pursuing an innovative environmental strategy as their environmental product and technology developments are designed to create a competitive advantage, and they are increasingly integrating environmental aspects into their innovation and communication policy.

Companies in the other group do not see market opportunities in their environmental performance, so they only try to meet the minimum for their further operation. They have not put their marketing or innovation strategy in the focus of their environmental performance, they have not yet discovered competitive advantages or market opportunities in the field of environmental protection (Kolk 2016).

Third-party companies do not show undertake an environmental activity: they do not have any environmental protection investments. Companies are not developing their environmentally-friendly technologies, because of the corporate costs are significantly increased by environmental protection (Altman 2001).

When assessing CSR, three aspects are commonly considered: social, corporate (ethical) and environmental aspects (Brønn 2011). From these three pillars, this chapter mainly focuses on the environmental dimension.

3 Materials and Methods

The principal objective of this study is to identify the level of CSR and its environmental aspects in Hungarian small and medium-sized industrial companies. To this end, a questionnaire was used for the data collecting method based on a quantitative research approach. This operation was conducted between 2014 and 2016 in person and electronically. In the course of the study, 328 questionnaires from 23 SMEs had been evaluated. SMEs are the most common form of enterprises in Hungary. They operate in all sectors of the Hungarian economy: general business, services,

manufacturing, and agriculture. According to the European Commission, SMEs represent 99.9% of all businesses and create jobs for 73% of the working population.

What is an SME? As defined in the EU recommendation 2003/361, the main factors determining whether an enterprise is an SME are: staff headcount and either turnover or balance sheet total. Based on this, “the category of micro, small and medium-sized enterprises is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro” (EU recommendation 2003/361).

As far as the environmental performance of companies operating in Hungary is concerned, there is an ever-increasing trend, though – in the case of small and medium-sized enterprises (SMEs) – it is far behind expectations. In my opinion, this lag is fundamentally attributable to two reasons: the lack of capital in the SME sector; and the low level or lack of environmental awareness.

4 Results and Discussion

CSR consists of several elements. In the first question, I examine the extent to which the particular elements are considered important by the surveyed companies. Among the five CSR elements, the commitment to employees (25 percent) is the most important, followed by quality (22 percent), responsibility for environmental protection (20 percent), commitment to the community (18 percent), and finally charity and support (15 percent) (Fig. 19.1).

When asked *How important is CSR for your business?*, more than half of respondents said that CSR is very important at their business, while almost a third of companies said it is important, and only 14 percent said CSR is of negligible importance for their business (Fig. 19.2). In addition, compliance with environmental standards is considered important by most respondents (89 percent).

The next question was: *Which area from CSR is the most important from the following environmental aspects?* For this question, the respondents could choose

Fig. 19.1 Importance of CSR elements, percentage

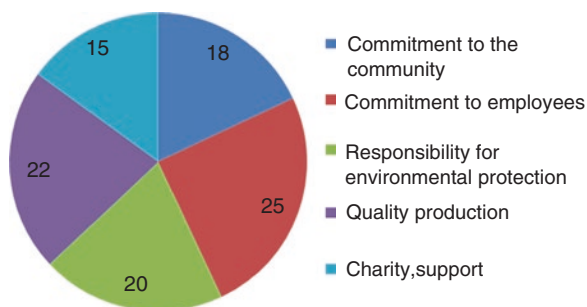


Fig. 19.2 Importance of CSR, percentage

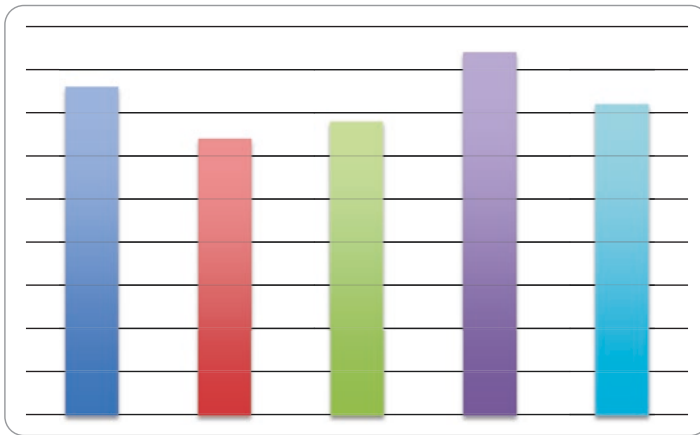
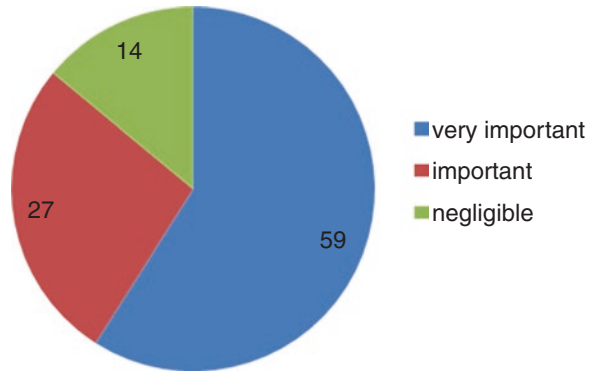


