Beyond Corporate Social Responsibility: Ethics in Action

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Abstract:

The concept of sustainability, as originally developed in environmental ethics and associated with sustainable development (SD), is gaining attention in the business sector. Ethical responsibilities of a business actually address sustainable development in three dimensions: economic, ecological and social. The SD framework gives a new direction to the way Corporate Social Responsibility (CSR) was previously comprehended. This paper argues that the SD framework of sustainability and sustainable development is a more appropriate choice.

This article reviews the CSR evolution and finds its essence at every decade for the past seventy years. The next section of the article discusses the limitations of the CSR approach, the importance of sustainability in business and introduces the sustainable development framework as a guideline for better social responsibility. There is a need for strong policy formulation for well-structured sustainable businesses where there is balance between all three pillars of profitability, society and environment. Mere CSR policies would not make a company sustainable.

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The Theoretical Framework of CSR and Responsibilities of Business

The question of responsibility for a business is answered in a certain way in the discourse of corporate social responsibility (CSR). The concept of CSR, which according to some (Carroll, 1999) is a core construct in business ethics, has a rather long and varied history with many changes in its definition (Carroll 1979, 498). The changes in the definition are considered significant enough to be referred to as an 'evolution' (Min-Dong, 2008). Scholars point out that there is no universal definition of CSR (Carroll, 1999; Garriga and Mele, 2004). However, a common strand in the discourse on CSR is that, in addition to its fiduciary obligations, a business has many *non-financial* obligations as part of its social responsibilities.

Howard R. Bowen is considered the father of Corporate Social Responsibility in western CSR literature. In his classic book, <u>Social Responsibilities of the Businessman</u> (1953), he tried to frame the social responsibility of business as the obligations of businessmen to pursue policies, make decisions or take actions that are desirable in terms of the objectives and values of our society.

By 'obligations', the author refers to 'moral obligations', as at that point of time in United States there was no such specific law for legal obligations for the corporation to contribute to the social fabric of the community. While the word 'desirable' means that business people should go beyond the technical and financial constraints and empathize with the society. It was left to businesses to comprehend what the society desires more than what it wants. Thus, more than just fulfilling the basic needs, the corporation is moving towards building a relationship. So, in 1950's CSR was considered a relation-building exercise and how in a larger theater business and society can mingle.

Through his research in 1960 Keith Davis argued that "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest." (Davis, 1960)

For Davis, business responsibilities to society are those decisions which are taken partially beyond the company's direct economic goals. Such decisions will help the company in her long-run survival. According to the author, Corporate Social Responsibility (CSR) is a phenomenon partially away from the general business process of a company. Possibly he was hinting that philanthropy is the way of extending societal help that can be drawn from business. This is because the word 'partially' shows that social help may or may not be totally devoid of profitability interest of the company.

Few years later in 1963 the outlook of CSR changed somewhat, from the firm responsibility boundary the ball of CSR rolled onto rationalizing the obligations of business to the society at large. In his book <u>Business and Society</u> Joseph W. McGuire, (1963) said the following:

"The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations."

This means that a company has other responsibilities for society beyond legal and economic. According to the author it meant taking interest in politics, community welfare, education and 'happiness' of the employees. According to Moon (2002), the business-society relationship has many dimensions like CSR, Corporate Citizenship (CC) and sustainability and so on. In the same vein McGuire here is more concerned about the issues of justness and upholding the rights of the community. Hence we get an essence of CC in her nascent form in the early 1960s.

Later, Davis and Blomstrom (1966) in their first edition of <u>Business and its Environment</u> continue in this vain. They said that businesses apply social responsibility only when they take heed of the needs and interest of others (who may be affected by business actions). In doing so, they look beyond their firm's narrow economic and technical interests. Walton in his 1967 book titled <u>Corporate Social Responsibilities</u> spoke about the recognition of the intimacy of relations between society and business. They argued that managers should be aware that they should voluntarily pursue social responsibilities and the actively help other organizations show such degree of voluntarism.

The decade of the 1960's saw a varied change of CSR as a concept. It started with the realization that social responsibility is beyond the normal business process. Then grew into the notion that much more social involvement was required, which included bringing 'happiness' and acting 'justly'. Towards the end of the decade corporations saw CSR as related to 'voluntarism' and seeking the support of other organizations too.
In the next 10 years the CSR definition further metamorphosed.

In sharp response to those who thought that a business should not only pursue profit but also must engage in socially desirable activities such as community welfare, economist Milton Friedman (1970), a defender of neoclassical view of economics, famously stated: "there is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud". For Friedman, the primary responsibility of business was to stay within the law and to maximize profits for its stockholders. He argued that only individuals can have responsibilities, not corporations; and as agents of stockholders or customers or employees a business executive is not a "principal". As an agent, he has the primary responsibility to protect the interests of the people he is answerable to.

Heald (1970) brought a new aspect of CSR in his book <u>The Social Responsibilities of Business: Company and Community</u> According to Heald, the issue of social responsibility should be resolved according to what the businessmen have defined and experienced it. Thus the actual policies of the companies should reflect the CSR initiative. In a way the author shows that everything the company experiences should be justly rolled back to the society. Johnson (1971) suggested that the managers should balance the multiple interests of all the stakeholders rather than only strive to uphold the vested interests of the stockholders. He was the first to hit upon the stakeholder approach of business, which itself came much later.

