

# Corporate social responsibility and sustainable development in the context of environmental challenges

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## Abstract

The article discusses the interconnection of corporate social responsibility and sustainable development of companies considering climate changes. Corporate sustainable development imposes attention to environmental problems that makes companies to switch to environmentally friendly technologies, reducing carbon emission, cutting natural sources' deployment. The main goal of the article is to research if there are different strategies may be applied to shift companies' activities to environmentally friendly mode. Different opinions and points of view were introduced within the article and confirm the importance of corporate social responsibility. According to corporate cases of corporate social responsibility implementation several principles were elaborated to manage environmental issues. As a result, actual business practices were observed through the principles of corporate social responsibility so, that an average strategy of companies' sustainable development was described. There is a conclusion in the article, that corporate social responsibility can't be applied within the company's activity without dealing with sustainable development, because the responsibility appears as a tool of sustainability, but not the independent purpose. It has been outperformed that social responsibility within environmental issues takes significant place in strategies of sustainable development in present time and even overshadows the issue of financial achievements increase.

## Keywords

Climate change, corporate growth, environment, eco-efficiency, social responsibility, stakeholders, strategy, sustainable development

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# Корпоративная социальная ответственность и устойчивое развитие в условиях экологических проблем

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## Аннотация

В статье рассматривается взаимосвязь корпоративной социальной ответственности и устойчивого развития компаний с учетом климатических изменений. Корпоративное устойчивое развитие требует внимания к экологическим проблемам, что заставляет компании переходить на экологически чистые технологии, снижая выбросы углерода, сокращая использование природных источников. Основная цель статьи – исследовать, существуют ли различные стратегии, которые могут быть применены для перевода деятельности компаний в экологически чистый режим. В статье представлены различные мнения и точки зрения, которые подтверждают важность корпоративной социальной ответственности. В соответствии с примерами из практики внедрения корпоративной социальной ответственности было разработано несколько принципов для решения экологических проблем. В результате была рассмотрена реальная деловая практика на основе принципов корпоративной социальной ответственности, а также описана типовая стратегия устойчивого развития компаний. В статье сделан вывод о том, что корпоративная социальная ответственность не может быть применена в деятельности компании без учета устойчивого развития, поскольку ответственность выступает как инструмент устойчивого развития, а не самостоятельная цель. Было доказано, что социальная ответственность в вопросах охраны окружающей среды занимает значительное место в стратегиях устойчивого развития в настоящее время и даже превосходит по значимости вопрос увеличения финансовых результатов.

## Ключевые слова

Изменение климата, корпоративный рост, окружающая среда, экологическая эффективность, социальная ответственность, заинтересованные стороны, стратегия, устойчивое развитие

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## INTRODUCTION

In light of the ongoing social and economic development, there is a tendency for an increase in the number of environmental problems. Thus, all issues, which are related to the environment and its continuous degradation are of utmost concern of the majority, and businesses here are not an exclusion. Since almost all environmental harm that actually exists is the effect of business activity by means of resource extraction, its consumption, pollution through production process and wastage. However, corporations' interest in lowering their own impact on environment sometimes contradicts to the main specifics of the business nature – profit maximisation. Consequently, the enthusiasm in green development and green growth strategies is spreading rapidly and the issues concerning its development and further implementation are certainly topical nowadays. As by dint of aligning environment and business strategy, companies may not only minimise its environmental footprint, but additionally be profitable and have a comparative advantage over other conventional firms on the market [1].

Indeed, this article investigates the concept of green development and green growth strategies, its types, the predominant causes which forces business to opt for the strategies which are based upon this issue. Along with these the scope of the article includes the description of challenges and the most prominent cases of international corporations' experience in development and implementation of green growth strategies. Additionally, the article preponderantly consists of my personal reasoning which is based on the scientific and practical evidence [2].

Today's businesses have a huge impact on the environment. Enterprises overuse available natural resources, and emit hazardous pollutants; thus, they contribute to the advancing degradation of existing ecosystems, causing serious threats to the biological diversity of our planet. Hence, there is an urgent need to undertake diverse actions to reduce the adverse impact of businesses, households, and whole societies on the environment, and stop its degradation [3]. Initiatives aimed at mere neutralization of produced pollutants are no longer sufficient. It is necessary to search for solutions to reduce the environmental burden of business activity at all phases of the production process, from the designing stage and production planning to every stage of the manufacturing process [4].

Such approach takes a profound change in the way enterprises are run, and new managerial skills, competences, and mental change among both managerial staff and employees.

