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1 Corporate Sustainability – What It Is and Why It Matters

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LEARNING OBJECTIVES

- Reflect on how the relationship between businesses, nature and society has been reshaped and how this has affected corporate sustainability.
- Define corporate sustainability, responsibility and ethics.
- Learn about ways to categorise corporate sustainability issues.
- Understand different motivations for firms to adopt corporate sustainability.
- Recognise key tensions that surround the debate of corporate sustainability.

1.1 Introduction

Imagine for a moment you are in the year 2050. As you look around you, you see that the world has changed dramatically. Although the entire world economy is two and half times bigger than in 2019 (from around 94 trillion USD in 2019 to 251 trillion), the gains of this economic growth are distributed very unevenly among and within countries. The rising inequality sparks social frictions and armed conflicts. Even though extreme poverty and hunger are mostly eradicated, accelerated urbanisation and economic growth have caused significant natural degradation, which in turn negatively affected the well-being of people around the globe. Global warming is severe and has produced many irreversible effects, such as increased pressure on the availability of arable land and freshwater. Biodiversity loss has hit many of the Earth's ecosystems and made the world's poor and marginalised more vulnerable (e.g., smallholders in developing countries).

The scenario that we just described is not unrealistic. It was identified by a group of well-known researchers as likely to happen if economic and political actors around the world continue with 'business-as-usual' (Randers et al., 2018). This scenario rests on the assumption that although countries and businesses officially commit to fulfilling the Sustainable Development Goals (SDGs), which define the

UN's agenda for sustainable development until 2030, no extraordinary policy efforts or regulatory measures are applied. Many politicians and business leaders make a sincere effort to make the world a more sustainable place, but in doing so they apply well-established thinking that focuses primarily on economic growth as a means to finance sustainable development. But, as we all know, more of the same is usually not enough to make big and lasting changes.

This book takes you on a journey to study how corporations can move beyond business-as-usual when it comes to corporate sustainability. We do not claim to have all the answers. Rather, we aim to make you aware of what sustainability challenges firms (and the society they are embedded in) are facing, which ways to tackle these challenges exist to date and what remains to be done. The contributors to this book will not always have positive messages to share, as many environmental and social problems continue to grow in terms of scope and impact.

Section 1.2 of this chapter will discuss the changing context in which business, nature and society at large operate. It is important to understand this context, because it shapes the problems that corporate sustainability aims to address, and it influences how firms can cope with these problems. Section 1.3 will look at three interrelated, yet distinct, concepts: corporate sustainability, Corporate Social Responsibility (CSR) and business ethics. We define each of the concepts and discuss differences and similarities among them. Section 1.4 introduces frameworks that help companies structure the many sustainability issues that they are facing. Next, in section 1.5, we introduce you to four key motivations that may drive firms' engagement in corporate sustainability. Although these motivations are presented as separate, they overlap in practice. Finally, in section 1.6, we look at key tensions that surround the debate of corporate sustainability. Understanding these tensions will help you to better grasp the problems and opportunities that are associated with corporate sustainability.

1.2 A Changing Context for Business, Nature and Society

To understand why discussions around corporate sustainability have gained so much momentum, it is useful to look into the broader context in which business, nature and society are embedded these days. We believe there are four central developments that have reshaped the relationship between business actors, the natural environment and society in recent years.

1.2.1 Increasing Relevance of ESG Challenges

Through their operations and strategies, corporations impact many *environmental*, *social* and *governance* (ESG) challenges. Of course, the reverse is true as well: these

challenges also impact how firms do business, as they shape relevant risks and opportunities. Although we cannot provide a full review of all possible ESG challenges here, we can zoom into some important facts within all three dimensions.

The 'E' dimension within ESG refers to a wide variety of environmental issues (e.g., greenhouse gas emissions, freshwater supply, pollution; see also Chapter 23). One relevant framework to organise some of these issues relates to research showing that those environmental processes that regulate the stability of the Earth system are increasingly crossing irreversible thresholds. In 2009, a group of international researchers defined nine so-called 'Planetary Boundaries' (Rockström et al., 2009). These boundaries define specific thresholds at global or regional levels. The boundaries characterise the conditions that are necessary for planet Earth to remain in a stable state. According to further research (Steffen et al., 2015b), four out of the nine boundaries have already been transgressed (see Figure 7.2; see also Chapters 7 and 23). These four boundaries that have already been crossed relate to climate, biodiversity, biogeochemical cycles (regarding phosphorous and nitrogen in fertilisers) and land-system change (regarding deforestation). In other words, planet Earth has entered a danger zone. We have left the 'safe operating space' that the planet originally provided us with, and crossing these boundaries is likely to trigger nonlinear, abrupt environmental changes. It is vital to recognise that these nine boundaries also define the safe space within which the global economy operates. Likewise, our societies depend on Earth system processes to work sustainably for habitats, communities and societies to thrive. If these processes come out of balance, businesses will operate under increasingly unstable conditions (e.g., exposing firms to higher levels of risk).

To return to ESG, the 'S' dimension within ESG refers to the human and labour rights agendas (see Chapters 21 and 22), with labour rights usually being framed as a subset of broader human rights. Protecting and respecting human and labour rights remains a challenge in many countries around the globe, and the COVID-19 pandemic has worsened some problems (e.g., due to austerity policies that weakened public infrastructure). Due to the comprehensive nature of human rights, it is difficult to find one common measure. Nonetheless, one good point of orientation is the so-called *Fragile States Index*, which contains as one of its dimensions the *Human Rights and Rule of Law Index*. The index looks at whether there is widespread abuse of different types of rights (e.g., civil and political rights) and ranges from 0 (high protection) to 10 (low protection). The 2021 edition shows that out of 173 assessed countries, 60 had a score of at least 7 (The Fund for Peace, 2021). In other words, governments often do not do their job to protect citizens' basic human rights, which shows the need for non-state actors (e.g., businesses, NGOs) to become more engaged in respecting and protecting such rights. However, we also know that business actors are often the source for human rights abuses – for instance, when operating global supply chains in which labour rights are violated.

Finally, the ‘G’ dimension within ESG refers to issues that relate to the proper governance of corporations, such as the structure and composition of the Board of Directors, shareholder rights, transparency, corporate lobbying and anti-corruption measures. In particular, corporate lobbying and corruption very much shape the societies we are living in. One widely accepted measure of corruption around the world is the annual *Corruption Perception Index* (CPI) by Transparency International (see also Chapter 24). This index measures the perception of public sector corruption in 180 countries and ranges from 0 (highly corrupt) to 100 (very clean). The 2020 CPI shows how widespread corruption is around the world: two-thirds of all countries score below 50, indicating that public sector corruption (e.g., bribery of government officials) remains a significant problem throughout the world. Even countries in Western Europe and the European Union only achieve an average score of 66 out of 100 (Transparency International, 2021a). It is therefore safe to assume that most countries still fail to address corruption effectively. Hence, business actors are central in the fight against corruption, as they can take precautionary measures directly at the individual and organisational levels.

