

SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY – THEORETICAL BACKGROUND AND SOCIO-ECONOMIC CONTEXT

Uzelac Ozren¹

Dukić Mijatović Marijana^{2*}

Stoiljković Aleksandra³

Abstract: The challenges of sustainable development and corporate social responsibility are critically discussed through the current concept of unsustainable development of the economy and society, numerous manifestations of such development, as well as the causes and consequences of this phenomenon. Indicators of unsustainable development were analyzed, in particular: problems of global poverty, problems of ecology, climate change, energy, disease and lack of education. Changes in the direction of a new trajectory of development are necessary, i.e. action directed towards a new development paradigm. This requires a greater role of science, especially economic science. The new concept of the economy implies new patterns of behavior in terms of ecological business and green economy. A new paradigm of development, a new strategy for the development of the economy and society is necessary because the current concept of growth and development has led to a series of negative effects on the

¹ University of Novi Sad, Faculty of Economics in Subotica, Subotica, Serbia, e-mail: ozren.uzelac@ef.uns.ac.rs, ORCID ID: <https://orcid.org/0000-0001-6991-1644>

² University of Novi Sad, Faculty of Technical Sciences, Novi Sad, Serbia, e-mail: marijana.mijatovic@uns.ac.rs, ORCID ID: <https://orcid.org/0000-0001-9535-2962> - Corresponding author

³ University of Novi Sad, Faculty of Economics in Subotica, Subotica, Serbia, e-mail: aleksandra.stoiljkovic@ef.uns.ac.rs, ORCID ID: <https://orcid.org/0000-0002-4324-4537>

natural environment, society and people. There are many forms of manifestation of unsustainable development: the problem of global poverty and hunger, problems of ecology, climate change and energy. The basic message is that humanity faces great challenges and that it is necessary to move from unsustainable development to sustainable development of the economy and society, where corporate social responsibility plays a key role. Sustainable development is a way of thinking, i.e. observation of the world, which we must change for the sake of the present and the future. In order to achieve this, synchronized actions are needed at the local (national) and global (world) level in order to find solutions, where large multinational economic systems must play a special role.

Keywords: corporate social responsibility / sustainable development / theoretical background / socio-economic context / legal framework.

INTRODUCTION

Growth and development are economic phenomena that have been studied since the time of classical economic analysis, embodied in the works of Adam Smith, David Ricardo and Thomas Robert Malthus. Each of them, in their own way, studied this problem and gave their opinion on the reasons for the rise and/or fall of certain national economies. There is, of course, the teaching of the English economist William Petty, the founder of classical political economy in England, whose thought that "work is the father and active creator of wealth, like the earth is its mother", is still current and instructive today, especially for us (Since Serbia has land, as a natural factor, like hardly any other country). Among the classical economists who dealt with growth and development, I single out the French economist Jean-Baptiste Sey. Sey popularizes those aspects of Smith's economic theory of the natural order, which are in support of his market theory, with which he struck the foundations of economic liberalism and neoliberalism, which are very current today and the subject of fierce debates among economists. Sey believed and tried to prove that the mechanism of the liberal capitalist economy, through the mediation of private property, private initiative and free market, can achieve full employment of the population and rational use of all factors of production (the concept of laissez-faire). The great economic crisis of 1929 dispelled the illusion of the market as the all-powerful and only institution of socio-

economic growth and development. The depth of the crisis, especially in the USA, required the involvement of the best economists of that era in solving the problems of the functioning of the then capitalist economies. As a result of these efforts, the economic doctrine of John Maynard Keynes was born. Keynes, in his famous work "The General Theory of Employment, Interest and Money", established that economic crises are possible under conditions of economic liberalism and that state intervention is necessary in order to maintain the required level of economic activity and full employment. Keynes' theory provided the basis for the strengthening of state intervention and the expansion of its field of action beyond the previously valid norms. The economic crises of 2008 and 2020 also dispelled many misconceptions. In the second half of the 20th century, economic science was dominated by the following division of development theories: neoclassical, neo-Keynesian, radical Marxist, and structural imbalance. In recent macroeconomic theory, many other divisions are found: take-off theories, stagnation theories and theories of balanced development. In addition, there is a division into short-term and long-term theories of economic growth. The divisions do not end here. They are the expression of different economic schools and opinions, the bearers of which are individual great economists. In each of the mentioned, as well as other theories, which should be carefully followed and analyzed, a particular contribution to the study of the extremely complex issue of economic growth and development can be noted. What is dominant in the development of economic theory so far is the different attitudes of individual schools toward the role of the two key institutions of society - the market and the state (Čukanović Karavidić & Dukić Mijatović et al., 2021, p. 47).

SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

The introduction and implementation of sustainable business procedures have today led to the application of the concept of „corporate sustainability” or „responsible business practice”, thus extending corporate social responsibility to the entire business, not just aid or donation cases (United Nations, 2013, s. iv). It is widely accepted in modern business and scientific literature as a business concept that „allows the balance between economic, social and environmental goals, it is widely accepted business practice in the developed countries of the

world" (Grubor, Berber, Aleksić, Bjekić, 2020, p. 4). Corporate social responsibility (CSR) is a concept that emerged in the 1950s as an answer to increasing public demands for more responsible behavior of companies in developed countries with open market economies (Radovanović & Milić *et al.*, 2022, p. 2226). „Corporate social responsibility (CSR) is a concept framework, in which companies integrate social interests and challenges concerning the environment and their business in integration with all stakeholders by freewill (Ćeha, 2013, p. 4.)." In the context of accelerated economic changes, changes in the labor market, social, demographic and technological changes, issues of inclusive and sustainable growth, employment and decent work are increasingly discussed (European Commission, 2016, SDG 11). The international community, following the adoption of the UN Global Compact (UNG), which defines 10 principles of social responsibility, considers the implementation of CSR principles in the company's activities as a key factor for sustainable development (Perminova & Siaglova, 2018, p. 267).

The issue of corporate social responsibility is considered to have been discussed in the 1930s and 1940s in the United States, and has only intensified since World War II (Carroll, 1999, p. 269), while the generally accepted theory of sustainable development comes mainly from the 1987 Brundtland report (Brundtland *et al.* 1987). In Brundtland report (s. 27) Sustainable development is defined as the development that meets the needs of present without comprising the ability of future generations to meet their own needs. The concept of SD on a corporate level is stated as Corporate Sustainability which is based on the three pillars economic, ecological and social issues, therefore, the social dimension is named CSR (Ebner & Baumgartner, 2008, p. 13). Approach of the sustainable development requires a rational management of natural resources that is mastering the environment without having damage into it (Kot & Brzezinski, 2015, p. 2). Managing the resources rationally ensures a natural and societal environment for the next generations by conducting an integrative approach with economic, social and environmental politics (İyigün, 2015).

In the early writings on CSR, it was referred to more often as social responsibility (SR) than as CSR (Carroll, 1999, p. 269). Carroll states that this was perhaps because the age of the modern corporation's prominence and dominance in the business sector had not yet occurred or been noted

(Carroll, 1999, p. 269). According to McGuire (1963) Social Responsibility assumes that economic and legal duties of the companies should be extended by certain responsibilities to society (McGuire, 1963). Porter and Kramer (2006) state that responsive CSR comprises two elements: acting as a good corporate citizen, attuned to the evolving social concerns of stakeholders, and mitigating existing or anticipated adverse effects from business activities (Porter & Kramer, 2006, p. 10). The purpose of corporate social responsibility is to contribute to the sustainable development of the whole company (Jarolimova & Tuckova, 2019); for more on these concepts, as well as the specific application in the field of human resource management and contribution to improving the performance of companies.

Sustainable development of business organization embraces the concept of corporate sustainability, which business can achieve as a result of its socially-oriented activities and contribution to the sustainable development of a whole society (Belousov, 2019, p. 4). Well implemented and strongly enforced CSR policy is key to sustainable development. It takes into account economic, social and environmental concerns, what is more, it also protects the interests of all stakeholders (Kot & Brzezinski, 2015, p. 2). Sustainability and corporate social responsibility report is increasingly represented in the world practice of responsible companies, which enables them to monitor their economic, ecological and social impacts and inform the interested public about this (Stanišić, Radović & Nikolić, 2018, p. 3). It is impossible for a company to achieve its sustainable survival without creating value to its employees, shareholders, customers, society and all of its stakeholders because of the new dimensions of competition such as environmental and social success (İyigün, 2015). The rising societal awareness of the impact of business on ecological and social issues resulted in increasingly rigorous legislation (e.g. permissible emissions, workplace security) on the one hand. However, sustainability as a complex and fuzzy set of features dependent on a vast range of actors can be enforced by law only to a limited extent. Therefore voluntary actions of all parties involved are an integral part of the societal project of sustainable development (Meins & Schneider, 2010, p. 7). Madzik, Budaj and Chocholáková state that as, in the past, sustainable development could have been understood as the objective of the whole of society, socially responsible behavior could have been understood as a tool of the organization for the fulfillment of this main

objective (2018, p. 2). One way to foster the contribution of business to sustainable development is the promotion of CSR (Meins & Schneider, 2010, p. 7).

