

Corporate sustainability: A Literature review

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Abstract

This review article intends to bring a better understanding to the field of corporate sustainability as studied by previous scholars. Since the end of the 1990s, corporate sustainability has become a growing interest theme in business and academia. However, literature is still limited in quantity. This review paper provides a review of 50 articles dating from 2002 to 2016 from journals related to accounting, business, and management. The paper summarizes the corporate sustainability evolution, different definitions, measures and applied theories throughout the literature. The findings highlight that corporate sustainability field is still evolving and then different approaches have been used to define, measure and theorize corporate sustainability. Overall, review evidences that a commonly agreed definition of sustainability is lacking. Thus, concepts of corporate sustainability and corporate social responsibility have been used simultaneously in many contemporary studies since they are precisely indistinguishable.

Keywords: Corporate social responsibility, corporate sustainability, literature review, sustainable development

Introduction

The past few decades there was a remarkable growth in references to corporate sustainability (CS) and sustainable strategies. Investors' awareness of sustainability as a viable business strategy has developed over the years. Parallel to this trend, scholars have increasingly concentrated on CS issues in their academic works. The origin of the CS concept mainly based on the Brundtland Report published in 1987 (Bhatia & Tuli, 2016). The report emphasized the urgency of

making progress towards economic development that could be sustained without depleting natural resources or damaging the environment (Gallo & Christensen, 2011). The report highlighted three essential dimensions to sustainable development namely; environmental protection, economic development, and social equity (Lackmann, Ernstberger, & Stich, 2012). Anecdotal evidence highlights that clarity does not still exist on what CS means to researchers and the result is often ambiguity of the CS field. Previous literature reviews considered at the evolution of related fields but not necessarily at the evolution of CS literature since it is a newer concept in management (Montiel & Delgado-Ceballos, 2014). Thus, a review article like this may help to the advancement of the CS field. This paper contributes to the literature by emphasizing: evolution of CS, definitions, measurements of CS and, theories applied in CS because these proved to be the main themes in CS-related studies.

Research Method

To review the CS and related studies written by scholars, researcher adopted a literature search approach based on previous review articles (Hahn & Kühnen, 2013; Montiel, 2008; Montiel & Delgado-Ceballos, 2014). Researcher electronically searched the accounting, business, and management journals following terms in either in title or body of the paper: sustainability and social responsibility. It limited the search to articles published from 2002 to 2016, exactly recent 15 years. The search initially resulted in an overall body of 72 papers. Each paper was screened to assess whether its content was fundamentally relevant with regards to corporate sustainability. For increase the reliability of the review, the individual articles were carefully read and ended up with 50 relevant articles.

Evolution of Corporate Sustainability

From a historical perspective, the focus and development of sustainability and related reporting evident several shifts (Fifka, 2012; Kolk, 2010). In the 1970s and 1980s, studies mostly referred to social reporting, while in the 1990s, environmental reporting was at the center of attention. After the turn of the millennium, the terminology then predominantly shifted to the analysis of CSR or sustainability reporting (Fifka, 2012). This trend directly linked to the development of voluntary standard-setting by the Global Reporting Initiatives (GRI) (Kolk, 2010). According to Aras and Crowther (2008), there are different stages of maturity to reflect CS and CSR adoption. Initially, firms began engaging in window dressing activities by changing the wording to reflect CSR language without substance. The second stage called cost containment, whereby firms re-engineer business process to reduce consumptions of water and energy that reduce costs and improve financial performance. The stakeholder engagement is the third stage, whereby firms start being concerned by employee and customer satisfaction. The fourth stage consists in communicating about these initiatives by developing CSR reports. The fifth stage is the sustainability, which would imply radical changes to business practice and a significant amount of process re-engineering. In these contexts, it appears that the CS concept has a bright future because, at its core, it addresses and captures the most important concerns of the public regarding business and society relationships.