1.2.2 Rising Scale and Scope of Corporate Activities

In many cases, businesses contribute directly or indirectly to the outlined ESG challenges. Think, for instance, about climate change, deforestation, labour rights and corruption. At first, this seems like bad news, as it shows that businesses are key contributors to many of the problems faced by societies around the globe. However, we can also flip this argument around. If businesses contribute to the very existence of many of these challenges, they can also help to address them. In fact, corporations are considered critical actors when addressing ESG issues because of their size and reach. Multinational corporations (MNCs) often dominate industries because of their disproportionate size. Consider the following example. In the global fishery industry, only thirteen businesses control 11 to 16 per cent of the global marine catch (Österblom et al., 2015). These corporations have significant power, as they operate an extensive global network of subsidiaries. Prior research has referred to such corporations as keystone actors – that is, corporations that (1) dominate the volume of production within a sector, (2) connect different ecosystems across the globe through a network of subsidiaries and (3) have an impact on global governance processes (Hileman et al., 2020).

Many argue that with this increasing scale of corporate activities also come enlarged corporate responsibilities. Corporations are increasingly seen as potentially reliable partners that can mobilise resources, provide innovations and comply with emerging standards. But the hope that corporations can help to solve some of today’s biggest problems also creates risks. For instance, it furthers our dependence on corporations as the dominant institution in modern life, and it also blurs the relationship between public and private authority. Globalisation together with an

emerging privatisation of public goods/services has given rise to a situation where the state has withdrawn from many areas where it traditionally exercised a regulatory monopoly or even a controlling and directing hand. Nowadays, the scope of corporate operations has increased significantly. Corporations provide goods like water, transport, education and healthcare. Private firms even run prisons and provide security, and have become important actors in the conduct of war. In short, corporations are critical to an increasing number of aspects of society, many of which are fundamental to security and welfare. As a result, firms have turned not only into more powerful actors, but also political ones.

Despite the dominance of MNCs, we should not forget that there is a plurality of corporate actors. Corporations are not a homogenous category of organisations, especially not when thinking about sustainability and responsibility. In fact, most firms in the economy are not large MNCs, but rather small and medium-sized enterprises (SMEs). These SMEs are the backbone of any economy; they offer essential services and are often part of larger value chains. We have also witnessed the emergence of several alternative types of organisations that address ESG-related challenges. Social businesses, for instance, often have a specific social or environmental mission as their main purpose. Such social businesses are for-profit organisations; they depend on making a profit and thus are financially self-sustaining (see also Chapter 9).

1.2.3 Digitalisation and Datafication

The relationship between corporations and (global) society has also shifted because of the rise of the digital economy. We are increasingly living in a 'datafied' society and this has significant consequences for the responsibilities of corporations. To datafy something implies to put it into a quantified format so that it can be analysed through digital means (Mayer-Schönberger and Cukier, 2013). Google datafies an enormous number of books through its Google Books project, while Facebook datafies friendships through 'like' buttons, and LinkedIn datafies Human Resources through online CVs. This datafication impacts corporations' responsibilities in numerous ways, and it also leads to a concentration of power in the hands of just a few companies (Whelan, 2021).

On the one hand, the rise of the digital economy has increased public scrutiny and has made responsible as well as irresponsible corporate conduct more transparent. Datafication has increased the connectivity of people who share more content in faster ways (e.g., stories about corporate misconduct). Some apps even give consumers direct access to a product's sustainability assessment, while other apps measure air pollution and allow for tracking deforestation. On the other hand, datafication has created new powerful corporations with a new set of responsibilities. Tech giants like Apple, Google, Microsoft and Facebook belong to the most valuable corporations in the world (when comparing the market capitalisation of all

publicly traded companies). These firms impact peoples' rights in new and often unforeseen ways. In early 2006, Google announced that it would censor the Chinese version of its search engine upon request by the Chinese government. Similarly, Yahoo was asked to disclose information on at least two email customers to the Chinese government. Both customers, who were known to be government critics, were later jailed for revealing state secrets.

Digitalisation and artificial intelligence (AI) also offer new ways to strengthen ESG-related assessments. Consider the following example. Investors, like the fund manager Arabesque, use AI to analyse ESG data to better understand firms' sustainability performance. Technologies like machine learning and AI can help to analyse not only vast amounts of data, but also data that is not pre-structured (e.g., that is not neatly available in an Excel spreadsheet). News data, for instance, is not structured in any way. Investors increasingly analyse such data to learn more about firms' sustainability performance, also because firms' own sustainability reports usually underreport on negative ESG incidents (Selim, 2021). However, there is also a flipside to the rise of the digital economy. Digital applications and processes require significant levels of electricity. The Internet alone uses about 10 per cent of world electricity, while Bitcoin mining uses 0.5 per cent of world electricity (which is more than the amount used by the entire country of Finland; Kim, 2021).

1.2.4 Globalisation and (the Lack of) Global Governance

Economic, political and cultural globalisation are no longer news. They have been around for decades. Yet, their effects on corporations' sustainability and responsibility are still very visible because the regulation of *global* business activity remains a challenge. There is an imbalance between the flexibility of MNCs to spread their value chain activities across different countries and the still limited capacity of nation states and international governmental organisations to adequately regulate corporate conduct across borders. Scherer and Palazzo (2008) call this the 'regulatory vacuum effect'. Such a vacuum exists because the sovereignty of political authorities is greatest within their national borders and more tenuous outside them, while businesses have become transnational actors. This makes it difficult for individual countries' governments to address social and environmental problems that reach beyond single state boundaries. The failure to address global warming is a case in point. MNCs also have the chance to arbitrate among alternative regulations, that is, they escape strict regulations by moving their operations or supply activities to countries with rather low standards (e.g., to lower their tax burden or cost of production). All of this has led to a globalisation of sustainability and responsibility and calls for alternative ways to regulate global business activity.

Existing international governmental organisations, which reach beyond individual nation states (e.g., the UN system or the World Bank), lack the formal powers or political support to develop and enforce any binding rules or even sanction

corporate misconduct. The UN system was mostly designed for state actors and falls short of regulating its Member States, but also when it comes to regulating non-state actors. Even when international law and UN-based treaties/conventions have been designed as a legal framework to direct the behaviour of nation states, it is rarely possible to apply these legal frameworks *directly* to corporations, especially when it comes to regulating their impact on social and environmental issues. In principle, it is technically possible to craft legally binding international frameworks applying to corporations, but political interests and corporate lobbying have curtailed such efforts until now.

Some have argued that the missing direct applicability of international law to corporations can partly be compensated by stronger extraterritorial regulation. Extraterritorial jurisdiction refers to 'the ability of a state, via various legal, regulatory and judicial institutions, to exercise its authority over actors and activities outside its own territory' (Zerk, 2010: 13). Put differently, states can apply certain domestic legal instruments beyond their own territory and hence can regulate the activities of corporate actors 'abroad'. Although the application of extraterritorial law has given rise to tensions between nation states, which see their sovereignty endangered, the use of such legal instruments is commonplace in a few areas relevant to the sustainability debate. For instance, the US Foreign Corrupt Practices Act allows the US government to sue corporations (even non-US ones) for offering or accepting bribes in another country (see Chapter 24). Even though the extraterritorial nature of certain domestic laws has helped to better regulate anti-corruption, it has not much affected other areas of the ESG spectrum. In 2013, the US Supreme Court rolled back the impact of the Alien Tort Claims Act (ATCA), which allowed the prosecution of human rights violations by corporate actors in other countries. Many proceedings under ACTA were objected to be based on the argument that the cases raise 'political questions' and that judicial action by a US court in this area would interfere with 'foreign policy interests' (Zerk, 2010: 152). Overall, we can state that extraterritorial law has improved the regulation of global business activity in some selected areas, but it has not sufficiently closed the general regulatory vacuum that surrounds the conduct of MNCs.

