THROUGH CORPORATE SOCIAL RESPONSIBILITY TO GLOBAL COMPETITIVENESS FOR SUSTAINABLE DEVELOPMENT

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Abstract:

The goal of sustainable development is one of the most actual and stringent desideratum equally declaimed and assumed nowadays at all of the society's levels – by individuals (politicians, academics, and civil society militants), organizations (firms as well as non-for-profit organizations of any kind) and authorities (local, national, regional, global). This goal offers to each one of them the opportunity to act responsible (through corporate social responsibility policies and practices developed by their management) but also the threat of falling into the trap of not reaching the global (sustainable) competitiveness that each one of them dreams about; so, it depends only on each and all of them to transform this goal from a meaningless slogan to a living and sustainable reality through a proper management approach.

Key words: *sustainable development, global competitiveness, corporate social responsibility*

1. Sustainable development and global competitiveness – two "golden goals" for management

a). Aiming for sustainable development

The most well-known, accepted and cited definition of ***sustainable development*** is the one given by the Brundtland Report *Our Common Future* in 1987: *"Sustainable development is 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 concept 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 organization on the environment's ability to meet present and future needs."* (see What is Sustainable Development?, IISD, 2007, http://www.iisd.org/sd/#one).

Starting from this above mentioned definition of sustainable development, in their article from 2005, *Kates, Parris, and Leiserowitz* go further and define sustainable development also in other terms, much more "measurable": "another way to define sustainable development is in *what it specifically seeks to achieve*. To illustrate, it is helpful to examine three sets of goals that use different time-horizons: the *short-term (2015) goals of the Millennium Declaration* of the United Nations; the *two-generation goals (2050) of the Sustainability Transition* of the Board on Sustainable Development; and *the long-term (beyond 2050) goals of the Great Transition* of the Global Scenario Group. (see Kates, R.W., Parris, T.M., Leiserowitz, A.A., *What is Sustainable Development? Goals, Indicators, Values, and Practice*, 2005).

Referring to the Millennium Goals, *Ban Ki-Moon*, the Secretary-General of the United Nations has emphasized (see *The Millennium Development Goals Report 2010*) that "the Goals *represent human needs and basic rights* that *every individual around the world should be able to enjoy* – freedom from extreme poverty and hunger; quality education, productive and decent employment, good health and shelter; the right of women to give birth without risking their lives; and a world where environmental sustainability is a priority, and women and men live in equality. Leaders also pledged to forge a wide-ranging global partnership for development to achieve these universal objectives. (...) ***Meeting the goals is everyone's business***. *Falling* short would multiply the dangers of our world – from instability to epidemic diseases to environmental degradation. But *achieving* the goals will put us on a fast track to a world that is more stable, more just, and more secure."

Agreeing that businesses have to play a very important role into this never ending process, a so called "***business definition***" of the sustainable development is proposed by the *International Institute for Sustainable Development* in conjunction with *Deloitte & Touche and the World Business Council for Sustainable Development* into their book from 1992, *Business Strategy for Sustainable Development: Leadership and Accountability for the 90s*: „for the ***business enterprise***, ***sustainable development*** means *adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future*. (…a very important characteristic figure of the process is that …) sustainable development is a pervasive philosophy to which *every participant in the global economy* (including consumers and government) *must subscribe*, if we are to meet today's needs without compromising the ability of future generations to meet their own" (see *Business strategies for sustainable development*, IISD).

So, "it is in the interests of ***global business*** to invest in providing ***sustainable solutions to development challenges.*** (…But,…) no matter how well intentioned, business can neither achieve sustainable development nor alleviate poverty by itself. But *development will not be sustainable and poverty will not be alleviated without business playing its part*. One of its main responsibilities is working with governments and civil society partners to develop and put in place the appropriate legal, institutional and financial framework conditions – globally, regionally and nationally. (see *Business & Development. Challenges and opportunities in a rapidly changing world*, 2010).

b). Achieving global competitiveness

Into the IDM World Competitiveness Yearbook 2006, *Stephane Garelli* captured two very different definitions for the concept of ***competitiveness*** (see Garelli, S. *Competitiveness of nations: the fundamentals*, 2006): on one hand, from a condensed – and incomplete point of view, he says that ***competitiveness*** analyses how ***nations*** and ***enterprises*** manage the totality of their competencies to achieve prosperity or profit; on the other hand, from an academic – and much more exhaustive point of view, he defines the *competitiveness of nations* to be a field of economic theory, which analyses the facts and policies that shape the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people. Fundamentally, *what differentiates competitiveness of nations and competitiveness of enterprises is where the creation of economic value takes place in society*: the author's assumption is that *economic value is only created by enterprises; nations can establish an environment that hinders or supports the activities of enterprises but however, a nation does not directly generate economic added value.* (see Herciu, M., Ogrean, C., *Interrelations between competitiveness and responsibility at macro and micro level, 2008*).