## METHODOLOGY

Corporate Social Responsibility (CSR) towards the natural environment is a concept of conducting business activities – according to which the companies, in strict compliance with law, and while still making profits – voluntarily take into consideration the impacts of their operations on the environment in their business decisions. Such an approach contributes to improving the quality of life and implementing the concept of sustainable development.

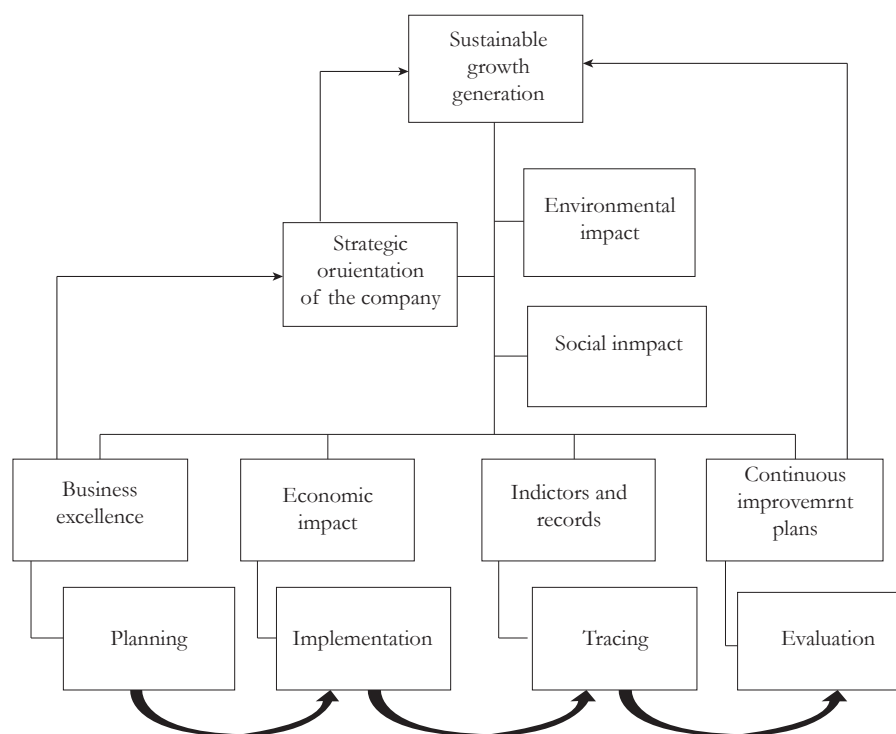
Socially responsible entities assume responsibility for ecological ramifications of their activities, strive to eliminate pollutions and emissions of harmful substances, and attempt to increase the efficiency of using natural resources; thus, alleviating their ecological footprints [5].

Eco-management is aimed at reducing negative impacts the businesses exert on the environment. Increasing social awareness is forcing businesses to reduce their environmental burden.

In the short run, the relations between ecological and economic goals compete. However, as some authors argue, environmental protection can turn out to be a way to improve financial standing of the company by lowering the costs of energy, raw materials, etc. [6].

Presently, the concept of corporate social responsibility associated with care of the environment, justice, and social order, and ethical conduct of enterprises, creates a real chance to implement principles of sustainable development at the lowest level – enterprises and entrepreneurs, employees and local residents. There are works to develop the conceptual framework for the description of the concept of sustainability tailored from the systemic perspective, the perspective of individual entities, and their role in creating the foundations of sustainable society [7].

To properly plan the application of corporate environmental responsibility, it is important to consider the aspects and steps shown below (Fig. 1).



Source: [8]

Fig 1. Management model for the incorporation of Corporate Social Responsibility in the organisation

The issues that a company should consider regarding environmental aspects and the actions that it can take in this regard can be summarized as follows [9]:

1) *Efficiency in the consumption of resources.* The inefficient consumption of resources entails an unnecessary expense for a company. More efficient use of resources will in itself bring cost savings. From a solidary perspective, a responsible company should strive to eliminate or minimise its consumption of resources, especially those that are currently limited or of which, for the future, a growing shortage is expected. Besides, this will also result in a future economic benefit for the company, because as the scarcity of a certain resource increases, its price will also increase. To the extent that a company can reduce its dependence on a certain resource, it will also be promoting its own sustainability;

2) *Climate change and greenhouse emissions.* Climate change and greenhouse emissions affect all of us. Responsible companies take actions beyond their legal obligations to adapt to climate change and reduce their greenhouse emissions [10];

3) *Waste generation and management.* Waste generation is the other side of the resource consumption coin. Obviously, the less is consumed, the less waste with harmful effects will be generated and the less it will be necessary to eliminate. The responsible company will try to minimise the generation of waste as a result of its activity and will manage those that are produced in the least harmful and most respectful way for the environment;