1.3 Sustainability, Responsibility and Ethics: What Are They?

Often, there is confusion around the terminology used when talking about businesses' roles in and relationships to society. Part of this confusion comes from academic work using concepts/terms in different ways, as well as differences in the language used by practitioners and academics. Some of the confusion is also due to concepts overlapping with one another. While we cannot ultimately resolve these

problems, we hope to provide some clear definitions of the main concepts used throughout this book. We want to highlight three key terms, which we believe are at the heart of debates around businesses changing role in global society: *corporate sustainability*, *corporate (social) responsibility* and *business ethics*.

1.3.1 Defining Corporate Sustainability and Corporate (Social) Responsibility

Discussions around corporate sustainability are usually based on and relate to the popular notion of sustainable development. The World Commission on Environment and Development defined such development in a much-cited report as being about meeting 'the needs of the present without compromising the ability of future generations to meet their own needs.' (World Commission on Environment and Development, 1987: 54) This definition is *not* centred on the role of organisations or even corporations. Rather, it understands sustainable development as being concerned with the development of entire societies.

The idea of being sustainable can, of course, also be applied to the corporate context. Corporations can, for better and for worse, impact how sustainable the development of a society is and can therefore align their activities more or less with wider sustainability imperatives. We therefore define corporate sustainability in the following way:

> Corporate sustainability focuses on managing and balancing an enterprise's embeddedness in interrelated ecological, social and economic systems so that positive impact is created in the form of long-term ecological balance, societal welfare and stakeholder value.

This definition offers some important implications.

1. Corporate sustainability views an enterprise's activities in the *context of larger systems*. In the 1990s, several researchers used the term corporate sustainability exclusively in an ecological sense. The focus was predominantly on discussing businesses' impact on the natural environment and opportunities resulting from innovation and eco-efficient production (Shrivastava, 1995). We use the term corporate sustainability to emphasise that economic, social and environmental issues are part of larger systems, and that these systems interact with one another. Corporations, for instance, impact and are impacted by various natural systems, like the Earth's climate system. These systems, in turn, influence the risks and opportunities that firms face (e.g., climate transition risks) and hence companies' long-term economic bottom line. Whether and how firms address these risks and opportunities affects living conditions within societies (e.g., not taking action on climate change will undermine the living conditions of many people around the world).

2. Corporate sustainability aims at *balancing* social, environmental and economic interests while doing business. It therefore aims to avoid situations where taking action in support of one sphere comes at the expense of another sphere. Finally, the definition also highlights that corporate sustainability is concerned with outcome measures such as ecological balance, societal welfare and the creation of stakeholder value. Creating value therefore reaches beyond a rather narrow focus on a firm's monetary bottom line, but includes generating value for the company's stakeholders and the society it operates in, as well as the natural environment that surrounds its operations.

While the corporate sustainability debate emphasises the need for systems-level change, discussions around CSR are often more focused on relevant management practices within corporations. CSR does not neglect the connected nature of social, environmental and economic aspects, but its main focus is on how to manage these aspects in a corporate context and regarding the impact of corporations on the social, environmental and economic circumstances of their stakeholders. Corporate sustainability, on the other hand, puts more emphasis on how changes made by an individual corporation connect and contribute to larger systems-level change (Montiel, 2008). We therefore define CSR as follows:

> CSR refers to the integration of an enterprise's social, environmental, ethical and philanthropic responsibilities towards society into its operations, processes and core business strategy in cooperation with relevant stakeholders in a context-specific way.

This definition, which builds on the definitions by the European Commission (2001, 2011), stresses that CSR is not entirely about philanthropy (e.g., companies' charitable donations). While a firm's CSR strategy can include philanthropic activities, and may have been built on these, it is much more than that. Well-designed CSR goes into the very core of a corporation; it influences its everyday practices and business processes and is aligned with its overall business strategy. Corporate philanthropy is sometimes detached from a firm's core activities, while CSR is about reflecting on the social, environmental and ethical impact of these activities. This is not to say that CSR always must be 'strategic' (a term that is often used as a synonym for 'being profitable'; Porter and Kramer, 2006). Rather, it means that CSR should be embedded into a firm's purpose and what it does on a day-to-day basis, and it should also be reflected upon when deciding upon a firm's strategic direction (e.g., which markets or regions it wants to enter).

The CSR debate is often confronted with one essential question: What are firms responsible for? One good way to discuss possible answers to this question is to look at Carroll's (1979, 1991) pyramid of corporate responsibilities (Figure 1.1). At a fundamental level, firms have to make sure that they meet economic responsibilities (i.e., making a profit). Without being profitable in the long run, corporations will

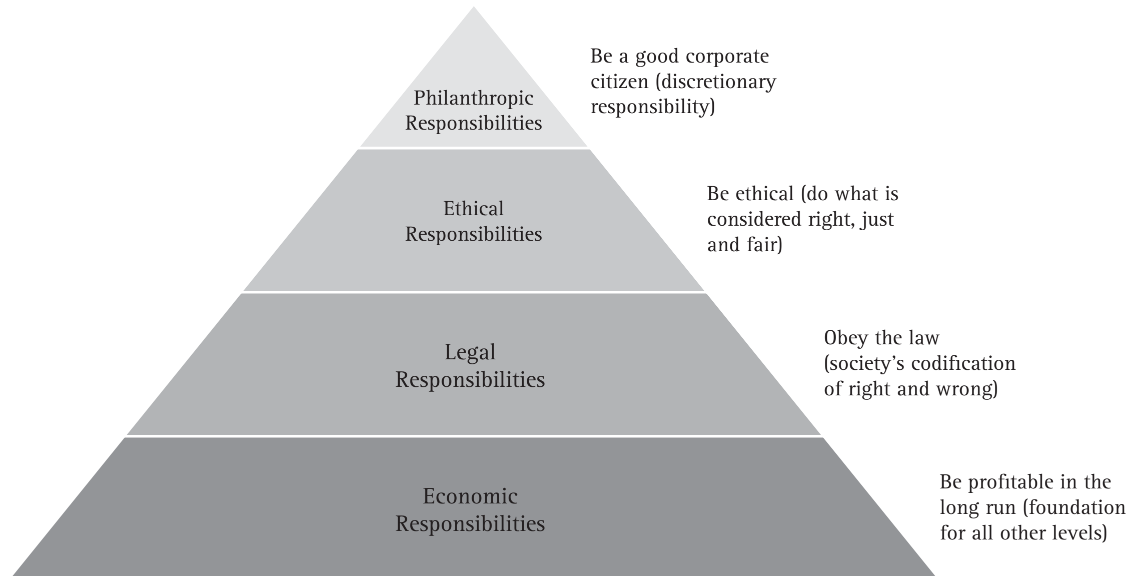

Figure 1.1 The pyramid of corporate responsibilities.
Adapted and modified from Carroll (1991).

cease to exist and hence cannot address other types of responsibilities. The next two levels of Carroll's pyramid consist of legal responsibilities (compliance with the rule of law) and ethical responsibilities (acknowledging what is regarded as right and just within a society). The final level consists of philanthropic responsibilities that are discretionary and therefore only desired, but not expected, by society.