Another (similar) opinion is promoted by *Karl Aiginger* who is arguing that "according to my interpretations, the consensus will soon be that ***competitiveness*** should be *defined* as the "***ability to create welfare***". (…) On the ***firm level***, business economists and management scientists search for factors which create "competitive advantage" and then for capabilities and processes which help to "sustain" the advantages created. On the ***regional level***, we look for supportive institutions, firm clusters, spillovers, and forward and backward linkages. On the ***national level***, economists analyze the innovation system, the quality of education, life long learning, physical and intangible infrastructure, trust, etc. The research on competitiveness, with its focus on firms, regions and nations, carves out the factors and processes which *increase incomes and provide employment over the long run*" (see Aiginger, K., *Competitiveness: From a Dangerous Obsession to a Welfare Creating Ability with Positive Externalities*, 2006).

Talking about competitiveness as well, and based on a similar idea, *Michael Porter* has emphasized that while ***firms compete*** *on "market share and profitability"*, while "***nations compete*** *in providing a platform for operating at high levels of productivity and therefore attracting and retaining an ample investment in those activities that support high returns to capital and high wages"...* (see Snowdon, B., Stonehouse, G., *Competitiveness in a globalized world: Michael Porter on the microeconomic foundations of the competitiveness of nations, regions, and firms*, 2006).

More than that, the same M. Porter is arguing that "*the productivity of a country is ultimately set by the productivity of its companies*. ***An economy cannot be***

competitive unless companies operating there are competitive, whether they are domestic firms or subsidiaries of foreign companies. However, the sophistication and productivity of companies are inextricably intertwined with *the quality of the national business environment* (…) *Companies in a nation must upgrade their ways of competing if successful economic development is to occur*. Broadly, *companies must shift from competing on endowments or comparative advantages* (low-cost labor or natural resources) to *competing on competitive advantages arising from superior or distinctive products and processes*" (see Porter, M.E., *Building the Microeconomic Foundations of Prosperity*, 2003).

In the current global context, ***firm is the main determinant and source of competitiveness***; the majority of the academics agree on this subject. But, in their search for sustainable competitiveness, firms have myriads of options, based on myriads of factors and variables which could be taken into consideration. Trying to analyze "international competitiveness at the firm level", Donatella Depperu and Daniele Cerrato argue that "fundamentally there are least two *main views of the origin of a firm's competitive advantage*: **(1).** *Industrial organization scholars* focus on the *influence of industry-related determinants of firm performance* – "classicist" claim that a firm can neither influence industry conditions nor its own performance, so the competitive advantage originates from external sources rather than internal (firm-specific) sources – while the new industrial organization scholars, particularly Porter, which is mentioned here with his "five competitive forces that shape strategy" model claim that competition within an industry is defined by five structural parameters; then, the paths of industry evolution depend (among other things) on firms' strategic choices. **(2).** *Strategic management scholars* underline the *importance of firm-specific resources in determining variance of performance among firms*. Research works in this field (…) shift the focus from the external to internal sources of competitive advantage, by pointing out that *a firm creates a competitive advantage through the accumulation, development, and reconfiguration* of its unique *resources*, *capabilities* and *knowledge*" (see Depperu, D., Cerrato, D., *Analyzing international competitiveness at the firm level: concepts and measures*).

