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Monographic Section

Corporate social responsibility and challenges for corporate sustainability in first part of the 21st century

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Abstract. The term corporate sustainability represents a crucial part of the concept of sustainable development. The main goal of the companies, which adopted corporate sustainability practice is to fulfil a sustainable development agenda and brings a balanced approach to economic and social progress and environmental management. The purpose of the article is to highlight the importance and issues of corporate sustainability in the context of awareness and approaches to social responsibility in the Fourth Industrial Revolution. The paper aims to make order in the plurality of definitions of concept «corporate sustainability» and its practical understanding in terms of «corporate social responsibility». It does so through a literature review and the analysis of different attempts of definition. It identifies the main challenges these concepts bring with them.

Keywords: corporate sustainability, corporate social responsibility, the fourth industrial revolution, management, technology.

INTRODUCTION

Despite the social awareness of social responsibility, we are feeling the effects of a long-lasting neo-liberal policy in the 21st century, which was accompanied in the seventies by the coup d 'état of the multinationals South America (Agee 1975; Cockcroft 1989) and in eighties of the 20th century by economic reforms in the English Prime Minister Thatcher (Schmidt and Thatcher 2013; Scott-Samuel et al. 2008) and USA president Reagan (Clark 2013). These neoliberal economic reforms had fundamentally changed the so-called welfare state by reducing state ownership of companies, [reducing

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workers' rights, reducing social transferences and encouraging the emergence of globalisation by reallocating traditional industries such as textiles and footwear to less-developed Asian countries. Thus, in the mid-1980s, society witnessed the emergence of globalisation processes whose consequences are perceived as continuous violations of both ethical and social principles in production. All these social inequalities raise the question of how to achieve more balanced social development with the aim of a fairer distribution of income in the world since today ownership of capital is concentrated in 1% of the population (Roblek et al. 2018). The fourth industrial revolution or Industry 4.0 also has important role in this process, for which it is not clear today whether, like the three previous industrial revolutions, it can create more jobs than technological development can abolish. Industry 4.0 is now present in the human environment with technologies that affect important sociological aspects of the industry.

The fourth industrial revolution emerged around 2011 as a German political economy development programme which evolved in the technological evolution in the society. The concept of the fourth industrial revolution is very well known in Europe and the USA. Meanwhile, the Japanese government introduced its government program named Society 5.0. With establishing of the Society 5.0 Japanese wish to bring up better, supper smart and more prosperous human-centred society, with the support of the economy (Fukuda 2020). Suppose the third industrial revolution brought computerisation, the emergence of the internet, robotisation and digitalisation (Roblek, Erenda, Meško 2018). In that case, the main idea of Industry 4.0 is to introduce technologies that enable deep integration of business and engineering processes so that that production can be carried out according to organisational performance management and at low cost (Wang et al. 2020). The Industry 4.0, based on a combination of digital, cyber-physical and biological technologies, represents the path of new product or service development that will enable both competitiveness and contribute to regional development (e.g. smart regions) (Roblek, Meško, Krapež 2016; Roblek, Anthopoulos 2018).

The question is whether Industry 4.0 enables the sustainable development of companies, both from an economic point of view of sustainable business growth and from an ecological and social-social point of view. Sustainable companies have become the driving force of the market economy in the 21st century. We speak of a market and free economy when the necessary conditions for the free movement of goods, services and labour are in place when the capital market is developed, when the legal system and property rights apply and when human rights and freedoms are protected. The country's economic policy is significant for the long-term development of enterprises and the creation of new businesses. As a rule, only growing companies create new value in the broader sense, which is reflected in the form of capital gains, for the state in the form of taxes and contributions paid, and for workers in the form of personal income. As a rule, only growing companies enable the development of the local and national community and ultimately improve the visibility of the country where their products or services originate. In a global, highly competitive environment, in which a relentless battle for the favour of customers and purchasing power is fought, only a carefully selected strategic position is appropriate and successful. The strategy of sustainable growth leads to this. Zook and Allen (2010) define sustainable growth as (1) mutual real growth of revenues and profits over a long period, with (2) the return for owners being higher than the total cost of the company's capital. Companies that operate according to a sustainable growth business philosophy follow the mission of sustainable value creation and build their sustainable development, balancing the pressures of the internal and external environment, mostly in their core business (Bertoncelj et al. 2016).