We find the germination of this ordering of responsibilities in *the Committee for Economic Development* (CED) definition of CSR, which Carroll cited with appreciation (Carroll 1970, 274-275). The CED also used the economic activities as the core circle, and the environment, and employee concerns formed the next outer circle. The outer circle stood for the responsibility of business to meet new challenges for actively improving the social environment. The Committee for Economic Development CED, in its 1971 publication <u>Social Responsibilities of</u>

Business Corporations proposed a three concentric circles for its definition of social responsibility: The ***inner circle*** shows the well defined basic responsibilities for the efficient execution of the economic function—products, jobs and economic growth. The ***intermediate circle*** covers responsibility for the business to express their economic function with a sense of awareness of changing social values and with the necessary priorities: for example, with respect to environmental conservation; hiring and relations with employees; fair treatment, and protection from injury. The ***outer circle*** points to the new challenges that business should confront for actively improving the social environment for example, poverty.
Manne and Wallich (1972) further refined this expanding notion for CSR:

> "To qualify as socially responsible corporate action, a business expenditure or activity must be one for which the marginal returns to the corporation are less than the returns available from some alternative expenditure, must be purely voluntary, and must be an actual corporate expenditure rather than a conduit for individual largesse."

Eilbert and Parket asserted a new outlook towards social responsibility of business (1973). They claimed that the best way to understand social responsibility is to think of it as 'good neighborliness.' Their concept has two components. One is not to do something which harms the neighborhood and on the other to voluntarily solve their problems, such as racial discrimination, pollution, transportation and so on. They argue that the concept of managerial actions should go hand-in-hand with the external 'host' environment. Preston and Post (1975) coined the term 'public responsibility' linking CSR with public life. Here their intention was to show a relation between public life and the organizational management of a company.

The limits to social responsibilities of business were also identified in this time period. S. Prakash Sethi (1975) claimed that the corporate behavior should be boosted to such a level which endorses the prevailing social norms, values and the expectation of the society. Here corporate behavior may not only be philanthropy but can be from the normal functioning of the firm (as long as it confirms the societal values). The following year Fitch (1976) made a startling claim in an article ‘Achieving Corporate Social Responsibility’. He defined corporate social responsibility as the initiative to solve problems which the society faces that are caused by company herself (wholly or partly). The author, for the first time in the CSR evolution tradition *blames* the company. Moreover, the author suggests the company herself should be *obligated* to rectify the faults. According to Fitch, the actions taken by the company to rectify the problem are CSR. In late 1970’s Carroll (1979) again pushed the thinking in a revolutionary article ‘A three-dimensional conceptual model of corporate social performance’. He argued that for managers to engage in corporate social performance they needed to have (a) a basic comprehension of CSR, (b) an understanding of social issues and (c) to identify the philosophy behind each corporate response for each issue.

The decade of the 70’s showed various facets of corporate social responsibility. Initially the literature showed encouraged an effort to integrate CSR with corporate governance. Then there was a noble attempt to pull the CSR from mere business decisions to socially responsible behavior of the corporation. The onus was on business to encounter new social challenges and strive to solve certain menaces that plague the society. The integration of CSR with company strategy was initiated and also CSR was shown to be a part of firm-level economics. Companies were encouraged to indulge in public life and act as a good neighbor to the society. Towards the end of the decade came the realization that companies should understand the moral obligation to serve the society and understand the philosophy behind social responsibility.

Friedman's view of responsibility of business was contested by many CSR theorists; however, among these Carroll's work stands out. Carroll's famous three dimensional structure of CSR (Carroll, 1979) was an effort to clarify and integrate various definitions of CSR, address concerns expressed in the CSR literature, and offer a more systematic understanding of CSR for businesses to follow. Carroll's basic claim was that a firm's economic responsibility is not separable from CSR, but is just a part of it.

To help a firm to identify its social responsibilities and responsive philosophy, Carroll provided a four-part framework of responsibilities, each part constitutes a portion of the total social responsibilities that a society expects a business to accept. These include:

- **Economic**: The basic responsibility to produce and sell goods at a profit,
- **Legal:** To operate within laws and regulations,
- **Ethical**: To accept extra-legal moral obligations, i.e. *over and above* the basic legal duties, e.g. customer safety, and
- **Discretionary**: Voluntary adoption of what society expects.

The multi-part CSR model that he offered is claimed to give directions for corporate social performance and was supposed to provide a philosophy of responsiveness. Carroll maintained that none of these four responsibilities is mutually exclusive, nor do they represent a continuum for example, at one of end are a firm's economic responsibilities and at the other end social concerns. Accordingly, he defined CSR as a cluster of *multi-layered* responsibilities:

> "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll 1979, 500).