Banerjee draws attention to the various constructions and manipulations of the notion of sustainability, and cites that as evidence of the deleterious effects of development mounted, the discourse shifted from sustainable development to the more positive sounding sustainability and then shifted the focus to corporate sustainability. The author further notes that corporate discourses on sustainability produce an elision that displaces the focus from global planetary sustainability to sustaining the corporation through 'growth opportunities' (Banerjee, 2008, p. 66). We are of the opinion that it is important for corporations to behave socially responsible in their pursuit of achieving sustainability. Society needs a healthy and successful company. However, the corporate sustainability of individual businesses should not be the focus and ultimate goal, but should be in the function of sustainable development of society as a whole, given that it is impossible to achieve long-term corporate sustainability without a healthy society. Therefore, it is important that companies behave socially responsibly, and that through various social activities they have a positive impact on the macro environment in which they operate, and thus contribute to the sustainable development of society."Acceptable approach to CSR involves the integration of three basic concepts: the concept of profit, which assumes that the primary responsibility of management and managers is business and profit maximization, stakeholder concept, which advocates that the management should take care of the impacts of the activities of the company to its stakeholders and recognize their interests in decision-making and social power/social responsibility concept, which assumes that the company and the business must have a certain social responsibility for the possession of power"(Drašković, Lojpur, 2014, p. 19).

However, the question is what the considered prerequisites for sustainable development are? According to Art. 3, para. 3 of the Treaty on European Union (hereinafter: EU) the EU objectives are, *inter alia*, to promote the well-being of its peoples and work for a sustainable European development based on balanced economic growth and price stability, a highly competitive social market economy aiming at full employment and social progress, as well as a high level of protection and quality

improvement of the natural environment (European Parliament *et al.*, 2017). The European Pillar of Social Rights adopted by the Presidents of the European Parliament, the Council and the European Commission in Gothenburg on 17 November 2017 provides for three groups of rights: (1) Equal opportunities and access to the labor market; (2) Fair working conditions; and (3) Social protection and inclusion. The social partners (governments, workers, representatives and employers' representatives) should exercise the rights and principles of the three social rights groups in accordance with the principles of subsidiarity and proportionality (European Parliament *et al.*, 2017, Preamble 17). United Nations activity (hereinafter: UN) also contributes to establishing the main principles of environmental sustainability, economic growth and general social development in a context of peace, freedom and international cooperation. In this regard, the UN General Assembly, in the 2030 Agenda for Sustainable Development, has identified seventeen goals for achieving sustainable development (United Nations, 2015).⁴

UN resolution "The future we want" (United Nations, 2012) confirmed that sustainable development can only be achieved with the fulfillment of two important assumptions. In the first place, the achievement of the stated objective depends on the active action of both the public and private sectors, given the importance of corporate social responsibility. The resolution emphasizes the particular role of national legislatures and supervisory and regulatory authorities in adopting appropriate regulations and rules to achieve this objective, while the private sector should adopt and implement responsible business procedures (United Nations, 2012, s. 46). In addition, it is important for corporate reporting by public and large companies to achieve the sustainability objective in their regular reporting deadlines, and to include this part in the main business report (United Nations, 2012, s. 47)

⁴ United Nations. Resolution adopted by the General Assembly on 25 September 2015, 70/1. Transforming our world: the 2030 Agenda for Sustainable Development. New York: United Nations, 2015. In the area of corporate social responsibility, the goals under points 1, 3 and 10 are most important, and point 8 is for social rights.