Corporate social responsibility (CRS) plays an essential role in ensuring a sustainable business policy. From a macroeconomic perspective, CSR is understood as a special relationship between global companies, governments and citizens, and at the micro-level as a relationship between companies or firms and the local social environment. The second definition is derived from the relationship between companies and stakeholders. However, both point out that companies are not entirely independent of the environment, as they operate in a social context and feel the influence of the state and the community in which they operate. In practice, the concept of social responsibility is often equated with the concept of business ethics, but different authors distinguish between them in their models and theories and do not link them together. It should be stressed that these two concepts are closely related. In both cases, the well-being of stakeholders is paramount, and social responsibility means the broader ethical view that is expressed in (Bertoncelj *et al.* 2016; Roblek et al. 2014).

The goal of this conceptual paper is to highlight the importance and issues of corporate sustainability in the framework of corporate social responsibility awareness and approaches in the first half of the 21st century.

THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY

The emergence of the CSR and its meaning

Corporate social responsibility has its roots in the social activism of the 1960s and 1970s. Public awareness of issues such as equal opportunities for all, racial equality and health and safety at work was first promoted by a more detailed examination of business practices than previously appeared to be the case, and then by placing these obligations within the legal framework (Heath & Waymer 2017; Frederick 2018).

The debate on CSR was triggered by the publication of the book Social responsibilities of the businessman (Bowen, 1953), which discussed CSR. Later the terminology changed, and social responsibility was characterised by various derivations, e.g. corporate social responsibility, corporate citizenship or corporate sustainability. The term is also associated with a related area of corporate reputation, where the underdeveloped CSR is a significant threat to reputation, and where the developed CSR is an insurance against damage to reputation that is visible in corporate governance based on best practice. Such management, in turn, is reflected in triple performance reporting - economic, environmental and social performance (three aspects are collectively referred to as 3P: «profit», «work» and «people», i.e. profit, nature and population, i.e. people). More recently, scientists have criticised existing models and suggested that CSR programs should be the focus of attention rather than business obligations or public-driven motives (Moore 2003). Others argue for more extensive involvement of dialogue (which is an integral part of CSR programs) between organisations and their stakeholders (Haas 2003; Roberts 2003). Such discussions reflect the recognised status of CSR as a fundamental issue in business. This is also reflected in the generally accepted definitions of CSR.

The World Business Council for Sustainable Development (WBCSD, 1999) defines CSR as their ongoing commitment to ethical behaviour, economic development, and improving the quality of life of employees, their families, local communities, and society at large. It mentions five priority areas: human rights, employee rights, environmental protection, and community involvement and supplier relations.

According to the Green Paper (European Commission, 2001), most definitions describe CSR as a concept according to which companies voluntarily include social and environmental considerations in their business and communication with stakeholders. CSR can play a crucial role in sustainable development while promoting European innovation and competitiveness. The European Community has also issued an outstanding Green Paper (Green Paper on Promoting a European Framework for CSR), which seeks to lay the foundations for the promotion of CSR in all countries of the European Union.

The European Commission published a new CSR policy in 2011. The revised document redefines corporate social responsibility as the responsibility of companies for their impact on society in the period after 2008 when the Member States of the European Community. The European Commission considered that in order to ensure consistent CSR, companies should initiate a process of integrating social, environmental, ethical, human rights and consumer issues into their business and core strategy in cooperation with stakeholders. According to the European Commission proposal, the companies should ensure that the creation of shared values for owners/shareholders, stakeholders and the company as a whole, is optimised. The strategy would also enable the identification, prevention and mitigation of potential negative impacts (European Commission 2011). As a follow-up to its strategy, the Commission published a Commission Staff Working Document (SWD (2019) 143) in March 2019. It provides an overview of the progress made by the Commission and the European External Action Service EEAS in implementing CSR/RBC and business and human rights (European Commission 2019).

Due to the complexity, the CSR process in small, medium-sized enterprises and especially micro-enterprises is likely to remain informal and intuitive. However, the Commission called on large companies and companies with

an exceptionally high risk of adverse effects to carry out risk-based due diligence procedures in their supply chains as well.