4) *Biodiversity and natural spaces.* Conserving the existing biodiversity on the planet is not only important from an ecological point of view, but also an economic point of view, as it is a source of raw materials. Therefore, the use of natural resources should be done sustainably, that is, in a way that allows our development without compromising the development of future generations. The impact on diversity will be determined by the type of activity carried out (for example, an extractive industry will have a greater risk of generating an impact on biodiversity than a service company) and by how a said activity is carried out (for example, intensive agriculture generates a greater negative impact on the environment than organic farming). A strategy to preserve biodiversity must integrate elements of both prevention and management, and restoration of damage caused by the company's activities;

5) *Eco-design and life cycle analysis.* Eco-design is that design that considers the environmental impacts in all stages of the design process and product development (and services) to achieve products (and services) that generate the minimum impact possible throughout its entire life cycle. The importance of this concept lies in the fact that

many of the impacts of a product are not generated in its manufacturing phase, but in other stages of its life cycle (for example, 90 % of the impacts of a car are generated in its use phase). Therefore, a life cycle analysis will allow us to detect in which phase of the product life cycle the main environmental loads are generated and consequently which aspects of the evaluated system should focus the environmental improvement efforts;

6) *Environmental awareness and education*. Environmental training and awareness are key elements for a company to continuously improve its environmental behavior. It is a cross-cutting issue, that is, it will affect to a greater or lesser degree all the people who are part of the company, and that is why it is advisable to develop a training plan based on the detection of the training needs of all staff, which must also be related to those aspects that the company has identified as significant and that it intends to improve.

Some of the advantages of adequate management of environmental responsibility planning in the company are:

- it reduces production costs, improves risk management, therefore optimizes resources, and generates money savings;
- it improves the corporate image of the company since marketing campaigns are carried out with a focus on environmental commitment and sustainable development;
- improves internal operations such as optimisation in the extraction or use of resources used as raw materials, reduces waste and improves their treatment, creates greater awareness in occupational health and safety processes, develops new knowledge, and reduces the quantity of post-consumer waste;
- it helps to improve the flow of internal communication that is transmitted to employees, who increase their environmental awareness because errors, corrective measures, and results are disseminated. In this way, information can be compared and exchanged departmentally, while helping to detect present and future problems;
- anticipate risks: decrease legal incidents, reduce exposure to lawsuits, or non-compliance with regulations [11].

Modern organisations that want to be successful in their commercial operations must prioritise the consideration of corporate social responsibility within their management, not only as an aspect often required by the laws of the countries but as a transparent awareness of the impact that each industry causes the environment, resources, and society in general. No matter the size or nature of the company, what really matters is awareness at all levels, from top management to the lowest organisational levels. The Earth is the one that provides all the resources that are used for production; therefore, it must be cared for so that future generations can enjoy it. If an organisation goes unnoticed to social responsibility, it damages its corporate image both with its clients, with its collaborators, and also with its suppliers.

It is important to emphasise that companies can play a very important role in people's lives, not only as providers of employment and wealth but also as agents of development in the communities in which they are inserted. Many large companies are aware of this and have tried to take advantage of the expectations generated by Corporate Social Responsibility to obtain competitive advantages and maintain relationships between the different interest groups.

Today, humanity is trapped in a double race. On the one hand, we feel obliged to increase the pace of scientific advancement and economic growth; on the other hand, we must stay at least one-step ahead of the ecological disaster [12]. We need new principles governing our lives on this crowded planet [13].

## RESULTS

Despite all the challenges, there already exists a full variety of classifications of green growth strategies and prominent cases of how international corporations implement it successfully. The majority of theories are presented in the form of quadrants and differentiated in accordance with two dimensions. For instance, Orsato [14] discerns green growth business strategy as a whole in accordance with either low-cost or differentiation, and either environmental organisational process or green product/service: eco-efficiency, environmental low-cost leadership, beyond compliance, eco-branding.

Therefore, there are companies with strategy of eco-efficiency as Toyota, which focused on low cost of the product and low-harm internal processes including logistics simultaneously by using eco-innovations, continuous lean production for cost reduction, decreasing wastage and application for reuse and recycle. In fact, this concept could expand out of boundaries of the one corporation, and the case of Kalundborg Symbiosis in Denmark actually proves it. It consists of 11 firms, which works in accordance with the approach that residue from one company is an input for another, by means of this over 90 % of these firms' potential wastage is reused. Hence there is nothing to say about the environmental footprint of this industrial symbiosis



as it is obviously low, besides by means of continuous exchanges the expensive materials are replaced and the logistics costs are reduced, and moreover the performance of this industrial park become more transparent and its overall reputation is strong.