However, subsequently in his model he placed the four responsibilities in a hierarchical order with the economic responsibilities as the most basic and foremost among the responsibilities. This ordered structure is reiterated in several of Carroll's subsequent publications in the form of a pyramid (Carroll, 1991, 1999, 283-284). In the CSR pyramid, the economic responsibilities form the wider base and are marked as one of the 'required' responsibilities. The legal compliance forms the next layer of responsibilities, also 'required' by the society. Then, he added the ethical and discretionary responsibilities to form the narrower parts towards the top of the pyramid. The ethical responsibilities may be understood as those that a business may conscientiously take on above and beyond merely fulfilling the demands of the "letter-of-the-law". The 'discretionary' responsibilities became linked to *corporate citizenship* as deemed appropriate by corporate wisdom. On Carroll's view, the ethical responsibilities of a business, though not "required", are "expected" by the society, and the discretionary responsibilities form the socially "desired" set of responsibilities. Thus, there is an ordering among Carroll's four responsibilities, in terms of those that are mandatory and those that may be adopted voluntarily by a business.

The decade of the 80's started with the notion that CSR should be voluntary beyond legal obligations and union contracts. Something excess of traditional philanthropy was needed to fulfill stakeholder obligations (Jones, 1980). Dalton and Cosier (1982) proposed a model for true implementation of CSR by linking it to strategy. Their model involved a 2x2 matrix, with "illegal" and "legal" on one axis and "irresponsible" and "responsible" on the other axis. Thus, "four faces" of social responsibility are depicted by the four cells. They concluded that the "legal-responsible" cell was the appropriate CSR strategy. But the real revolution in CSR scenario came with Strategic Management: A Stakeholder Approach by R. Edward Freeman in 1984. In it he argues that apart from the normal parties to business like suppliers, employees, stockholders, dealers, consumers there are other parties too. Even competitors are stakeholders too. Management guru Drucker (1984) said that social problems could be changed into real opportunities. Then such opportunities would increase production capacity. Increased capacity will enhance human competencies, thus ultimately paid jobs and wealth will increase. Drucker's view was that rectifying social problems will boost-up wealth creation in society and business. Another view was floated in 1987 by Edwin M. Epstein. He made the claim that corporate social responsibility relates primarily to achieving outcomes from organizational decisions that have beneficial effects on pertinent corporate stakeholders. The main focus of corporate social responsibility is to make socially correct decisions.

This decade was more focused on finding the identity of stakeholders, satisfying the needs of stakeholders, and making CSR a concept of strategic importance to business.

The more correct management decision are, then the more CSR the company does towards its pertinent stakeholders.

The 90's gave much importance to the application of stakeholder theory approach to CSR. The rational was that measurement of actual CSR activities is feasible with application of stakeholder theory. Clarkson (1995) claimed that only after identification of any issue (public or stakeholder) can the managers take decisions regarding social performance of the company. He divided issues into those that are legislated and those that are not. In the same year, a paper by Jones (1995) tried to link CSR with economic theories to see how firms and different actors behaved. He framed an 'instrumental stakeholder theory' were actions and the final output could be clearly comprehended. Later, the stakeholder CSR model was split into 'strategic' and 'intrinsic' stakeholder models (Berman, et al., 1999). Each of the models shows the business process or morality based CSR.

By the turn of the 21st century, CSR was differentiated into 3 waves 'community involvement', 'socially responsible production processes' and 'socially responsible employee relations' (Moon, 2002). According to Moon 'community involvement' could be done by partnerships with local governments and also by issue-based marketing. This attempt to categorize CSR into three dimensions, shows the omnipresence of CSR from the internal to the external domain of a company. Research in 2008 brought to light the difference between 'explicit' and 'implicit' CSR. 'Explicit' CSR is responsible business activities towards society, which has become more strategic and deliberate decision of businesses, with well articulated policies and programs (Matten & Moon, 2008). It is driven by Neoinstitutional theory and consists of policies and strategies which are voluntary in nature (DiMaggio and

Powell,1983). This type of CSR is visible in the United States of America. On the other hand 'implicit' CSR is coordination between the corporation's actual pursuance of society's interests and the expectation of the society (with all the values and norms). 'Implicit' CSR is based on the traditional institutional framework of a country specifically the National Business System (NBS).

The available literature shows that through the decades CSR concept has many facets of the business-society relationship. Corporate Social Responsibility (CSR) has many definitions which are evident from CSR research worldwide for many decades. One has to be very open minded when defining it, as CSR researchers are still finding new meanings in its nature. Eventually what filters out of most CSR research is that, CSR has two sides, one strategic and other moral. In the strategic side CSR is an economic tool to foster the main corporate objective (profit maximization) of a firm. Here only those social programs that could reap benefits back to the business are chosen. Moral theories have included ethical and philanthropic responsibilities as a part-and-parcel of the total CSR drive of a company. More recently charity or community development are mingled with the marketing of products and with societal issues. The responsibility of businesses to stakeholders other than the stockholders was given much importance. Moral responsibility to stakeholders brought the notion of respecting their rights as partners of business and also as a citizen.

WHY GO BEYOND CSR?

The above discussions show that the issues of responsibilities of a business, and the ethical dimension of these responsibilities, have been systematically approached in the CSR and Stakeholder frameworks. However, for studies on larger business sectors, such as a national oil and natural gas sector, the framework of sustainability and sustainable development is a better option, and a justification for this preference is in order.

Lately, there are at least three major concerns that cast their long shadows on any discussion about business-society relationship; namely:

- The concerns about *environmental impact*
- The concerns about the *global challenges* of underdevelopment and uneven development and
- The concerns about *corporate governance*.