Customers must also be aware of the risks associated with outsourcing. It is not only a moral question whether products manufactured under impossible conditions in factories are bought Southeast Asia or Africa in factories, thus contributing to the high profits of the multinationals at the expense of violating workers' ethical standards and using child workforce. There is also the critical question of the trust that is created between buyers, producers and sellers. Confidence in producers is one of the critical issues in the economic and political debate in the European Union. Food manufacturers occasionally cheat in order to make a profit by replacing more expensive raw materials with cheaper ones. A recent example of such large-scale fraud dates back to 2012 when an Irish inspection found that some minced meat pieces contained horse meat DNA. A more extensive investigation revealed large quantities of a mixture of beef and horsemeat labelled and named as beef. The producer replaced part of the beef with cheaper horsemeat, thereby fraudulently making extra money. In this case, there were no serious health problems, so the case was considered from food quality (BBC 2013).

There are also several cases where counterfeit food has endangered the safety and lives of consumers. The case of the deliberate falsification of milk quality by the addition of melamine has received a great deal of attention. Melamine is a substance used in the manufacture of plastics and is characterised by very high nitrogen content. The determination of the amount of protein contained in milk serves as a measure of milk quality. Since such a laboratory determination was based on the measurement of the nitrogen contained in the milk, the producer was able to increase the quality of the milk by adding melamine. The milk was first diluted with water, and then melamine was added to give the analysis results the appropriate protein content. Milk was also dehydrated and used in infant formulae, with serious health consequences. Important factors were the frequency of consumption of foods prepared from adulterated milk and the low body weight of infants. Exposure to melamine contamination has led to the poisoning of over 50,000 children, four of whom have died (Pei et al. 2011).

The European Commission has responded to the phenomenon of food fraud by setting up a particular working group in which representatives of the Member States agree on possible measures. All Member States agree that more attention needs to be paid to training competent inspectors, strengthening the coherence and improving coordination between the various competent inspection bodies. For example, in 2015, the first coordinated sampling of all Member States was carried out during the same period and for the same food categories. They identified possible cases of fraud about these foodstuffs (inadequate labelling, counterfeiting, etc.). In addition to the measures taken at EU level, each member state also takes action at the national level, taking into account the specific situation of its country. Italy, for example, has set up a particular fraud detection unit, which includes police officers in addition to food inspectors. This unit uses police investigation methods in combination with official inspections in its work and successfully uncovers food fraud. Other member states have similarly organised themselves - by setting up select investigation units (European Commission 2020).

It should be emphasised that socially responsible business has not always been positively received in the past. In the 1970s, debates took place in which social responsibility was rejected. As an example, we cite the view of Hetherington (1973: 37):

> there is no reason for shareholders to be willing to become more involved in charitable activities that affect the reduction of their dividends or the market value of their shares.

The debate on social responsibility was stimulated in the United States in the 1970s by an article by the Nobel Milton Friedman (1970), which made it clear that companies should not concern themselves with issues that are not directly related to their core mission of increasing stock value or profits. Also, the John Ladd had the same view and wrote in his article in the same year that people should not ask moral questions about companies because such questions are not a fundamental part of corporate culture and are even excluded from corporate vocabulary (Toth 2008: 13).

The beginnings of CSR in the United States date back to 1970, when charitable donations were introduced,

particularly from large American multinationals. Besides, USA companies began helping minorities, investing in the development of the local communities where they operated, and improving the working conditions of employees. Awareness of the importance of social or non-financial issues should encourage them to act in a socially responsible manner, partly because of the increasing pressure on companies to focus on optimisation rather than profit maximisation. As the importance of CSR increased in the 1970s and 1980s, so did the companies concern for reputation (Clark 2000: 364). In the 1980s, American companies mostly forgot about social responsibility and its favourable business impact. The importance of socially responsible conduct in the business world increased again in the 1990s – partly due to a series of corporate scandals that shook the public. Many companies again decided to introduce and implement more socially responsible business practices. The focus was on creating value for stakeholders in companies with more efficient processes and on reducing the previously narrow focus on profitability. Consumers and workers were no longer primarily interested in making money, but began to attach more importance to internal, personal rewards and developed a more holistic view of work and life (McAlister 2005: 14). The result was the development of human intellectual, social capital and the introduction of business ethics programs and initiatives for a more open dialogue between companies and their stakeholders.

Development of modern theories of CSR

The modern theories of CSR described below have opposed starting points. In the discussion about CSR, stakeholder theory and stakeholder theory dominate. According to the former, profit for shareholders is the most critical moral obligation of a company. The second emphasises that other groups in society, such as local communities, have an interest in corporate governance in addition to shareholders. Typically, the types of corporate social responsibility are based on the stakeholder theory, which states that companies have a responsibility that goes beyond profit (Dontigney 2014).