Let's reflect for a moment on the definitions of corporate sustainability and CSR. At first, it is important to note what both definitions do *not* mention. Neither definition indicates that corporate sustainability or CSR are voluntary concepts. We believe it would be misleading to conceptualise both constructs in this way. Addressing social and environmental issues is a de facto requirement in some industries and countries. For instance, it is hard to find firms in the automotive or extractive industries without any relevant sustainability activities, because their sectors have developed industry-wide norms and standards. In many countries, companies observe 'implicit' obligations to undertake certain responsibilities simply by virtue of being members of those societies, as Matten and Moon (2008) revealed in their comparison of US and European CSR. Also, some governments have started to incentivise or even regulate social and environmental activities (e.g., the disclosure of relevant non-financial information; see Chapters 12 and 17). This has pushed the debate beyond talking about purely voluntary actions.

We explicitly use the term 'enterprise' in both definitions. With this we want to highlight that corporate sustainability and CSR are not only concepts that are

relevant for larger (multinational) corporations, but also for SMEs. SMEs are defined as firms with fewer than 250 employees. They make up the vast majority of businesses in an economy and provide the most jobs. The social and environmental activities of SMEs differ in several ways from those of larger firms (Baumann-Pauly et al., 2013). Often, the main motivation to integrate sustainability and CSR into an SME is influenced by the personal beliefs and values of the founder (who in many cases is also the owner and manager of the firm). By contrast, corporate sustainability and CSR in larger firms are more often driven by the hope that responsible business practices will yield some positive financial return and hence satisfy shareholder interests. SMEs' activities are also more connected to the specific needs of the local communities in which they are embedded, while larger firms usually operate a portfolio of social and environmental practices that cut across different geographic contexts. Chapter 8 provides a more in-depth discussion of differences between larger firms and SMEs in the context of sustainability and responsibility.

Our definitions also emphasise that corporate sustainability and CSR are multidimensional constructs. Despite the English term 'corporate *social* responsibility', CSR also includes discussions about firms' environmental footprints. The discussions throughout this book therefore follow the internationally agreed upon view that both constructs encompass social issues, environmental issues and economic issues. Recently, the issues underlying corporate sustainability have been labelled as referring to ESG. Here, the 'G' dimension brings new, and important, issues to the table, such as anti-corruption and diversity among executives and directors (see Chapters 15 and 24). This is on the assumption that these 'G' issues should support and enable the social and environmental objectives of the enterprise. Regardless of how we cut the pie and organise relevant problem areas, it is important to see corporate sustainability and CSR as giving firms a 'moral compass' outlining minimum standards about what should be expected from corporations.

It is important not to draw a too sharp distinction between corporate sustainability and CSR. As Bansal and Song (2017) have shown, although both concepts have different historical origins, they are increasingly converging and sometimes even used as synonyms. For instance, both concepts share a common concern for moving business thinking beyond a purely egocentric perspective that only considers shareholders as a relevant interest group. Throughout this book, we will mostly use the corporate sustainability terminology, also because it is increasingly used in the world of practice as a concept that discusses the relationship between business, nature and society. Yet, we must bear in mind that corporate sustainability and CSR share a number of key concerns and focus areas.

1.3.2 Corporate Unsustainability and Irresponsibility

Many of the discussions on corporate sustainability and CSR are focused on how firms can become more sustainable and responsible. However, there is also another

side to this debate. Corporations can also act unsustainably, irresponsibly and unethically. The occurrence of such 'negative' behaviour is often a trigger for firms to implement more 'positive' sustainability and responsibility practices. Yet, firms' unsustainability and irresponsibility are more than just their failure to design and implement proper sustainability and responsibility practices. While corporations can deliberately decide to become engaged in irresponsible behaviour (e.g., when paying bribes) or unsustainable business practices (e.g., when polluting a river), they can also stumble into such behaviour without any direct intention (e.g., when underestimating business risks). We therefore characterise unsustainable and irresponsible behaviour as being based on a corporate activity that 'negatively affects an identifiable social stakeholder's legitimate claims (in the long run)' (Strike et al., 2006: 852).

We should not think of sustainable and unsustainable as well as responsible and irresponsible corporate behaviour as being mutually exclusive. In most cases, positive as well as negative behaviour exists simultaneously in a corporation. Kotchen and Moon (2012) find in a study of 3,000 publicly traded companies that firms that do more harm also do more good. Firms often invest in corporate sustainability to compensate for past, present or anticipated unsustainable acts. For instance, the US supermarket chain Whole Foods, which was acquired by Amazon in 2017, is often praised for its responsible behaviour and active stakeholder management, while it also neglects unions and the right to collective bargaining.

In other cases, firms' public talk around sustainability and responsibility can become misaligned with their lobbying efforts. For instance, BP and Shell's engagement in the Global Climate Coalition (GCC) is a case in point (den Hond et al., 2014). Created in 1989, the GCC was set up to represent the interests of energy companies vis-à-vis US policy-makers, mostly trying to prevent regulatory measures. As both BP and Shell started to develop their corporate sustainability policies and practices, their sustainability-related public talk became increasingly misaligned with the position of the GCC. Hence, both firms had to leave the GCC, which was then deactivated in 2002.

1.3.3 Defining Business Ethics

Finally, there is a need to clarify the role of ethics in discussions around corporate sustainability and CSR. We view business ethics as a foundation for all discussions about sustainable and responsible corporate conduct (see Chapters 2 and 3). While corporate sustainability stresses how changes made by firms connect and contribute to larger systems-level change and CSR focuses on relevant management practices, business ethics is more concerned with questions of right and wrong in the context of business situations. We therefore follow Crane, Matten, Glozer and Spence (2019: 3) and define business ethics as:

> The study of business situations, activities, and decisions where issues of right and wrong are addressed.

Right and wrong can be assessed from several different perspectives (e.g., something can be financially right but morally wrong). Business ethics focuses exclusively on moral judgments. Such judgments are usually informed by a certain moral point of view, such as different philosophical, social or religious perspectives. Ethical reflection goes beyond the law (see Chapter 3). In fact, it is particularly concerned with those areas that are not clearly covered by the law. Although the law embodies ethical norms, it cannot regulate all possible business situations. There are always loopholes and managers have a certain degree of interpretive flexibility, that is, they need to reflect on how to best comply with the law (e.g., when paying taxes). Business ethics is also concerned with those situations where values are unclear, in conflict or in tension and ethical dilemmas occur as a result. For instance, managers may wonder whether to blow the whistle when suspecting misconduct by one of their peers. We view business ethics as an analytical lens to reflect on the values that should guide corporate conduct.