Today a discussion on corporate responsibilities must include responsive initiatives on at least these three concerns. The framework that guides us in our discussion about the ethical responsibilities of a business should accommodate these as well.

Environmental concerns: Over the last three or four decades, greater awareness about large scale environmental problems, such as global warming, spills, deterioration of air and water quality due to pollution, ozone layer depletion, loss of biodiversity, depletion of non-renewable natural resources usage due to indiscriminate usage, have caused a greater and widespread concern about the importance of natural environment and human impact on it.

From the 1960s, the environmental degradation caused specifically by reckless industrial activities and the need for business to accept responsibility has become a prominent public issue. The environmental movement was born, as people became more and more aware of the impact of business operations on environment through the powerful works such as Carson's Silent Spring (Carson, 2002) or Bookchin's Our Synthetic Environment (Bookchin, 1962).

In 1962, when people were not so environmentally informed, Carson's book brought to public attention the widespread and unregulated use of pesticides such as DDT in agricultural lands in eastern USA, and its dangerous effects on the ecosystem, particularly on the birds; with the probable consequence of a spring season when no birds would be there to sing. Silent Spring raised public awareness and engendered public debates on environmental responsibility that a business should have to safeguard the balance in natural environment. It successfully brought out the corporate and governmental oversight of environmental impact.

Now, thanks to widespread environmental activism throughout the world, environmental awareness, to some extent, has increased. The world today is more aware than before of the importance of conservation of wilderness, protection of natural resources and the value of biodiversity. Creation of national agencies for addressing environmental issues such as, Environmental Protection Agency in the United States,(EPA or USEPA), National Environmental Agency (NEA) of Singapore, and the formation of intergovernmental agencies such as European Environment Agency (EEA), Intergovernmental Panel on Climate Change (IPCC), United National Environmental Project (UNEP) for collaborative partnerships, are tangible indicators of the international political will to stand by the gamut of responsibilities that present society has to own up in order to adequately meet the environmental problems.

In addition, large scale, serious, and pressing environmental issues prod environmentalists to insist with renewed vigor that a business must accept responsibility to address environmental problems, particularly if some of these problems are caused by the impact of business activities on the natural environment (Greer & Bruno, 1996;

Dudley et al., 1995; Cairncross, 1991). Some of the burning environmental issues of today, which are causally attributed to irresponsible business practices, are:

1. Environmental degradation due to business activities including deforestation due to rampant cutting of trees for commercial uses is one of the stark examples. Environmental health affected by business activities including the Minamata disease (1956) and the Bhopal disaster of 1984 are severe reminders of how neglect and irresponsibility of business towards the environment can affect a community's health and well-being.

2. Climate change due to rapid and careless industrialization is claimed to be causally linked to climate change through the emission of Green House Gases (GHGs). Climate change stands for the phenomenon of long duration change in the 'average weather' which includes temperature, wind pattern and precipitation. The examples of outcomes of climate change are desertification of arable land, increased frequency of cyclones, changes in seasonal durations etc. and so on. Similarly, the GHGs, specially carbon dioxide and chlorofluorocarbons (CFCs), the deadly contributors to global warming, i.e., the increased near-surface temperature of atmosphere of the earth, have been linked to business activities.

3. Depletion of Biodiversity caused by the extinction or loss of habitat of biotic and abiotic species has been causally attributed often to the reckless behavior of businesses, such as the timber industry, the fashion industry, the real estate business. They have been routinely held responsible for deforestation, overhunting and the consequent habitat loss of hundreds of species.

4. Depletion of non-renewable natural resources including the depletion of fossil fuel, groundwater etc. due to over consumption and injudicious use has been causally linked to over mining by business.

5. Dumping of toxic chemicals and pollution due to irresponsible dumping of hazardous waste by companies is well known. In 2006 British oil trader *Trafigura* dumped hundreds of tons of highly toxic oil waste products in the capital city of Ivory Coast, knowing fully well the toxicity level of the waste.

The biocentrism approach in environmental ethics has taught us that the well-being of the living and the non-living elements in nature are all interconnected. This overall web of survival and welfare relationships encompasses a business and its surrounding also. The recognition that a corporation is embedded within its social and natural surrounding has deep implications for the way a business sees its role and responsibilities in those surroundings. We can no longer say that the actions and decisions taken within the corporation have no bearing on the world outside; just as we can no longer claim that events unfolding outside the company will have no impact on the internal functioning of the company. Consequently, a societal expectation has emerged that businesses should also be active partners in resolving the burning environmental problems. Integration of eco-friendly measures in the business process are thus expected to show up in programs and policies of firms; and those corporations should live up to environmental objectives in addition to their traditional profit related objectives. For example, since energy consumption by businesses is a known cause for global warming and industry-caused pollution is a major cause of degradation of environmental quality, the environmental lobby now expects a corporation to have a clear environmental policy that explicitly seeks out ways to reduce energy consumption and pollution. There is a general increase in awareness in world to encourage both the consumer and the producer towards energy-efficient, environment friendly products. Studies claim that that 21^{st} century business should be pro-social, future respecting and should contribute to (a) the conservation and restoration of nature, (b) to the development of human capabilities and (c) to the enhancement of the freedom of future generations (Laszlo, 2006).