Fig. 19.3 The most important environmental aspects of CSR, Likert scale

more than one answer using the Likert scale (1 - very important, 5 - unimportant) (Fig. 19.3).

Companies consider waste recycling (4.2) and the use of environmentally-friendly materials (3.8) as the most important environmental protection intervention. Then follows low emissions of pollutants (3.6), environmentally friendly production (3.4), and low energy consumption (3.2).

Each stage of production processes has different impacts on the environment. The Fig. 19.4 shows how companies address the environmental impact of each process.

It was stated that during the production process (4.2), the companies pay the most attention to environmental protection, followed by the sales process (3.9) (environmentally-friendly packaging) and acquisition processes (3.8) (acquiring environmentally-friendly raw materials). Marketing (3.6) and logistics (3.2) received the least amount of environmental care.

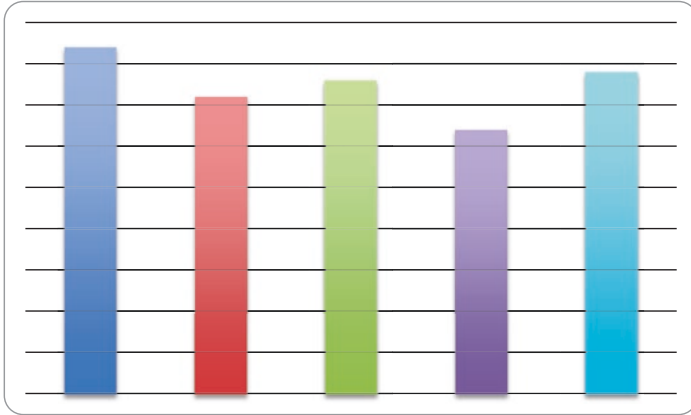
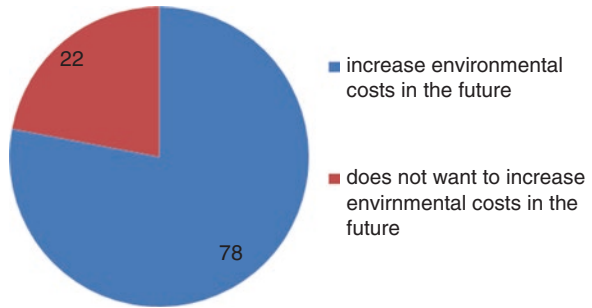


Fig. 19.4 The impact of each process on the environment, Likert scale

Fig. 19.5 Future plans for environmental protection, percentage



According to the interviewed managers, the environmental aspects of CSR should be promoted in the future, and more emphasis should be placed on them. Protecting the natural environment is important for everyone. About 78 percent of the interviewed leaders want to pay more attention to environmental protection in the future, while the remaining 22 percent seek to maintain the current state of affairs (Fig. 19.5).

5 Conclusion

The analysis shows that companies' efforts to develop sustainable development and to improve their environmental image can only be rewarded as part of a strategy. Indeed, a company that pays great attention to CSR must have a related strategy that can be followed in the short or medium term. Companies need to plan their environmental strategy not only in their own unique situation but also in their current social and political situation. In social responsibility, companies voluntarily apply social

and environmental considerations in their own business and in their relationships with their stakeholders.

Efficient and relevant CSR programs create a ‘win-win’ situation as they bring advantages to both the company and the local communities or other stakeholders (enhancing corporate image, customer satisfaction, good conditions for workers, etc.). Therefore, CSR and environmentally conscious attitudes are indispensable to sustainable development. An increased number of companies are committed to this issue and clearly demonstrate that market-based interests and social-minded thinking are compatible.

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