Defining corporate sustainability, CSR and business ethics is not a simple task. There are at least three reasons for this (Matten and Moon, 2008: 405). First, all three concepts are contested and hence they are defined (and applied) differently by different groups of people. We could even argue that this ambiguity is part of the reason why the three concepts have been so successful. However, this ambiguity has also caused critique. If the meaning of the three concepts cannot be agreed upon and specified, corporations can easily exploit the concepts by selectively applying them to those issue areas they can conveniently address.

Hence, there is no one-size-fits-all approach towards corporate sustainability, CSR and business ethics. Discussing a firm's sustainable, responsible and ethical conduct is contextually dependent and multidimensional by nature. It depends, among other things, on what kind of firm is being analysed (e.g., its size and ownership structure), what sector the firm operates in, and the location of relevant business activities. *Contexts and events matter* when it comes to sustainability, responsibility and ethics, and that is why general recipes need to be treated with care. Table 1.1 provides a summary of the main pillars of the three concepts. The examplary sources for all three concepts can be found in the final reference list at the end.

1.3.4 Related Concepts: Corporate Accountability and Corporate Citizenship

Corporate accountability is another concept that has attracted much attention in recent years, especially from civil society organisations and activists. Generally speaking, accountability implies the exchange of reasons for behaviour; 'to account'

Table 1.1 Corporate sustainability, corporate social responsibility and business ethics summarised

	Corporate sustainability	Corporate (social) responsibility	Business ethics
Level of Analysis	Firm embedded in larger social, environmental and economic systems (macro)	Processes within firms to meet social and environmental responsibilities (meso)	Doing what is morally right in business-related situations (micro)
Focus	Balancing different sustainability-related interests (avoid trade-offs)	Managerial processes to enable responsible corporate action	Morally justified action
Main foundations	Sustainability science, complexity science, political science, economics	Management and leadership thinking	Moral philosophy, psychology, leadership thinking
Exemplary contributions	Bansal (2005)	Carroll (1979), Matten and Moon (2008)	Crane et al. (2019)

for something means that actions and omissions are explained and justified (Messner, 2009). Corporate accountability is about a firm's ability to be answerable for what it did or did not do. Many argue that corporate accountability is a stronger concept than CSR and corporate sustainability (Utting, 2008). While a firm can assume responsibility for several things, being accountable means informing relevant stakeholders about specific practices that enact this responsibility. In practice, firms can work towards increased accountability through various means, including the provision of mechanisms that allow external stakeholders to raise complaints against a firm's actions. Corporate accountability can also be strengthened through rigorous corporate sustainability reporting. A major criticism here, however, is that some corporations appear to prioritise their reporting methods over the conduct of their responsibilities. While some reports remain superficial, other firms have succeeded in creating reports that inform stakeholders about relevant actions and omissions (see Chapter 17).

Corporate citizenship is a concept that shares many insights with a political perspective on CSR. Most obviously, it denotes the forms of corporate political involvement related to discussions of responsibility and sustainability (Moon et al., 2005). Matten and Crane (2005) have distinguished three different views of corporate citizenship. In the limited view, corporate citizenship is used to describe firms' philanthropic activities (e.g., charitable donations and other types of community action). This view reflects the early usage of the term and comes close to a philanthropic understanding of CSR. In the equivalent view, corporate citizenship becomes another way to describe firms' CSR activities, however without defining

any new relationship between business and society. The extended view of corporate citizenship assumes that corporations start to protect, facilitate and enable citizens' rights whenever governments are not willing or not able to do this. This makes corporate citizenship a concept that is concerned with how businesses affect and are affected by social, civil and political rights. Many discussions throughout this book focus on the political nature of corporate sustainability and CSR and their relationship with government and hence include discussions of corporate citizenship.

1.4 Which Issues to Address? Organising Sustainability Discussions

Corporate sustainability can be difficult to grasp as a concept because it has many dimensions. Over time, numerous frameworks were developed to better organise the issues that corporations can potentially address. These frameworks offer an overview of the issues that corporations can address as part of their sustainability activities. Here, we discuss two well-known frameworks that help us to organise the debate.

1.4.1 Environmental, Social, Governance (and Technology)

One widely used framework is the distinction between environmental, social and governance (ESG) issues for corporate sustainability (see also above). Although this distinction does not belong to any official framework, it is a categorisation scheme that is commonly used by corporations. Table 1.2 gives an overview of possible sustainability issues that fall within each of the three categories. It is important to note that there is no definitive list of ESG issues that firms need to address. Table 1.2 just provides an overview of those issues that are commonly addressed. Practically speaking, firms usually do not have problems identifying environmental indicators

Table 1.2 Examples of ESGT (environmental, social, governance and technology) issues

Environmental	Social	Governance	Technology
Carbon emissions	Health and safety	Corruption	Cybersecurity
Waste & recycling	Community relations	Executive pay	Fake news
Water management	Diversity and inclusion	Board diversity	Dark web
Biodiversity	Employee pay	Stakeholder rights	Data mining
Land use	Union relations	CEO duality	Robotic processing
Deforestation	Poverty	Voting procedures	Bioengineering
Raw material sourcing	Training and education	Lobbying	Surveillance

(as the underlying problems are easier to quantify), while social indicators are often more difficult to define and hence proxy measures are used. However, in recent years, some issues in the social domain (e.g., modern slavery) have received significant public attention, which has also given rise to new discussions about relevant indicators.

In some cases, firms look at reporting standards like the Global Reporting Initiative (GRI) (see www.globalreporting.org/) to get an overview of the universe of possible ESG issues that could potentially apply to them. In other cases, they look at more generic frameworks like the Sustainability Accounting Standards Board's (SASB) (see www.sasb.org/standards/materiality-map/) materiality maps to get a first idea about which issues might matter. Whatever approach firms choose, they must narrow down the universe of *potential* ESG issues to those issues that specifically apply to *their own* corporate context. This 'narrowing down' is often approached through so-called materiality analyses – that is, analyses that filter out those ESG issues that matter most for a specific corporation (see Chapters 5 and 17 for a detailed discussion).

Some have argued that the ESG agenda needs to be extended to better account for technological issues that cannot be easily assigned to either E, S or G. The extended framework is referred to as ESGT, where T stands for technology (Bonime-Blanc, 2020). One good example of an emerging T issue is cybersecurity, which increasingly reflects a risk for corporations. Consider, for instance, the Colonial gas pipeline ransomware attack in 2021. This cyber-attack caused the pipeline, which supplies about 50 per cent of the gas for the US East Coast, to be out of operation for several days, resulting in price spikes and gas shortages.

1.4.2 The Sustainable Development Goals

Another widely used framework are the UN-backed Sustainable Development Goals (SDGs). The SDGs focus on sustainable development as a whole and not corporate sustainability specifically. The SDGs were developed to establish goals for national governments and address a much broader audience than just corporations. Nevertheless, many corporations around the world have embraced the SDGs and use them as a yardstick to organise their own sustainability discussions.