It is assumed that the term «Stakeholder» was created as a kind of deliberate game with the word shareholder («stockholder»). It was introduced in 1962 when the Stanford Research Institute first used the term «stakeholder view». The term indicated that, in addition to shareholders who are or may have been influenced by an organisation, other groups have an interest in that organisation (Andriof et al. 2017).

The best-known definition, which is still widely used today, is R. Edward Freeman (1984), who defined interest groups as «any individual or group that can or will be influenced by the achievement of corporate objectives». In his book, he introduced the public to the first concept of interest groups Strategic Management: A Stakeholder Approach. Among the opponents of the participatory approach of denying the idea, the most popular and still most used expression of the idea that business has social responsibility is linked to Milton Friedman his assertion that «business of business is business».

One of the basic assumptions on which a company operates is that management is the intermediary between the owner of the capital and the organisation. However, Freeman says that changes in legislation and business in the 20th century have given other groups the right to influence the organisation, and these include employees, suppliers, customers, the government, local government and the administration (Mainardes et al. 2011).

In political terms, the theory of interest groups contrasts with a «free market» approach (based on supply and demand). The theory also reflects the general expectation that the needs of individuals and the community should be respected. According to McEwan (2001), the earliest analysis of interest groups was conducted by the General Electric Corporation in the 1930s. The company identified four «main stakeholders» - shareholders, employees, customers and the general public. In 1947, Johnson & Johnson similarly identified customers, employees, directors and shareholders as «explicit business stakeholders».

The stakeholder theory is developing in several directions. Andriof and Waddock (2002) recognise two main areas, the analytical and the broad narrative field. In the essay Revealing Stakeholder Governance, Andriof and Waddock provide an overview of the development of concepts of corporate (social) responsibility and corporate social performance – which helps to shed light on the book Unfolding Stakeholder Thinking (Andriof et al. 2017).

Authors show how the concept of CRS has evolved: from a part of the corporate social contract to the concept of increasing shareholder profits, from the modern meaning of social responsibility on a conceptual and strategic basis to the present where it has become part of corporate practice.

The corporate social performance is another theoretical concept of responsible business, which is a response to the emphasis on shareholder returns. Corporate social performance is characterised by a fusion of accountability and accessibility, encompassing principles, processes and policies (Wood 1991, after Andriof *et al.* 2017), emphasising a more pragmatic dimension in business and social relations. The term corporate citizenship was used in the late 1990s instead of corporate social performance to show that companies can be considered legal entities and residents of states as corporate citizens.

The opponents of the interest group theory, except for Milton Friedman, argue that there is some contradiction in this view. For example, McEwan (2002) cites Sternberg (1994), who distinguishes between the ethical duties of management, which should promote the interests of shareholders (to increase the long-term value of the company), and the need to understand the expectations of other stakeholders. The argument against the stakeholder theory is that, if it is taken seriously, business is prevented because the goal of stakeholders – a balanced profit for all groups – excludes the profits of certain groups. It says that business is automatically excluded as an activity that maximises long-term stock value, as are the various goals of maximising profits for customers and improving benefits for employees. In her view, this separates corporate responsibility from the «fundamental obligations» we all have to each other. Managers have a moral obligation to act within the accepted boundaries of «decency» (which excludes fraud and theft, violence and forcing the participants to act against their interests) and «distributive justice».

Harrison (2000: 125) explained CSR as the responsibility of a company to plan and manage stakeholder relations. Davis (in Wood 1994), however, explained it as the company's attitude towards issues that go beyond the purely economic, technical and legal requirements that the company has, and at the same time as its response to them. This relationship allows for positive social impact, along with the achievement of economic profits, which is the traditional goal of the company. Daft (1994: 160) defines CSR as the duty of management to make decisions and act in a way that contributes to the well-being of the company and society. Social responsibility means that the company is responsible for its activities that affect people, the community and its environment. The company must recognise the adverse effects on society and try to correct them, and this may mean that it has to forgo part of its profits if its activities seriously affect a stakeholder of the company. Körner (2005) understands CSR as something more than a distinction between the interests of owners and stakeholders. He sees social responsibility as a new pattern of corporate behaviour in response to a changing and ever-changing world.