Defining Corporate Sustainability

Definitions and key constructs for CSR and CS have proliferated during the past decades, and, this only added to managers' uncertainty (Bansal, 2005; Carroll & Shabana, 2010). In spite of the pervasiveness of social and environmental issues, some managers may remain confused about the meaning of CSR or CS. The challenge is even greater for researchers. For scholars in the fields of CSR and CS to produce reproducible results, it is vital that well-defined, clearly bounded, and

commonly accepted on constructs exist (Montiel, 2008). He further documented that, management literature uses both CSR and CS to refer to social and environmental management issues; but, there is no clear distinction between the two concepts. Historically, social issues studies have been grounded in CSR and environmental issues studies in environmental management (Chabrak, 2015). However, in recent years, CS has entered the discourse further blurring research boundaries. Even though CSR and CS have evolved from different histories, they are pushing toward a common future. They both share the same vision, which aims to balance economic responsibilities with social and environmental ones (Montiel, 2008). Regarding CS, some scholars identify CS as simply one approach to conceptualizing CSR or vice versa. CS scholars often speak of paradigmatic issues from an eco-centric paradigm. CSR arguments seem to fit better within the existing business paradigm, with its strategically focused anthropocentric paradigm. This distinction between ecological-centrism versus anthropocentrism is parallel to the *intrinsic value* versus *use value* philosophical arguments for nature conservation (Winter, 2007). The CS vision falls into the intrinsic value paradigm whereas the CSR vision is more aligned with the use value paradigm. The concept of sustainability was initially launched as an environmental idea, which focused on the conservation of resources. Now, it has become a milestone for the entire business community (Herbohn, Walker, & Loo, 2014; Przychodzen & Przychodzen, 2013). The most widely acknowledged definition of sustainability that has emerged over time is the triple bottom line (TBL) consideration of economic viability, social responsibility, and environmental responsibility (Yu & Zhao, 2015). A single-minded concentration on economic sustainability can succeed only in the short term, however, in the long term, it needs all three components to be satisfied simultaneously (Dyllick & Hockerts, 2002). Further, they added that when transposing the sustainability idea to the corporate level, it should meet the firm's all the stakeholders' needs, without compromising firm's ability to meet the future stakeholders' needs as well.

Researchers and practitioners often treat CS and CSR as being nearly synonymous. This is a common misunderstanding since these two concepts have different backgrounds and different theoretical paths (Przychodzen & Przychodzen, 2013). The concept of CSR encapsulates a wide range of issues involved in the relationship between a firm's actions and those affected by them. In essence, it is different forms and degrees of responsible management (Murray, Haynes, & Hudson, 2010). CSR is limited to socio-environmental aspects of business activities, meaning that CSR commitment contributes only partly to sustainable development. The concept of CS can be seen as a transfer of the overall idea of sustainable development to the business level. This implies that the identity of the sustainable company has a multi-dimensional perspective, which determines how to integrate the above three elements systematically (Przychodzen & Przychodzen, 2013). A literature survey carried out by Montiel and Delgado-Ceballos (2014) highlighted that there is ambiguity about whether CS should be a bi-dimensional concept (social and environmental), a tridimensional construct (economic, social, and environmental) or a synonym for environmental management. However, a larger number of researchers agree on the definition that encompasses economic, social, and environmental dimensions even different terminologies such as TBL or the 3Ps (people, planet, and profit) were used (Bansal, 2005). To minimize this ambiguity, Montiel and Delgado-Ceballos (2014) proposed that to use the correct terms. In fact, if one aims to analyze the tridimensional construct, the correct term to use would be *corporate sustainability* and the term *corporate social sustainability* when the focus is on the social aspect.