Launched in 2015, the SDGs reflect the UN's development agenda until the year 2030. The SDGs build on the so-called Millennium Development Goals (MDGs), which reflected the UN's development agenda from 2000 until 2015. The SDGs encompass 17 goals to which 169 specific targets are attached (see Table 1.3). While the MDGs were more focused on traditional development objectives (e.g., eradicating poverty), the SDGs are based on the concept of sustainability and thus the interplay of environmental, social and economic issues (Rasche, 2020). Table 1.3 lays out these SDGs. Many of these topics are explicitly discussed throughout this book – for instance, the role of human rights (SDGs 1–5; Chapter 21), decent work conditions and labour rights (SDG 8; Chapters 22 and 25), innovation for

Table 1.3 The UN-backed Sustainable Development Goals.

SDG	Short Description of the Goal	Exemplary Targets Covered by the Goal
1	No poverty	Eradicate extereme poverty for all people everywhere
2	Zero hunger	Ensure that all people have access to safe and nutrious food all year around
3	Good health and well-being	Reduce global maternal mortality / end AIDS, tubercolosis, and malaria
4	Quality education	Ensure that all girls and boys complete free primary and secondary education
5	Gender equality	End all forms of discrimination against women and girls
6	Clean water and sanitation	Ensure universal and equitable access to safe and affordable drinking water
7	Affordable and clean energy	Ensure reliable access to modern energy / increase share of renewable energy
8	Decent work and economic growth	Sustain per capita economic growth / achieve higher levels of economic productivity
9	Industry, innovation and infrastructure	Promote inclusive and sustainable industrialization / develop sustainable infrastructure
10	Reduced inqualities	Achieve and sustain income growth for bottom 40% of population
11	Sustainable cities and communities	Ensure access to safe and affordable housing and transport systems
12	Responsible consumption and production	Achieve sustainable management and efficient use of natural resources
13	Climate action	Strengthen resilience and adaptive capacity to climate-related hazards
14	Life below water	Prevent and reduce marine pollution / protect marine coastal ecosystems
15	Life on land	Conserve inland freshwate ecosystems / implement sustainable management of forests
16	Peace, justice and strong institutions	Reduce corruption / end trafficking of all kinds / develop transparent institutions
17	Partnerships for the goals	Enhance global multi-stakeholder partnerships for sustainability

Source: https://sdgs.un.org/goals

sustainability (SDG 9; Chapter 19), responsible consumption (SDG 12; Chapter 14), climate action (SDG 13; Chapter 23), anti-corruption (SDG 16; Chapter 24) and cross-sector partnerships (SDG 17; Chapter 18).

The SDGs need to be viewed as a 'system' – that is, as a list of issues that interact with one another. Naturally, this implies that there are also trade-offs and synergies among the different goals. For instance, the UN Resolution on which the SDGs are based views economic growth as a foundation for sustainable development, but it does not acknowledge that such growth can also undermine some of the ecological and social goals (Spaiser et al., 2017). On the other hand, there are also numerous

synergistic effects – for instance, when considering that addressing deforestation (SDG 15) has positive effects on climate change (SDG 13). Countries' progress vis-à-vis these 17 goals is monitored through the SDG Index (see www.sdgindex.org).

Due to the UN acting as the sponsoring institution, most firms view the SDGs as a legitimate framework to organise sustainability-related discussions. Many firms even structure their corporate sustainability activities around a selection of the 17 goals. In these cases, businesses perform a so-called SDG Screening in which they assess (1) how far they contribute to the 17 goals (positively and negatively) and (2) how the 17 Goals impact their own operations and strategies (positively and negatively).

1.5 Why Do Corporations Engage in Sustainability?

Firms engage in corporate sustainability for a variety of reasons. In practice, there is usually not *the one* reason. Rather, different motivations interact with one another when companies make decisions on how they manage responsibility and sustainability. Of course, the context that a firm operates in (e.g., its size, its history and its ownership structure) also shapes how motivations are being seen by a particular company. Figure 1.2 provides an overview of four key motivations that we will discuss in the following sections.

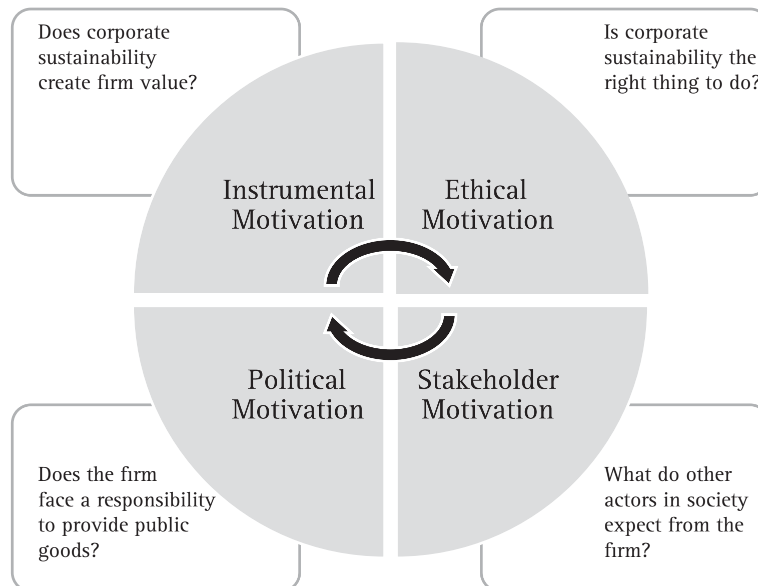

Figure 1.2 Four key motivations to engage in corporate sustainability.

1.5.1 Instrumental Motivation – 'It Pays to Be Sustainable'

The most widely mentioned (and also most debated) reason for engaging in corporate sustainability is the so-called *business case*. Some corporations create corporate sustainability policies and practices because they believe that they positively influence their financial bottom line. Corporate sustainability becomes a means to an end; a strategic tool to achieve competitive advantage. Although corporate sustainability and also CSR are rarely defined in a purely economic fashion, many scholars have emphasised their instrumental character. McWilliams and Siegel (2001: 119), for example, state that 'CSR can be viewed as a form of investment' and that managers need to 'determine the appropriate level of CSR investment' (118).

We need to be careful about assuming a general and definite link between firms' financial performance and their ESG performance; much depends on the context in which the business operates (e.g., its exposure to certain risks) and also on how and which ESG issues are being addressed. There are several practical difficulties when trying to measure the impact of sustainable and responsible firm conduct on financial performance. Some ESG activities are so embedded in a firm's overall operations that it is difficult to isolate their effects on financial performance. Although there is no universal link between firms' ESG performance and their financial results, a meta-study which aggregated evidence from more than 2,000 empirical studies on this subject matter (Friede et al., 2015) found that approximately 90 per cent of studies report a non-negative relation between both types of performance. In other words, while it may not always 'pay to be good', it also does not hurt firms' financial bottom lines. Usually, this strategic and financial motivation is thought to reflect the *business case* for corporate sustainability.

The UN Global Compact and the Principles for Responsible Investment (2013) have identified three categories of value drivers that influence how firms' ESG performance and their financial performance are linked: revenue growth, productivity improvement and risk minimisation (see Table 1.4).