Frynas (2009) point out, companies are increasingly expected to assist in addressing many of the global challenges such as poverty alleviation. In the globalized world, the enormity and persistence of poverty and other related developmental problems, such as disparity between the health outcome, particularly in the developing countries of Asia and Africa, has led many to believe that companies, specially the large MNCs, should shoulder at least some of these public responsibilities. In fact, recently the United Nations (UN) has proposed CSR *as a tool for international development* (UN Millennium Development Goals, 2010). The logic behind that is based on equity as is explained below.

In 1980s, the largest MNCs contributed to about 40% of world trade (Hopkins, 2003, 3), but by 1996 they grew larger to account for 2/3 of the total world trade. WTO trade statistics (2010) shows that while the growth, and accumulation of wealth, benefited the largest companies enormously, benefit to the society in general has been minimal. During the most liberalized business policy period, i.e. since the 1980s, the number of people living on less than US$ 2 per day has risen by almost 50%. Hence, it is only fair to ask the MNCs to engage in addressing the social inequities. Moreover, the governments in different countries have achieved little success so far in eradication of the global developmental problems, such as hunger, poverty. On the other hand, businesses, specially the MNCs, enjoy enormous financial and organizational clout. Many argue that it is only fair that businesses assume more responsibility than before towards overall development (Hopkins, 2008).

UN has developed ten principles of *Global Compact* (GC) (UN Global Compact, 2010), which are about human rights, labor standards, anti-corruption, environment, etc, to urge the business world to adopt these principles and align their operations and strategies accordingly. Many businesses around the world have become GC members to show compliance. In 2000, eight *Millennium Development Goals* (*MDGs*) (Millennium Development Goals 2010) were announced as developmental targets to be fulfilled by 2015. *MDG*s, in particular, showcase very pertinent international developmental issues, such as malnutrition, HIV/AIDS, poverty, status of women and minorities, and, of course, environment. The *Global Compact* (*GC*) and *Millennium Development Goals* (*MDG*) together with the already existing UN efforts to make the international business community partner in the concerted effort needed to address these global challenges.

There is also a global concern about the state of governance in corporations. Since 2001, there has been spectacular collapse of a number of large firms, such as Enron, Worldcom, Tyco, due to a reckless management of the funds. As a result, massive bankruptcies were declared leaving investors high and dry. Subsequently, there was an erosion of public trust in the way the top executives of large corporations run a business without any regard for the welfare of the shareholders and of the society in general.

There is nothing wrong *per se* about the pursuit of profit in business. The stability, strength and vitality of a business organization depend on its profit-making ability. However, what business ethics demands is that certain standards of ethical correctness can and should be maintained in the overall conduct of business, and specifically in its choice for the means to achieve the profit and the purpose for which that profit would be used. Recent scams and collapses of corporations are prime examples of what happens when these standards of ethical correctness are flagrantly violated.

There is increased public demand today for more integrity and transparency in the way a corporation and its internal functions are administrated. There is also demand for accountability. The public has increasingly high expectations that a business should act responsibly enough to have certain mechanisms by which misdemeanour, if any, can be attributed to an individual or group of individuals.

Given the large and global scale of these expectations, are the usual theories of CSR and organizational stakeholder capable of fulfilling these larger responsibilities? Our general contention is that although the theories of CSR and organizational stakeholder have some potential in dealing with large scale environmental and developmental issues by business, there are some theoretical and practical problems for which they may not be the most appropriate choices.

Let us consider the CSR framework first. Traditionally the CSR framework clearly identifies the economic and the socially expected responsibilities of a business. However, traditionally it has not given much importance to environmental responsibilities of business. The common refrain in these theories and approaches has been the ‘social giving’ or the contribution to the society in conformity to the changing social expectations. In comparison, natural environment, as an area of concern and commitment, does not feature very prominently. If we look at Carroll’s work, we find that in his first introduction to the three dimensional model of CSR, Carroll (1979, 503) briefly mentioned environment as one of the ‘social’ issues that a business must address, but it was only a passing comment. In his organizational responsibility matrix, however, Carroll (1991, 230) mentioned owners, customers, employees, community and several other groups as stakeholders, but did not specifically mention environmental responsibilities in the matrix. This omission may be unintentional; nonetheless it reflects the relatively stronger emphasis on the ‘social’ aspect of organizational responsibility.

One might argue that the traditional notion of CSR may be *extended* to include environmental and wider social responsibilities that include the responsibility of maintaining socially responsible employee relations. Moon (2002) named such extension efforts the ‘third wave’ of CSR in the progression of changes that have taken place in the concept. In the EU, for example, environmental responsibilities and social obligations of a business are visualized as two sides of the same coin. For example, we find that in its 2006 policy communication entitled "Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on CSR ", the European Union (EU) defined CSR as:

“a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” (EU Business, 2002).

Similarly, EU 2006 CSR policy highlighted that CSR is a voluntary, proactive policy adopted by businesses to integrate not just the social obligations but also the responsibilities to employee relations and environmental concerns in the business processes and in the relationship with the stakeholders (EU business, 2002). With the recent deep recession in USA, UK and other European countries, employee welfare and larger social issues loom larger on the CSR agenda.