CS-related terms were used differently in the literature. First, some articles identify CS with corporate environmental issues. Second, some other studied use the term to refer to corporate social issues, that is, the social sustainability aspect of the firm. Finally, there are articles that take the TBL approach and identify CS with

both social and environmental issues and the way they relate to economic sustainability. Montiel and Delgado-Ceballos (2014) affirmed that the existence of variability in the way researchers define CS can be seen as confusing but can also be considered an advantage because of the novelty of the term. The openness to accept different types of definitions during the early stages of CS field may have contributed to a richer discussion on the development of the field. In short, an ambiguity expressed through the prevalence of conflicting viewpoints appears to pervade much of sustainability (Joseph, 2012). Sustainability and CSR gradually converge (Hahn, 2011) and previous studies have considered these two concepts as consistent concepts (Freundlieb, Gräuler, & Teuteberg, 2014). The consistency has emerged based on the normative concepts. The initial starting point for any consideration of sustainability or CSR lies in the overarching concepts of sustainability and CSR. Siew (2015) mentioned that “sustainability reporting is also known with various terminology –CSR reporting, sustainable development (SD) reporting, TBL reporting, non-financial reporting, and environmental, social and governance (ESG) reporting” (P. 181). In this context, both CS and CSR concepts use as simultaneous concepts in the recent empirical works. Table 1, the author summarizes the conclusions drawn by the respective authors regarding CS and CSR concepts across over from the selected journals

Table 1: Summary of Literature Review on CSR and CS Concepts

Author/s	Year	Journal Reference	Methodology	Conclusion
Bansal	2005	Strategic Management Journal	Content Analysis Method	CS encompasses economic, social, and environmental dimensions, whereas CSR encompasses only social and environmental dimensions.
Aras & Crowther	2008	Management Decision	Literature Review Approach	There were different stages of maturity to reflect CS and CSR adoption and its fourth and fifth stages

				called social responsibility and sustainability in respectively.
Montiel	2008	Organization & Environment	Literature Review Approach	Literature uses both CS and CSR to refer to social and environmental management issues, but there is no clear distinction between the two terms.
Hahn	2011	Global Responsibility	Literature Review Approach	CS and CSR gradually converge and thus it considers CS (reporting) and CSR (reporting) as consistent concepts.
Fifka	2012	Journal für Betriebswirtschaft	Literature Review Approach	Changes in the reporting practices of businesses over time and the resulting shifts in terminology add to the complexity.
Hahn & Kühnen	2013	Cleaner Production	Literature Review Approach	Prevailing literature often still seems far from considering truly complete sustainability reporting on all three dimensions of sustainability.
Przychodzen & Przychodzen	2013	Environmental Planning and Management	Content Analysis Method	CS and CSR are different concepts since these two concepts have different backgrounds and different theoretical paths.
Freundlieb, Gräuler, & Teuteberg	2014	Management Research Review	Literature Review Approach	No difference between CS and CSR concept.
Montiel & Delgado-Ceballos	2014	Organization & Environment	Literature Review Approach	Though literature uses CS and CSR as simultaneous concepts, CS must simultaneously satisfy environmental, social, and economic standards rather CSR satisfies part of the holistic sustainability.
Siew	2015	Environmental Management	Literature Review	Literature uses CS and CSR concepts are

			Approach	synonymous and based upon voluntary activities.
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Source: Author's conceptualization based on literature

Measuring Corporate Sustainability

CS and CSR reports prepare following the reporting criteria established by an outside organization or following internal guidelines (Ballou, Heitger, & Hall, 2006). From the review, it was able to present the different approaches used when trying to value and measure the level of sustainability at the corporate level mainly; the GRI, the Kinder, Lydenberg, and Domini (KLD) indices, or the Dow Jones Sustainability Index (DJSI). The review emphasized that one of the key challenges in the CS field is to find a standard technique for valuing CS. The KLD is the most widely used resource to assess the relationship between social performance and financial performance (Barnea & Rubin, 2010). DJSI uses a best-in-class approach and measures the performance of sustainability leaders around the world (Christofi, Christofi, & Sisaye, 2012). Management researchers used DJSI to identify exemplary sustainable firms and as a proxy for CS (or CSR) when examining the relationship between firm performance and CS (Lo ´pez, Garcia, & Rodriguez, 2007) or firm value and CS (Yu & Zhao, 2015). DJSI index uses issues that relevant to measuring CSR and that enjoy widespread social backing (Lo ´pez et al., 2007). GRI aims to guide firms on the creation of standardized sustainability reports (Isaksson & Steimle, 2009; Joseph, 2012). Researchers consider GRI to be a leading guideline for creating sustainability reports and for analyzing firms' disclosure reports (Adams, Muir, & Hoque, 2014; Ballou et al., 2006; Godha & Jain, 2015; Ho & Taylor, 2007). GRI guidelines are the most widely recognized, and acknowledged by many firms and they serve as the first framework for providing guidance about the disclosure of sustainability performance