1. Revenue growth: Some firms profit from sustainability financially because their ESG activities result in innovative products and services, which in turn improve revenue growth. In some cases, firms can expand their market share and customer base for existing products based on enhancing these with social and environmental features (e.g., when offering Fairtrade coffee). Revenue growth can also come from entering new geographic markets with sustainability-minded products, particularly if social and environmental product attributes act as differentiators.
2. Productivity improvement: Well-managed ESG practices can also lead to productivity improvements. For instance, environmental management practices can lead to operational efficiencies and result in cost savings (e.g., through reduced waste and better use of natural resources). Productivity gains can also result from

Table 1.4 How corporate sustainability influences firm value

Growth	New Markets & Geographies	Gain access to new markets and geographies through sustainability strategies (e.g., BOP markets).
	New Customers & Market Share	Use sustainability to engage customers and build knowledge and expectations.
	Product & Service Innovation	Develop innovative products and services addressing unmet social or environmental needs.
Return on Capital	Operational Efficiency	Enable bottom-line cost savings through environmental operations and practices (e.g., energy, water, waste).
	Human Capital Management	Attract and retain better and highly motivated employees by positioning company as sustainability leader.
	Reputation Pricing Power	Develop brand loyalty and reputation through ESG efforts that garner customers' willingness to pay price premium.
Risk Management	Operational and Regulatory Risk	Mitigate risks by complying with regulatory requirements and industry standards, ensuring uninterrupted operations.
	Reputational Risk	Facilitate operations and entry in new markets through community dialogue and engaging citizens.
	Supply Chain Risk	Secure consistent and long-term access to high-quality raw materials.

Source: UN Global Compact and the Principles for Responsible Investment (2013).

better human resources management, such as when firms are able to attract and retain talent because of their sustainability commitment or when workers become more productive due to improved health and safety policies.

3. Risk minimisation: Sustainability can enable companies to minimise business risks and hence better connect with investors. *Risk minimisation* can occur in different areas, such as regulatory risks (e.g., when emerging regulations could constrain resource use), supply chain risks (e.g., when non-compliant suppliers could lead to business interruptions) and reputational risks (e.g., when activists initiate boycotts or public shaming campaigns).

1.5.2 Ethical Motivation – 'It Is the Right Thing to Do'

Of course, corporate sustainability commitments do not always pay off in financial terms, and it is important to understand that sustainability and responsibility are often most needed when there are no financial gains to be realised. Some firms engage in corporate sustainability because it is quite simply the right thing to do. We call this motivation the *moral case* for corporate sustainability. The moral case is prevalent in business settings where, for example, a family or a manager owns the firm. Research has pointed at how this is most often the case in SMEs. They are often managed by an owner-manager with strong personal values and integrity to do the right thing vis-á-vis his or her stakeholders – sometimes irrespectively of the right

thing being less profitable in a short-term economic calculation (Spence and Rutherford, 2003).

Theoretically speaking, the ethical motivation to engage in sustainability and responsibility has mostly been framed in the context of normative discussions. Scholars working in this tradition have argued that firms need to accept their social and environmental responsibilities, because it is their ethical obligation to align their activities with the values of society. Early on, Bowen (1953: 6) defined business responsibility as referring to:

> the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society.

Of course, one can use different ethical principles to evaluate how managers ought to act and how they are supposed to reflect on the 'objectives and values of our society'. Some have emphasised the universal nature of rights (reflecting a Kantian perspective), while others have suggested that businesses, like other societal actors, must contribute to 'the common good' of society (reflecting an Aristotelian perspective). Chapter 3 provides an overview of relevant ethical theories.

1.5.3 Stakeholder Motivation – 'Others Ask Us to Do It'

Institutional and stakeholder theorists have also identified reasons why firms become engaged in sustainability. Explanations reaching in this direction focus on the institutional environment facing corporations. Firms often adopt corporate sustainability policies and practices because other firms have done the same. Such imitative, or mimetic, behaviour is particularly relevant if corporations are faced with a high degree of uncertainty (e.g., when there is uncertainty around future regulations). Faced with uncertainty, companies often look at their competitors and their national business systems (Matten and Moon, 2008) when deciding whether to adopt new management practices, especially as these practices are usually diffused either intentionally through industry associations or unintentionally through employee transfer or turnover.

Such 'copy-paste behaviour' among corporations was particularly visible in the early days of corporate sustainability and CSR. Back then, progressive companies started to implement social and environmental practices, which were then copied by competitors. Consider these two examples. (1) The Danish pharmaceutical company Novo Nordisk incorporated the triple-bottom line (i.e., environmental, social and economic) management approach into its company bylaws as early as in 2004 (Girschik et al., 2021). Later, Novo Nordisk's competitors in the pharmaceutical industry moved in similar directions. (2) Royal Dutch Shell was one of the first companies in the extractive industry to publish a sustainability report in 1997. Other major actors in the industry followed, with BP publishing its first report in 2004 and

Chevron in 2002. Shell's early commitment to sustainability and responsibility was significantly shaped by several high-level corporate scandals in the mid-1990s, ranging from a public clash with Greenpeace related to the disposal of one of its oil rigs (the Brent Spar) to alleged human rights violations in Nigeria.

The stakeholder motivation is not limited to just competitive, copy-paste behaviour. Often, firms face pressure to adopt corporate sustainability practices from other stakeholder groups as well (e.g., NGOs, unions, investors, governments, media). In many cases, these stakeholders ask the company to address ESG issues in more proactive ways, and they see such proactive behaviour as an important step in securing and maintaining the firm's societal 'licence to operate' (sometimes also referred to as the 'social licence to operate'). Such a licence to operate is different from enterprises' legal licence to do business, which in most countries is given based on the assumption that firms meet certain minimum legal standards. A societal licence to operate refers to whether a company is seen as a legitimate part of society by its stakeholders, or, as Gunningham, Kagan and Thornton (2017: 313) put it: 'the degree to which a corporation and its activities meet the expectations of local communities, the wider society, and various constituent groups'.

1.5.4 Political Motivation – 'There Is a Public Responsibility for Us'

Some firms become engaged in corporate sustainability because they start to administer the rights that affect citizens. As indicated above, the extended version of the corporate citizenship concept has captured this situation very well (Matten and Crane, 2005). In many cases, corporations need to think about sustainability and responsibility because their actions directly affect how different rights (e.g., human and labour rights) are governed. In situations where national governments are either unwilling or unable to secure such rights for their citizens, it is often corporations that must act. Consider, for instance, how some companies in the textile industry try to enforce labour rights throughout their supply chains through social audits (see Chapter 21). In such contexts, companies fill a void because governmental regulations are either non-existent, too weak or not properly enforced.

A more recent version of this discussion has been labelled 'political CSR'. It 'entails those responsible business activities that turn corporations into providers of public goods in cases where public authorities are unable or unwilling to fulfil this role.' (Scherer et al., 2016: 3) This definition emphasises that corporations are often entering the political sphere, as they directly or indirectly become involved in the regulation of social and environmental problems (e.g., by joining voluntary multi-stakeholder initiatives). Such a view presupposes a new understanding of global politics and the role of business in society. Rather than only focusing on the interaction of governmental actors, business firms and civil society actors become active participants in the regulation of market transactions.