CONCLUSION

A new strategy requires a new economy, which should be formed on the basis of a review of the previous theories and principles. One such principle is economic efficiency, which arose at the beginning of the 19th century with the emergence of Ricardo's theory of "comparative costs". Efficiency has long been a highly valued goal because it is based on lowering the cost of doing business. This principle has been applied in economics to the division of labour between people, companies and countries. Efficiency has become the basic theoretical explanation on which globalization rests. However, Robert Skidelsky, professor of political economy at the University of Warwick, believes that there is a shift towards efficiency, as a fundamental principle of the capitalist economy. According to him, there are three factors that contributed to that change. The first is the growing concern that focusing only on the current costs of resource use will deplete the planetary resources available for the continuation of the human species. Because what is cheap today can become incredibly expensive tomorrow. That's why we need to invest in sustainable technologies that can benefit humanity in the long term, instead of just short-term profits for companies and consumers. Second, Covid 19 has made us much more aware of the fragility of global supply chains. Ricardo's theory of comparative costs threatens to turn into a nightmare if countries lose access to essential supplies because they have accepted the logic of purchasing from the cheapest market. Finally, it is now widely understood that the demand for efficiency at any cost, through globalisation or automation, threatens safety and sustainability. Namely, in the name of efficiency, we have developed huge inequality in wages and incomes. Because of all this, according to Skidelsky, efficiency should be replaced by responsibility, that is, the concept of efficiency should be expanded so that it becomes efficient over time. The principles of "precaution" and "principle of least risk of harm" should be introduced. The gap in the world, as it is and as it could be, is greater than ever before. Overcoming that gap presupposes a redistribution of wealth. Health is at risk, social unrest threatens, and uncertainty. The economic crisis is multifaceted. Therefore, a new paradigm of development is needed, which implies the harmony of the economic being of man with his other dimensions (man as a moral being, man as a social being, man as an economic being). Because, as the famous American economist Galbraith says: "Responsibility for economic and social well-being is general and

knows no borders." EU strategic documents state that future sustainable development includes: smart growth, sustainable growth and inclusive growth. Smart growth implies education and health, sustainable growth - green economy, and inclusive growth - social sustainability. The concept of human development implies two related ideas. It is primarily the fact that an individual's ability and health depend on a cumulative process, on good health and availability of health care, living in a safe environment, education, skills development and work experience. Another important idea related to the development of an individual is represented by the "life cycle". Namely, the individual should be observed throughout his life. (Čukanović Karavidić & Dukić Mijatović *et al.*, 2021, p. 66). Corporate social responsibility in the implementation of the legal framework for harmonious sustainable social development is primarily about the obligation of business entities to adopt and implement responsible business procedures. Entrepreneurs and small and medium-sized enterprises do not have such a huge impact on the economy and should not be unnecessarily overwhelmed by these obligations. Therefore, the new scientific and technical revolution, accompanied by the strong development of information technologies, digitalization of the economy and society, robotization and nanotechnology must, therefore, be harmonized with the concept of sustainable development both at the global and national level.

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ODRŽIVI RAZVOJ I KORPORATIVNA DRUŠTVENA ODGOVORNOST – TEORIJSKA POZADINA I DRUŠTVENO-EKONOMSKI KONTEKST

Ozren Uzelac

Marijana Dukić Mijatović

Aleksandra Stoiljković

Sažetak: *O izazovima održivog razvoja i korporativne društvene odgovornosti kritički se govori kroz aktuelni koncept neodrživog razvoja privrede i društva, brojne manifestacije takvog razvoja, kao i uzroci i posledice ovog fenomena. Analizirani su indikatori neodrživog razvoja, a posebno: problemi globalnog siromaštva, problemi ekologije, klimatske promene, energetika, bolesti i nedostatak obrazovanja. Neophodne su promene u pravcu nove putanje razvoja, odnosno delovanje usmereno ka novoj razvojnoj paradigmi. Za to je potrebna veća uloga nauke, posebno ekonomiske nauke. Novi koncept ekonomije podrazumeva nove obrasce ponašanja u pogledu ekološkog poslovanja i zelene ekonomije. Neophodna je nova paradigma razvoja, nova strategija razvoja privrede i društva jer je dosadašnji koncept rasta i razvoja doveo do niza negativnih efekata na prirodnu sredinu, društvo i ljude. Postoji mnogo oblika ispoljavanja neodrživog razvoja: problem globalnog siromaštva i gladi, problemi ekologije, klimatskih promena i energetike. Osnovna poruka je da se čovečanstvo suočava sa velikim izazovima i da je neophodno preći sa neodrživog razvoja na održivi razvoj privrede i društva, gde korporativna društvena odgovornost igra ključnu ulogu. Održivi razvoj je način razmišljanja, odnosno posmatranja sveta, koji moramo menjati zarad sadašnjosti i budućnosti. Da bi se to postiglo, potrebne su sinhronizovane akcije na lokalnom (nacionalnom) i globalnom (svetskom) nivou u cilju pronaalaženja rešenja, pri čemu veliki multinacionalni ekonomski sistemi moraju da igraju posebnu ulogu.*

Ključne reči: korporativna društvena odgovornost, održivi razvoj, teorijska pozadina, socio-ekonomski kontekst, pravni okvir.