However, although such extensions and reinterpretations are possible within CSR framework at the conceptual level, at the implementation level the CSR agenda has mostly failed to address the governance, the environmental, and the large scale developmental issues. Though there are several reasons why a business should adopt CSR (Garriga and Mele, 2004), studies show (Frynas 2009) that CSR emerged mostly as a strategic business approach to address the social and environmental impact of the activities of the business. Better community relations, social initiatives are carried out mostly because they pay dividends for attaining the corporate objectives without resistance from the community. It has been also claimed that CSR tools usually fail to transform the business in its everyday routine. Frynas (2009) contends that even among the corporations that are considered CSR leaders, CSR initiatives run parallel to 'usual' activities such as tax evasion, continued financial engagement with countries accused of human rights abuse, and corporate lobbying.

Moreover, CSR is supposed to be a purely business-driven initiative. It expects a business to take up *further* responsibilities aligned with the organizational objectives. In the framework, there is the sanction to treat these responsibilities as additional, and not as core, for a business. That is, within the CSR framework there is no mechanism to acknowledge these wider goals as business *priorities*, or to integrate them with the core operations. This allows the possibility that a business will be interested in the objectives of the society at large, such as poverty alleviation, as long as these are aligned with the organizational objectives. For this reason, the theory of CSR seems to be a bit weak to frame the injunction for a business to address large scale environmental, developmental and governance issues.

Apart from these, there is also a problem in the usual conceptualization of CSR. The four-part CSR model or the CSR pyramid of Carroll does not help us in setting priorities among the social responsibilities of a business, in case they are in conflict. Carroll was keen to point out that the four groups of responsibilities should be *simultaneously* attempted by a business. He did not, however, tell us how to resolve the situation if, in the process, a set of responsibilities, for example the economic, clashes with another set, such as the philanthropic. In general, the CSR framework is silent on the act of balancing that is a necessity for achieving simultaneous performance in various spheres of business responsibilities.

Similarly, the stakeholder theory also appears to have less potential to address environmental and large developmental issues. While the motivation behind the inclusion of environmental protection and conservation into the ethical obligations of business is clear, it is not clear whether there is the theoretical provision in the framework to include the non-human elements, such as both living (e.g. plants) and non-living (e.g. water bodies) elements of the natural environment, into the circle of stakeholders. This is not to say that the natural environment has not been conceived of as a stakeholder that a business must accept responsibility for. In fact, it is easy to cite such attempts in the literature. For example, in his argument to include large, multinational business as a partner in development, Hopkins (2003) clearly considers the natural environment as a stakeholder. He writes: "Stakeholders exist both within a firm and outside-*the natural environment is a stakeholder* (Hopkins 2003, pp.1). Jacobs (2003) too, argued that a firm must acknowledge environment and the future generation as the *voiceless stakeholders*. Zsolnai (2006) also tried to reinterpret normative stakeholder theory to expand it further to consider ecosystems, and non-human creatures as stakeholders. The recent climate change debate has further fuelled the trend to broaden the definition of stakeholder to count natural environment in as a primary stakeholder in organizational context. However, what we wish to submit is that this conceptualization of natural environment as an organizational stakeholder theoretically may not be controversy-free. Scholars have argued that it is problematic for the stakeholder theory to permit the natural environment to be treated as an organizational stakeholder. Bazin (2009), for example, argues that the characterization of a stakeholder in the theory has two important features:

(a) A mutual or reciprocal interest has to hold between the firm and its stakeholder.

(b) The stakeholders of a firm may be diverse but essentially they are all human beings, and in their collective demands and expectations to the firm they represent a human aspect.

Bazin contends that neither of these two conditions is successfully met by the natural environment to be considered as an organizational stakeholder. First of all, we cannot justifiably ascribe human aspects to nature. Second, a stakeholder is supposed to have some interest in the firm. However, we cannot meaningfully claim that the natural environment, as a biotic and abiotic community, has an *interest* of its own. Third, there certainly is no scope for a mutual or reciprocal interest between a firm and nature. The firm may have its own interest in nature, but nature cannot be said to have an interest in any business organization. Interests are driven by underlying needs and desires, but no such need and desire can be meaningfully attributed to nature. At least, we, the humans, cannot identify any needs, interests and desires to support such a claim (Bazin 2009, 638). We are forced to admit that no reciprocal interest exists between an organization and natural environment. Thus, according to Bazin, the attempt to include nature as an organizational stakeholder is not defensible within the framework of the standard stakeholder theory.

Similarly, others, Orts and Strudler (2002) for instance, have argued that the Stakeholder theory has limits and runs into intractable philosophical difficulty in providing credible ethical principles for business managers in dealing with topics that do not directly involve human beings within a business firm. On their view, the stakeholder theory does not provide a reasonable platform for involving natural environment as a stakeholder.