The political motivation for engaging in corporate sustainability also has another side. Often, firms engage in corporate sustainability because they show a certain level of political responsiveness and alignment with governmental actions. For instance, some governments have started to mandate selected aspects of corporate sustainability (e.g., the disclosure of information), which makes addressing sustainability a legal obligation for certain companies. Some governments also incentivise firms to address ESG issues – for instance, by tying public procurement decisions to ESG criteria (Gond et al., 2011b). In the United Kingdom, for instance, corporations' participation in some public tender processes is dependent on them having a well-developed corporate sustainability strategy (see Chapter 12).

In practice, companies rarely base their corporate sustainability actions on just one of the four motivational pillars. We should therefore not think of these four motivations as being mutually exclusive, but rather as working together. For instance, firms that start to provide public goods because they have operations in countries with no or only weak regulation (political motivation) will usually also look at what the provision of these goods will do to their financial bottom line (instrumental motivation).

1.6 Key Tensions around Corporate Sustainability

Corporate sustainability is full of tensions that organisational actors must address. Not all of these tensions are necessarily logical contradictions in the sense that both poles of the tension mutually exclude each other. However, these tensions usually reflect organisational situations in which actors are likely to experience discomfort or even stress when making sustainability-related decisions (Putnam et al., 2016). We list some of the most prominent tensions in the sustainability field below:

1. Shareholder versus stakeholder: This tension is at the heart of many debates within corporate sustainability. Should corporations just serve their shareholders (and thus follow mostly financial objectives) or should they also serve broader stakeholder interests (and thus address social and environmental objectives)? Sometimes, this tension is reframed as a dilemma between corporate short-termism versus a longer-term orientation. In some situations, this tension will be less visible or even disappear because corporations have a 'business case' for addressing ESG issues and hence they can smoothly align shareholder and stakeholder interests. However, such win-win situations do not always exist, and corporate sustainability is also about doing the right thing regardless of whether it pays off in financial terms (Taylor, 2017).
2. Economic versus social/environmental: There are not always synergies between different sustainability issues. Our discussion of the SDGs above showed that in

some cases economic growth cannot be easily aligned with progress on social and environmental issues. As with the shareholder–stakeholder tension above, the ideal scenario is that economic objectives can be achieved through addressing social and environmental objectives. For instance, when economic growth is achieved because countries adopt a different type of energy policy that favours renewable sources. Yet, such win-win scenarios do not always exist, and economic objectives can turn out to be incompatible with social or environmental aims.

3. Internalisation versus externalities: Historically, corporate sustainability has had important links to the concept of negative externalities – that is, indirect costs of corporate activity to uninvolved parties. A typical example would be that a company's production causes pollution or emissions that it does not pay for but which are borne by society as a whole. More recently, companies have been (made) responsible for internalising their negative impacts through improving supply chain working conditions, instituting fair wages, paying for emissions, estimating climate risks and anticipating stranded assets. Thus, companies have been increasingly called to internalise into their operations the costs of their negative externalities.
4. Mandatory versus voluntary: Corporate sustainability is both mandatory and voluntary. On the one hand, many actions in support of ESG issues are not legally regulated and hence depend on corporations' voluntary commitment. On the other hand, regulators increasingly tighten legal frameworks so that some aspects of corporate sustainability (e.g., anti-corruption measures) have turned into legal obligations for some types of firms. It remains the case that corporations retain discretion in how they respond to mandates, and some mandates are designed to enable such discretion (e.g., the use of reporting frameworks). Especially for regulators, the mandatory/voluntary distinction can be a dilemma. While they reach more firms with legal measures, they also know that regulating through legal means can undercut flexibility and innovation. Some have therefore suggested keeping selected aspects of corporate sustainability outside of the legal domain, as innovation cannot be regulated and usually emerges out of trial-and-error processes.
5. Global versus local: MNCs often face a dilemma while developing their corporate sustainability strategy. On the one hand, they want a universal sustainability policy that applies to operations in all countries. Usually, such high-level policies rest on universal agreements that are supposed to apply everywhere and for everyone, such as the Universal Declaration of Human Rights (see Chapter 21). However, sustainability problems and practices 'on the ground' are highly contextual. For instance, they are influenced by the national context in which they appear. Hence, many firms must balance and align generic global policies with precise local implementation practices.

You will come across these (and other) tensions while reading this book. Whenever you recognise a tension, ask yourself: What would you do to address it? Unfortunately, there is no silver bullet for coping with corporate sustainability tensions. It is, however, a first important step to acknowledge them in the first place.

1.7 Chapter Summary

This opening chapter introduced you to the basic elements of the debate around corporate sustainability. We discussed several factors that influence the changing relationship between business, nature and society. We focused on the increased severity of ESG challenges, the rising scale and scope of corporate activities, the swift increase in digitalisation and datafication, and the rapid globalisation of markets and the associated gaps in global governance. Together, these four factors help you to understand why corporate action in support of sustainability is (1) needed and (2) possible.

We then turned to a discussion of what corporate sustainability, CSR and business ethics are all about. We defined all three terms, and we discussed similarities and differences between the three concepts. Although we will use primarily the sustainability language throughout this book, it is important to remember that concepts like CSR and business ethics are closely associated with the debates covered in this book. We then looked at two frameworks that help us to organise the multidimensional debate around corporate sustainability: ESG and the SDGs.

Next, we discussed what motivates firms to become engaged in corporate sustainability. We highlighted four different motivations – instrumental, ethical, stakeholder and political – and we showed that in corporate practice these motivations will overlap. Finally, we discussed key tensions that surround corporate sustainability. These tensions should make you aware that some aspects of corporate sustainability remain contested, also depending on who is evaluating a particular aspect. Therefore, studying corporate sustainability is best understood as a task that involves individual reflection (by reading the chapters of this book), but also, and perhaps most of all, discussion with your peers.

CHAPTER QUESTIONS

1. In what ways, if any, have changes in the relationship between business, nature and society impacted the emergence of corporate sustainability?
2. Outline differences and similarities between corporate sustainability, CSR and business ethics.
3. What motivates firms to engage in corporate sustainability? How do you think these motivations overlap in practice?

4. Identify two tensions that surround the corporate sustainability debate. Give practical examples that make these tensions visible. How would you address these tensions?

Case Study: *Volkswagen: Engineering the Truth*
Available from Cambridge University Press at www.cambridge.org/rasche2.

FURTHER RESOURCES

- Moon, J. (2015). *Corporate Social Responsibility: A Very Short Introduction*. Oxford: Oxford University Press.

  A concise introduction to CSR, reviewing arguments for and against CSR and also discussing how CSR is exercised in different national contexts.

- The UN Sustainable Development Goals (SDGs), https://sustainabledevelopment.un.org

  Launched in 2015, the SDGs consist of seventeen key goals that represent the 2030 agenda of the United Nations (and its partners) with regard to sustainable development. The goals include vital aspects like poverty reduction, gender equality and action on climate change.

- *Ethical Corporation*, www.ethicalcorp.com

  Ethical Corporation is the leading monthly magazine on issues related to CSR and sustainability.

- The Business of Society (BOS) Blog, https://bos.cbs.dk

  The Business of Society (BOS) Blog is a blog devoted to corporate sustainability and related debates; check BOS for the latest updates on responsible and sustainable business practices.