(Leszczynska, 2012). In brief, literature has witnessed that CSR and CS researchers commonly use above measures for measuring CS and CSR.

Theories Applied in Corporate Sustainability

From the literature review, it could be found that CS researchers have used different theories when conceptualizing CS. It further revealed that two types of studies according to their theoretical contribution. First, some studies were fact-centered (phenomena-driven), whereby did not frame their analyses within any of the theories. These types of studies describe facts (or case studies) and draw conclusions from the observed phenomena (Beddewela & Herzig, 2013; Hogan & Lodhia, 2011; Kerr, Rouse, & Villiers, 2015; Williams, 2015). Second, it revealed some studies that are framed within certain theories such as institutional, agency, legitimacy, signaling, stakeholder theory, or the resource-based view (Aguinis & Glavas, 2012; Cormier, Magnan, & Van Velthoven, 2005; Manetti, 2011). *Institutional theory* emphasized the social contexts within which firm operate (Bansal, 2005). CS researchers find the premises of this theory useful to explain institutionalization process surrounding the emergence and growth of sustainable industries (Russo, 2003) and the adoption, extent and quality of CS and related practices (Campbell, 2007). According to the *agency theory*, CS can be used as an entrenchment strategy by managers (Chintrakarn, Jiraporn, Kim, & Kim, 2016). Controversially, managers provide sustainability disclosures; to reduce agency costs, minimize stringent internal monitoring, and benefit from providing sustainability disclosures in capital markets (Shamil, Shaikh, Ho, & Krishnan, 2014). *Legitimacy theory* is widely used in the literature to explain CS reporting practices (Lu, Abeysekera, & Cortese, 2015). As per the legitimacy theory, a firm needs to have legitimacy in the sense of a social *license to operate* (Deegan, 2002). The theory suggests that firms engage in sustainability reporting to seek legitimacy and it is of strategic importance to firms (Haniffa & Cooke, 2005). *Signaling theory* posits that in situations of asymmetric distribution of information, one party

attempts to credibly convey information about itself to a second party (Muttakin, Khan, & Subramaniam, 2015). It has used as an important theoretical framework to explain differences in sustainability disclosures throughout the literature (Charumathi & Ramesh, 2015). According to *stakeholder theory*, the applicability of a firm in society is directly linked to stakeholder thinking which suggests that managements' concern should extend to a much wider spectrum of all their constituents (Bird, Hall, Momente, & Reggiani, 2007; Ioannou & Serafeim, 2015). The theory suggests that CS disclosures can be construed a mechanism for ensuring commitment to the social contract (Freundlieb et al., 2014; Muttakin, Khan, & Azim, 2015). *Resource-based view* argues that effective corporate strategies build rent-earning resources and capabilities thereby resource-based rationales apply well to corporate sustainable development (Bansal, 2005).

Conclusion

The current paper provided a review of the literature on contemporary CS over the recent 15 years as studied by the management scholars. The results show that CS has developed gradually over the years and yet to be developed. It evident that CS has defined differently and then ambiguity of the CS meaning further prevails. However, some of the scholars have been used CS and CSR as all the while though others have offered inconsistent arguments. The most widely used measurements of CS and CSR throughout the literature are KLD, DJSI, and GRI. Results indicated that two approaches have used when theorizing CS namely: phenomena driven studies and theories based studies. This review was with noteworthy limitation, which only limited for 50 research articles.

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