One might try to meet the objections raised by Bazin and others about the limits of the standard organizational stakeholder theory to include natural environment by reinterpreting the term ‘organizational stakeholder’ and giving it a more expansive definition. For example, Gray (1996) defined a stakeholder as “any group or individual that can be influenced by, or can itself influence, the activities of the organization” (Gray et al.,1996, 45). Starik (1994) also distinguishes between a narrow definition and a broad definition of stakeholder. The *narrow* definition includes only those individuals as stakeholders who have a stake or vested interest in the firm. The *broad* definition, on the other hand, defines a stakeholder as any naturally occurring entity which affects or is affected by organizational performance (Starik, 1994). This broader definition may be used to accommodate not only the living, but also the non-living elements and ecosystems in nature.

However, as Ort and Strudler put it, this broadening of the definitions of relevant stakeholders "tend easily to become so broad as to be meaningless and so complex as to be useless" (Ort and Strudler, 2002, 218). On the one hand, the broad definition allows any entity, group or individual to become an organizational stakeholder even if it is the result of accidental or unintended consequences of some organizational activity, and thus renders the actual intent of the stakeholder theory pointless. On the other hand, since the stakeholders can have their stakeholders and the expanded definition does not provide us a clear answer about where to draw a line when a stakeholder perspective has to be operationalized within an organization, the task of implementation becomes enormously challenging. Moreover, Ort and Strudler mention (2002,) that Freeman himself concedes that since stakeholder theory does not have an ordering of interests, it does not provide us any way to resolve conflict between the conflicting interests of the multiple stakeholder groups, e.g., between the interests of the business owners and that of the customers.

The Framework of Sustainability and Sustainable Development

The term 'sustainability' may be understood as the ability to 'sustain' i.e. to subsist or support for a period of time (Onions, 1964) .In ecology, *sustainability* means how ecosystems can remain functional over time.

The term is claimed (Ebner and Baumgertner, 2006) to have come originally from forestry, where the 'maximum sustainable cut' meant how many trees in the forest can be cut while the forest remains functional for continuous use. That is, maximum sustainable cut refers to at least two things: (a) It refers to the capacity of the forest system to absorb the damage done by tree-cutting, and (b) it refers to a maximum limit up to which the cutting of trees is tolerable without hampering forest growth for continuous usage. Thus, we may also understand sustainability as a *capacity-building* exercise to maintain a state or a process indefinitely so that the benefits could be carried forward with no loss.

Sustainability and sustainable development are not the same or synonymous concepts. As a concept, sustainability properly belongs to environmental ethics, whereas sustainable development is a challenging, alternative developmental paradigm which includes sustainability concerns about many other domains besides that of the natural environment.

In 1972, with computer modeling the Club of Rome report entitled *The Limits to Growth* (Meadows et al. ,1972) predicted dire consequences of the combined effect of high consumption rate and unchecked world population growth on the limited natural resources. It caused enough international discussion to bring about a new developmental paradigm; one that emphasized that human well-being should not lead to the destruction of the natural resources and environment. The idea of sustainable development is the outcome of those deliberations. As Baker (2006, 5) puts it, by adding the notion of development to sustainability, the focus shifted from pure environmental concerns to the society and to the way the economy functions in that society. The sustainable development model is a challenge to the more conventional development model, which merely prioritizes economic growth through heightened consumption patterns without realizing that such high consumption rates threaten the very resource base on which future development depends, and thus endangers social stability and cohesion in future. The sustainable development model, on the other hand, speaks of a harmonious growth, which is aimed at reconciling economic activities with social development and environmental conservation. It insists that the economic growth of humans must be socially inclusive and must not be at the cost of the environment. It seeks to integrate three key dimensions of development:

- The economic
- The social
- The environmental (Baker, 2006)

There are many versions available of sustainable development. However, the UN appointed Brundtland Commission played a central role in shaping and mainstreaming the concept. In its 1987 report, entitled *Our Common Future*, more popularly known as the Brundtland Report, the World Commission on Development and Environment presented the notion of sustainable development, which has gained an authoritative status. The report offered a sustainable kind of development as an alternative, and perhaps the only acceptable kind, of paradigm for development and resource usage that should protect the interest of the future generation also, while meeting the needs of the present.

The overall aim of the sustainable development approach is to create a balanced so that the quality of life for humans is sustained without compromising quality of environment and its elements, and between the needs of the present and future generations. This definition points out that though resource mobilization and consumption would obviously be driven by human needs, the present need alone cannot be the sole consideration. Hence, in the name of justice and fairness, the demands of the future generations must be factored in, as far as resource usage in concerned. It also directs our attention to two basic concepts: *needs* and *ability to meet the needs*. The world's *needs*, specially the basic needs of the needy, must be met; but there are limitations imposed on the ability to meet the needs by resource constraint. The definition also draws our attention to the importance of distinguishing between the needs of the present generation and the needs of the future generation.

A newer definition of sustainable development refers to the 'carrying capacity' of natural ecosystems as the limit to quality of human life on earth:
"improving the quality of life while living within the *carrying capacity* of the supporting ecosystems" (Jacobs, 1996, 26).