2. The contribution of corporate social responsibility (CSR) in order to achieve the "golden goals"

The transition (and translation) from one level (macro) to another (micro) has been made at the highest level, emphasizing on the role of firm management: "in his speech at the Johannesburg World Summit for Sustainable Development (WSSD) in 2002, the UN Secretary General *Kofi Annan* expressed the ***challenge of corporate responsibility*** in the following way: "*I hope corporations understand that the world is not asking them to do something different from their normal business; rather it is asking them to do their normal business differently*." (see Wilenius, M., *Towards the age of corporate responsibility? Emerging challenges for the business world*, in *Futures* 37, 2005, pp. 133–150)

The ***Corporate Social Responsibility*** (***CSR***) construct describes the relationships between business and the larger society. But, viewpoints have varied over time and occasionally were even oppositional. So, *M. Friedman* argued that the only social responsibility of a business is to increase profits by legal means; critics of this perspective (*A. Carroll*, for instance) argued that CSR has four components: *economic* (the business's fundamental responsibility to make a profit and grow); *legal* (their duty to obey the law and to play by the rules); *ethical* (their responsibility to respect the rights of the others and to meet the obligations placed on them by society that ensure these rights); *discretionary* (component that involves philanthropic activities that support the broader community).

There is no single authority for the rules, standards, and principles that constitute corporate ethics and the fundamentals for CSR. Specific standards are defined and shaped by: an organization's own mission statement, values statement, and corporate goals; rights and entitlements of individuals and organizations established by both law and contract; rights of native peoples and others accorded special status by law and tradition; other government laws and regulations; religious teachings; expectations and concerns articulated by the media; personal standards of members of executives, officers, and members of the board of directors; standards articulated by any of the stakeholders – individual employees, business and professional associations, unions, customers, investors, suppliers, influential individuals from the outside, local communities, and activist and advocacy groups. Not one of these sources is sufficient by itself to define the standards to which an organization should adhere; rather, all of the above should be consulted as the organization develops and communicates its own ethical standards and CSR backgrounds.

The ***corporate social responsibility*** could be defined in many ways; generally speaking, it implies: **(1)** *to obtain economic success through an ethical manner*, by respecting people, communities and the environment. This means to respond to the legal, ethical, economical expectations that the society has from the companies, and to take decisions that can balance the needs of all those that play a part in the company's life (see *Business for Social Responsibility*; *Theme Résumé: An overlook on Corporate Social Responsibility*); **(2)** *to adjust all the company's operations to the social values*. This means to integrate the interests of all those affected by the behavior of one firm into its policies and actions. The corporate social responsibility is concerned about the triple bottom line regarding the social, ecological and financial results of the company, in order to have a positive impact over society together with business success (see Conolly, M., Corporate Social Responsibility Newswire Service*: What is the Corporate Social Responsibility?*); **(3)** *three faces*: first of them is about obeying the law – to be ethical, objective and honorable; the second is about diminishing or repairing any type of damages caused by the company's operations, especially over the environment, and the third one is dealing with the sustainable development (see Porter, M., Foundation Strategy Group, *Corporative Philanthropy: At High Level*).

So, “from the *point of view of the firm*, its *CSR* is the set of moral duties towards other social actors and towards society that the firm assumes as a result of its economic, social, political, and, of course, ethical reflection on its role in society and on its relationships with those other actors. And *with regard to external observers*, it is the set of moral duties that the other agents and society attribute to the firm as a consequence of the role it assumes and its relationships with those actors. *In practice*, then, *CSR* will be *the result of a dialog between the firm and its stakeholders about the obligations of the first and the expectations of the second*” (see Argandona, A.; von Weltzien Hoivik, H., *Corporate Social Responsibility: One Size Does Not Fit All. Collecting Evidence from Europe*, *Journal of Business Ethics*, 89, pp. 221-234, 2009).

The general accepted ***subcategories of the corporate social responsibility*** are (see Jamie Snider, Ronald Paul Hill, Diane Martin, *Corporate Social Responsibility in the 21st Century: A View from the World's Most Successful Firms*, in Journal of Business Ethics, 48: pp. 175-187, 2003): **(1).** *general value statements* – many of the firms espouse an ethical framework that guides the accomplishment of their overall mission within society (ex. a list of core values and their description); **(2).** *environmental policies* – messages developed for a variety of stakeholder groups, revealing a proactive concern for the larger ecology while serving the needs of theirs customers; **(3).** *customers* – messages that describe how firms provide value to their customers through a partnership with them that is designed to understand their needs; **(4).** *employees* – the messages concentrate on the importance of employee development and advancement for the good of the individual as well as the success of the firm; **(5).** *stockholders* – the concentration of the CSR messages directed to this target audience includes two categories: the first presents an explicit statement that firms intent to deal honesty and with integrity in all their communications to their owners, while the second describes their level of commitment to building shareholder value through the generation and marketing of high quality goods and services; **(6).** *society* – this stakeholder segment is usually divided into three distinct categories: the local community (at this level, firms concentrate their discussions on community-based activities that support the places where employees work and live), nation states in which firms operate (regarding this level, companies describe their attention to national interest in culture, sports, natural disasters), and the world in general (these concerns are more universal in their declarations, and tens to focus on human rights); **(7).** *competitors* – the statements describe a pledge by firms to go beyond the letter of the law and to meet the ethical demands of the country in which they operate.