Market actions are a response to competitors in the market and prevail, as the company fulfils its first and most important social responsibility by responding to market developments - regular market operation. The second element covers actions that the company is obliged to perform due to government regulations or agreements concluded with stakeholders, such as union contracts. Voluntary actions do not require a particular explanation; they are decided by the company entirely voluntarily, without the pressure of law or other regulatory elements (Steiner and Steiner 2003: 145-147).

Schwartz and Carroll (2003: 503) classify definitions of CSR into two main groups. The former argue that companies should only be fulfilled by maximising profits within the limits of the law and with the lowest possible ethical barriers. At the same time, the latter defines more far-reaching obligations of companies towards society by helping to solve social and environmental problems in their markets. Carroll takes a different direction, trying to increase the mere economic performance of companies and other expectations that companies have of companies. Therefore, he says, corporate social responsibility combines the economic, legal, ethical and philanthropic expectations that society places on a company over a while.

The responsibilities are ordered according to the traditional involvement of managers in particular areas. Responsibilities are categorised, from those directed inwards to those directed outwards to external stakeholders.

Carroll (Carroll and Buchholtz 2000: 31) developed his definition based on the theories of Bauer, Davis and Blomstrom, McGuire and Epstein. Bauer says that corporate social responsibility means taking seriously the

impact a company has on society through its business activities. Davis and Blomstrom interpret corporate social responsibility as the obligation of corporate decision-makers to act in a way that protects the well-being of society as a whole and contributes to its improvement in addition to pursuing their interests. McGuire says that the company has not only economic and legal obligations but also obligations that go beyond them. However, Epstein argues that social responsibility is primarily linked to the achievement of those corporate goals that have a positive impact on stakeholders.

Definitions of CSR can be divided into four groups (Garriga, Melt 2004):

- The instrumental ones assume that the fundamental role of the companies is to increase the value of the assets for the owners and consider only the economic aspect of the cooperation of the company with the society;
- The political ones emphasise the social power of companies, in particular the power that arises in the company's relations with society as a whole and the responsibility that goes hand in hand with political power. Because of this power, companies must accept specific social duties and rights and participate in social activities;
- Inclusive ones are based on the belief that social needs must be incorporated into managers' business decisions; the operation, existence and growth of companies depend on society and the environment;
- Ethical assumes that the company's relationship with the social environment is permeated by ethical values so that the understanding of CSR is purely ethical. Companies should take social responsibility because it is an ethical imperative.

Instrumental definitions have the longest tradition among them, and they are also the ones that are most strongly anchored in practice. The predominant motive is the creation of economic value (Windsor 2001: 226). Although some managers express an interest in serving local communities and society in general and supporting philanthropic activities, the prevailing view is that social responsibility only makes sense if it serves as a strategic tool for achieving business objectives and increasing corporate value. Managers should respond to the needs of the most critical (strategically important) participants rather than society in a broader, abstract sense (Clarkson 1995).

If we combine these definitions, we can conclude that the concept of CSR means the sustainable operation of the business that contributes to improving the well-being of society as a whole, taking into account the interests of all stakeholders and their interests, including profit, and consistently respecting ethical and moral principles.

In the following, we focus on the importance of corporate sustainability as a derivation of CSR.

CORPORATE SUSTAINABILITY

The sustainability of companies results from the concept of sustainable development. In this context, the term essentially refers to the role that companies play in meeting the sustainable development agenda and provides a balanced approach to economic and social progress and environmental governance. Corporate sustainability can thus be understood as the transfer of the concept of sustainable development to the corporate level. The importance of corporate sustainability has been underscored by the United Nations establishment of a global association of companies and NGOs that follow the universal principles of the UNGC UN Global Compact in their activities and strategic orientations (UN 2013: 4). These define corporate sustainability as a concept that gives a company long-term value in financial, social, environmental and ethical terms. The ten principles cover the areas of human rights, labour standards, environment and transparency, and the fight against corruption. As the largest global corporate UN Global Compact initiative, it supports socially just business and markets and helps to create new forms and markets (UN 2013: 3). On 25 September 2015, 193 countries adopted the 17 goals of the sustainable development agenda for 2030. In the years following their adoption, the goals correspond to the private sector approach to achieving global goals. These goals are People, Planet and Preparedness: eradicating extreme hunger and poverty, promoting the fight against inequality and focusing attention on saving the world from the threat of climate change (UN 2017).