'Carrying capacity' may be roughly understood as the maximum load that an ecosystem can bear before it starts to disintegrate. It is a time-oriented and posterity-oriented concept. For example, Hardin's (1968) *tragedy of commons*, scenario in which multiple individuals acting out of self-interest eventually destroy a shared limited resource, even though it's destruction is not in anyone's long-term interest. Injudicious treatment of the natural environment as a 'common' good by too many individuals may only lead towards going beyond the *carrying capacity* of the biosphere. This newer definition of sustainable development draws our attention to the fact that there are limits to growth imposed by the carrying capacity of the planet, in particular by the capacity of the biosphere to absorb the negative impact of human activities. While economic development is always desirable for the improvement of our present quality of life, we must re-conceptualize development keeping the 'carrying capacity' of natural ecosystems in mind for the sake our own long-term well-being. Consumption cannot be blind, for short-term gain.

The sustainable development paradigm brings out the need for a carefully thought-out balancing act in developmental goals. It asks for efficient and judicious management of both (a) quality of life and that of the environment, and (b) present needs and future needs.

There is general recognition (Reed, 1996) that there are three basic aspects of sustainable development:

- Economic sustainability
- Social sustainability
- Environmental / ecological sustainability

The environmental, social and economic dimensions of development must be reconciled in such a way that the development is contained "within the carrying capacity of the planet, and is socially just and economically inclusive" (Baker, 2006, 5).

Baker explains (Baker, 2006, 7) that the economic sustainability refers to the fair allocation and distribution of scarce natural resources. The idea of economic system that accommodates concern for ecosystems and their limits is the pivot of economic sustainability. It is characterized by the human innovation and ingenuity to use minimal resources from nature to meet our needs, and *not* to exploit nature and people to meet our created *wants*. Ecological or environmental economics is the offshoot of such thoughts, which gives directions on systems of production and commerce every step of which is sustainable. Similarly, the social sustainability refers to the sustainable choices that we make that affect other humans in today's global community. It refers to creating quality of life for people, and upholds human values as are seen, for example, in the proclamation of human rights, labor rights, participatory governance and decision-making, creating inclusive growth opportunities, social and communal harmony. It also extends to issues such as health equity, livability, and social inclusion in a society. The environmental sustainability refers to the sustainable choices that we make to maintain ecosystems for long-term subsistence and in deference to the needs of the future generations, while minimizing the human impact on the environment and its resources (Baker, 2006).

The principles that emerge from this tripartite but integrated understanding of sustainability have been summarized as follows (Harris, 2000, 18; Harris, 2003):

a. Conservation and judicious usage of natural resources for equity: Traditional market mechanisms tend to deplete and degrade "natural capital", but conservation of natural capital is essential. Thus, the industrial societies must practice sustainable production, which aims to reduce the resource intensity of production. Otherwise, the unjust outcome will be a depleted world for our future generation. For the sake of intergenerational equity, natural resources ought to be conserved and used sustainably.

b. Controlling resource demand: Population and total resource demand must be in balance with the ecosystems and must be limited in scale. Also the diversity of species must be given foremost priority. Hence, instead of mass-consumption, equitable usage of resources without negative impact on natural environment is the mandate. Industrial and affluent societies should undertake the practices of sustainable consumption which reduces the level of consumption, and consciously and judiciously monitor what and how much is consumed by whom.

c. Addressing social, environmental and economic concerns together: Sustainable practices must rectify social inequities, disparities between the developed and the developing world, and environmental damage while upholding a good economic base.

d. Link between ecological sustainability and social equity: Social equity is a major concern, which includes the fulfillment of basic human needs such as health, education, through participatory democracy. Social development must be merged with environmental sustainability.

Though each of the three aspects of sustainable development is crucial, as has been explained above, according to certain activists of sustainable development, however, it is the social element that clearly starkly separates this new developmental paradigm from the previous dominant 'wealth maximization' paradigm. Baker (2006, 20) reminds us that the Brundtland report also insisted that the 'needs', specially the basic needs of the world's poor, must be given priority while the 'wants' of the affluent world need to be reduced. This envisages an overall and inclusive human growth in the world. A *human development* approach insisting on separate indices on non-monetary well-being of people (Human Development Index) now argues for meeting the basic human needs through development and for equitable distribution of the developmental outcomes among the developed and developing countries and among the different segments of a society (Anand and Sen, 1994). Thus, sustainable development not only has to cater to societal issues but also must ensure that the endeavors undertaken are *inclusive* and *equitable* in nature. Hence, to the abovementioned principles of sustainable development, a fifth principle may be added as follows:

e. Human development and inclusive growth: The sustainability practices need to ensure that the growth enables overall human flourishing in all dimensions, and that the growth is inclusive,

Taken together, these principles clearly suggest new guidelines for development, one that is claimed to be holistic and sustainable. It is economic growth limited by capacity of ecosystems and ramifications for social cohesion. It is moderated by controlled consumption patterns, restrained resource usage, respect for human rights, concern for ecology, and social values such as equity and justice. The Brundtland report suggested seven initiatives for sustainable development, one of which was to merge economic and environment in developmental decision-making.

Conclusion

Thus it could be understood that merely applying a CSR calculus would not make a business totally responsible. It is the admixture and integration of social, economic and environmental elements which make a company pro-active and survive in the long term. Taking this new paradigm for growth, (sustainable business practices) as the present day authoritative imperative for all, we have tried to position the discourse of the responsibilities of business within the purview of the Sustainable Development framework. The Sustainable Development framework is the best platform for a company to stay operative for the long-term and be sustainable.

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