

In search of the correct term for responsible entrepreneurship

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Is the concept of CSR becoming less relevant as companies understand it “only” as philanthropy and want to do more? Does the currently used abbreviation ESG better describe the broad spectrum of responsible entrepreneurship? Or does the notion of sustainability better encompass everything that has been forgotten in CSR in the past?

CSR does not equal philanthropy

Even though in the past, many entrepreneurs naturally tried to combine business success with a positive impact on society (Tomáš Baťa is a good example), the first definitions of the concept of corporate social responsibility date back to the 1950s'. The concept of 'society' was already widely perceived at the time. In 1960, for example, Keith Davis and Robert Blomstrom wrote: *“Entrepreneurs exercise social responsibility when they consider the needs and interests of other people that may be affected by their business activities. If they do, then they can see things that are outside the narrowly defined economic and technical interests of their company.”*

Other well-known definitions of the term CSR also go beyond community support (philanthropy) and emphasize responsibility towards all stakeholders. Finally, the European Union, in its 2001 Green Paper, defines CSR as “the voluntary integration of social and environmental concerns into day-to-day business activities and interactions with corporate stakeholders”.

Thus, CSR has always been a complex category based on three pillars, in which responsible entrepreneurship is specifically manifested (the so-called 'triple bottom line') - environmental (E), social (S) and economic (G for 'governance').

The abbreviation ESG, which is currently appearing more and more often in connection with the activities of companies, is therefore nothing new. It is a more specific description of what

CSR means. But the question is – does it mean anything more than that?

Greater emphasis on numbers

Some experts argue that ESG is “a more effective and strategic younger sibling of CSR”. At the same time, they point to the fact that CSR has been mistaken for philanthropy in corporate practice for many years. It also lacked a deeper connection with the day-to-day operations of the company and a strategic connection with business goals. According to these experts, CSR is an archaic and outdated concept, which is more like a marketing tool and does not bring more than just symbolic gestures. In contrast, ESG is a concept based on measurability and quantifiable goals, and therefore allows the full integration of the principles of responsible entrepreneurship into the company's DNA.

It's a fact that CSR in practice has deviated from its definition. However, misinterpretation of the term does not mean that the term itself is bad. Is it not rather the fault of the users that CSR has deviated from its true essence in everyday life? And how do companies perceive this?

Opinions vary

“We have never seen CSR as just philanthropy, but rather as principles we apply every day in what and how we do in the social, economic and environmental fields,” says Ján Bača from U. S. Steel Košice.

On the other hand, Deloitte perceives ESG as a concept encompassing a wider range of corporate responsibility than CSR.

“While in the past companies often set aside only a certain amount of funds for charitable purposes within CSR, ESG is rather becoming an important part of the company's strategy,” says Ivana Lorencovičová from Deloitte.

According to Andrea Danihelová from the Východoslovenská energetika Holding Group, CSR refers to what the company does beyond the requirements of the law in the social and environmental field. And ESG sets criteria that help assess the environmental and social impact as well as the quality of decision-making and management. *“However, both terms refer to sustainable entrepreneurship,”* she adds.

VÚB Bank and Slovak Telekom consider ESG as an evolution of CSR. *“Statements about sustainability and responsibility are being implemented into business decisions and are becoming part of financial indicators and metrics,”* explains Tatiana Švrčková from Slovak Telekom.

CSV has not taken hold in practice

If the acronym ESG is to help CSR get implemented as it should be (strategically, with measurable goals and with a link to the company's core business), then that is very good. Let us remember, however, that the effort to replace the concept of CSR with something more concise is not new. In 2011, Harvard professors Michael Porter and Mark Kramer introduced the concept of CSV (Creating Shared Value). Their ambition was to move to a more pragmatic level

and declare by this very term that the success of the company does not conflict with the benefits for society. However, despite the initial “buzz”, the new concept has not taken hold in practice. Experts have criticized that this is nothing more than a new term for the “old” thing.

Sustainability will not hurt anything

While the concepts of CSR, CSV and ESG originated in the business environment and management manuals, the concept of sustainable development was brought by ecologists and economists searching for solutions to global problems. The 1987 UN definition states that sustainability means “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

The complexity of the concept of sustainability has also been confirmed by the Sustainable Development Goals, which have, since 2015, defined and represented 17 goals for making the world a better place to live in, in fields such as the eradication of poverty, strengthening gender equality, climate protection, etc.

“We can talk about whether we understand the concept of CSR correctly, but the solution, in our opinion, is not to introduce another three-letter abbreviation... That is why we in Lidl speak about sustainability more and more. From our point of view, this concept probably has the greatest potential for a correct understanding from the start,” says Tomáš Bezák from Lidl Slovak Republic.

So, is it sustainability, CSR or ESG? Which term you choose in a company is secondary. What matters is how you fill it with content. After all, as it is with everything in life.