A). Why could corporate social responsibility be an answer to the challenges of global competitiveness*?* We can answer to this question with some different kind of ***arguments***:

(1). the ***emotional*** one – this is an argument with a great and visible impact at first sight, but it has its limits too: if it isn't take into consideration within the long term organizational policy and corporate behavior, this argument could disappear because peoples in the decision chairs are replaced, or because their attention is distracted by some other „case”, or (no less important), people loss their interest in the subject;

(2). the ***moral*** (*ethical*) one – even if its domain of interest is bigger than that of the first argument, the problem arises from the differences between the value sets of those who plead and of those who listen to the plead;

(3). the ***logical*** one – is a mostly objective one; it has an important economic / financial nature, regarding the benefits that the company could get. Generally speaking, those benefits can be grouped into two categories: **(3.a).** *internal*, such as: *personnel* – ex.: recruiting of high qualified personnel from those persons which are characterized by civism; access to the human resources under solicited; team cohesion – ex.: working together in different contexts than the usual ones; improving communication between rather separate compartments of the firm; the *climate* within the company and the employees attitude – ex.: offering emotional satisfactions in a stressing moment for the company; getting out of the routine; employee *training* – ex.: the possibility to gain new competences, by voluntary working; the enlargement of the expertise in the field by exposure to different situations; **(3.b).** *external*, such as: *fiscal* benefits – lower taxation, deductions, facilities; keeping up with the *competitors*; improving the company's *image*, with all the economic benefits that come from it; growing the company's *visibility* (through media covering or street signs) or the visibility of its products (through community marketing initiatives that give emotional satisfaction to the consumer together with a material product); *consumer's* preference for the products offered by the firms that are socially responsible.

B). How could corporate social responsibility be an answer to the challenges of global competitiveness*?* A very interesting and controversial answer is: by believing into and promoting the concept and practice of ***moral capitalism*** – promoted by *The Caux Round Table*, "an international network of experienced business leaders, who work with business and political leaders to design the intellectual strategies, management tools and practices to strengthen private enterprise and public governance to improve our global community" (see http://www.cauxroundtable.org/index.cfm).

As the *CRT Principles for Responsible Business* argue, The Caux Round Table's approach to responsible business consists of ***seven core principles*** that:

(a). *recognize* that while laws and market forces are necessary, they are insufficient guides for responsible business conduct;

(b). *are rooted* in three ethical foundations for responsible business and for a fair and functioning society more generally, namely: responsible stewardship; living and working for mutual advantage; and the respect and protection of human dignity;

(c). also have a *risk management foundation* – because good ethics is good risk management. And they balance the interests of business with the aspirations of society to ensure sustainable and mutual prosperity for all." (see http://www.cauxroundtable.org/index.cfm?&menuid=8).

The seven CRT principles are: *(1). respect stakeholders beyond shareholders; (2). contribute to economic, social and environmental development; (3). build trust by going beyond the letter of the law; (4). respect rules and conventions; (5) support responsible globalization; (6). respect the environment; (7). avoid illicit activities* (see

Young, S., *Moral Capitalism: Reconciling Private Interest With the Public Good* (Romanian edition), Curtea Veche Publishing, Bucuresti, 2008).

Under these circumstances, and in order to achieve the two ”*golden goals*” we have mentioned in the first place, we have to agree with *Madhav Mehra* (president, World Council for Corporate Governance) who was arguing that ”*the biggest challenge before the corporations*, therefore, is how to *replace greed as a driver of corporate agenda with something more substantial and sublimal*. This may call for a 180 degrees shift in the corporate attitudes and make us go through a profound metamorphosis from inside out. We may have to change our metaphors of success “winner take all” and “success at all costs” and develop an inner value system that prides on ethics, innovation, equity, legitimacy, transparency and above all the courage to own failures” (see *Corporate Governance Challenges in a Disparate World*, World Council for Corporate Governance, London, 2004).

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