Indeed, the companies' strategy which combines diversification of the product and environmental production is beyond compliance leadership. The majority used environmental management systems for this purpose, as ISO for food and safety management system implemented by Nestle. Hence company has achieved a global recognition for their systems for assessing safety and quality of food, and diversification as well.

Therefore, two aforesaid strategies are for the whole corporation, while remaining one as environmental cost leadership and eco-branding are aligned with strategies for each and particular product or service.

The environmental cost leadership strategy is used in "Ikea", but in comparison with eco-efficiency, it as well concerns itself low-cost strategy by providing products with the simple design and option of assembly by yourself, and flat packs that occupies smaller space during transportation, hence reduces cost. Apart from, at the meantime it ensures greener quality of each product instead of organisational process through eco-friendly materials that are used as sustainable wood sources and cotton, recycled plastic and many other.

Another strategy is eco-branding, and as an outstanding example is Patagonia – leading clothing company. In fact, it creates wholly environmentally friendly and differentiated products based on Fair Trade Certification using domestically grown organic cotton, recycled down, wool, nylon from discarded furniture, pillows, blankets, etc. Due to this its products always rewarded by customers for the environmental quality and different hallmarks.

## DISCUSSION

As a matter of fact, nowadays the companies are hardly differentiated in accordance with green growth business strategies in these for types, as the majority is trying to decrease effect on environment by all possible and appropriate means simultaneously in order to be sustainable. In principle, large company such as "Unilever" could be an example, since it adopts greening practices and produce green products at once. Taking a closer look, along with general business strategy, it develops and implements Green accounting and the Green HR practices as the reduction of environmental footprint of each and every employee as well as increase in their involvement in going green. Besides, it cooperates with different organisations as WWF and "Greenpeace", etc., performs various environmental activities as planting trees and other. But, it is necessary to mention that the successful implementation of green growth strategy is highly depended on its uniqueness in comparison with strategies of other firms in the market, either conventional or green [15].

Green growth business strategy concerns itself other essentials, not only aforesaid connected with supply chain including production and logistics, but also marketing, specifically green. Ginsberg and Bloom [16] differentiates strategies in accordance with the segment size of green consumers to which product is promoted and product differentiation: defensive green which acts in retroactive way, extreme green which in opposite acts in proactive way, shaded green that poses other qualities of products over the environmental. In fact, all these types promote its products; however, there is lean green strategy which does not promote its environmentally safe products and process. The main reason is that the company can't pose itself as green and tie its efforts in lowering environmental footprint to the overall brand, as it can lead to the stakeholders' perception of all products as labelled eco-friendly, that at a certain point in time may be not true and ineffective for the company's reputation. The prominent company that develops and implements this strategy is actually "Coca-Cola" Co. in connectiveness with "Odwalla" Inc., the eco-friendly juice producer. It chooses not to give an access to information about its environmental activity and green products, it just creates a separate brand of environmentally safe products – "Odwalla". In fact, from this case, it can be seen that the "Coca-Cola" Co. is straight and honest with its stakeholders.

By another classification of Delmas and Burbano [17] this strategy is also named silent green. There also exists silent brown strategy in accordance with which the company just truthfully promote that its product is not eco-friendly. Hence, Delmas and Burbano identified the strategies from the point of view of the presence and absence of environmental claims and real performance of the company. Other type is vocal green marketing strategy adopted by Patagonia, which bravely declare that it moved towards lowering its impact on environment and prove it by real actions and sustainable reporting, by which the company is actually rewarded by customers trust and their willingness to pay more, meaning higher margins and profits. Besides, the falsely promotion of products in a way that it seems more environmental than it really is, also exists, in other words is called

greenwashing. The Volkswagen relied on this strategy before the Dieselgate scandal in 2015, when it was found out that the company installed software on their cars that allowed them to get low results on tests for the level of carbon emissions, but after that it received a penalty, lose money, and moreover destroyed its social capital, lose customers' loyalty and retention.

All these either positive or negative examples of international companies' experience proves that the company is successful in implementation of green growth business strategy if it facilitates the sustainable development and establish more transparent and trustworthy relations with its stakeholders.

## CONCLUSION

In summary, it's worthy to say that the concept of green growth strategies is highly topical nowadays and moving towards this way companies opts for not only for profitability, but also for the social capital, specifically stakeholders' trust, and obviously for the lowering its adverse environmental footprint, along with gaining competitive advantage on the market. All of these have been proved by the majority of cases of well-known corporations. In fact, by such successful experience these companies obviously challenge and inspires others to try to do the same or create even better environmental strategies which will benefit the entire world.

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