Corporate sustainability was scientifically defined by Elkington (1999) based on the triple bottom line concept, according to which corporate goals are inseparably linked to society and the environment in which the com-

pany operates. Although it would make short-term economic profits, its business practices would not be sustainable because of failure at the expense of social and environmental impacts.

Van Kleef and Roome (2007: 44) described sustainable corporate governance as such corporate governance that recognises the need for integration into social, environmental and economic systems and focuses on management and relationships in its implementation. Environmental, social and economic requirements of many different stakeholders in their network.

In their model of corporate sustainability, Aras and Crowther (2007) considered four elements of sustainability and combined them in a two-dimensional matrix. They divided the matrix into internal and external, and short and long-term orientation. The model element shown in Figure 1 illustrates organisational effectiveness.

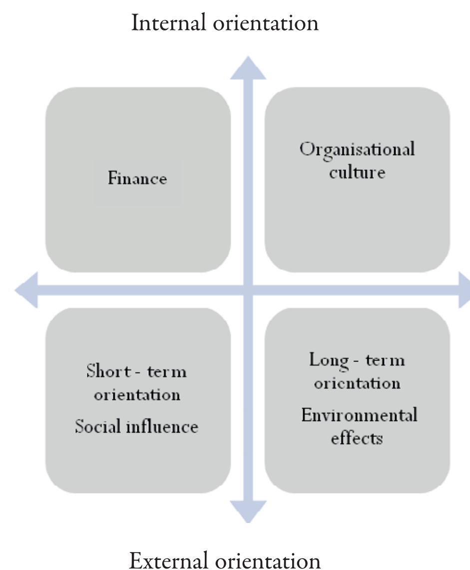

Figure 1. Corporate sustainability model (adapted from Aras, Chrowter 2007)

Model elements in figure 1 are demonstrated organisational effectiveness:

- Financial aspect - the maintenance of economic activities, which is the main reason for corporate activity and the principal cause for organising corporate action;
- Environmental impacts – preserving the environment is vital for future generations;
- Social impact – ensuring equality before the law, which includes activities that limit the power, guarantee human rights, decrease corruption, promote education for all and ensure world peace;
- The organisational culture – emergence of spiritual and cultural values – corporate and social values should be aligned with the values of the individual. Today, as a rule, the governing capital and social elites of individuals do not take into account the proposals of citizens.
- In the 21st century, every company is closely intertwined with environmental, social and governance (ESG). The primary factors of ESG can be described as (Henisz et al. 2019):
- E - environmental criteria: the company's energy resources, waste generation and the environmental impact of the company and its effects on living beings;
- S - social criteria: ensuring good relationships and nurturing goodwill (an intangible fixed asset) of the company in the environment in which it operates. S includes employment relationships, diversity and inclusion;
- G - governance: ensure that company meet the external stakeholder's needs. It presents a company's' internal system of procedures, practices and controls established to provide effective management decisions.

The ESG issues that create value for the business by (1) facilitating revenue growth, (2) reducing costs, (3) minimising regulatory and legal intervention, (4) increasing employee productivity, and (5) optimising capital expenditures and investment. The fact that ESG creates value for companies negates the main foundations of the debate on corporate social responsibility in the United States in the 1970s.

In cases in which companies try to comply with environmental legislation and more general sustainability concerns, social criteria overlap with environmental and governance criteria in the business environment (Henisz, Koller, Nutall 2019). It is essential that companies identify and prevent violations before they occur or to ensure transparency and dialogue with regulators.

Leading sustainable companies must demonstrate a high level of competence in addressing social and economic challenges in different areas (Bertoncelj *et al.* 2016; Bonini 2012: 103-105; Wheelen, Hunger 2012: 72):

- Strategy: implementing corporate social responsibility principles into business strategies;
- Financing: ensuring financial returns and transparency;
- Customers and products: investing in customer relationship management and product and service innovation;
- The human factor: maintaining workforce capacity and employee satisfaction;
- Governance and stakeholders: ensuring standards of corporate governance and involvement of different stakeholder.

In 2010, the ISO 26000 standard was developed with instructions for companies to conduct socially responsible, i.e. ethical and transparent business that contributes to the health and well-being of society. Representatives of governments, NGOs, industry, consumer groups and labour organisation's from around the world participated in the preparation of the standard and reached an international consensus (ISO ORG 2013). In order to ensure the company's corporate governance standards, the company has adopted codes of conduct that require public reporting following the guidelines of the Global Reporting Initiative. The importance of sustainable reporting is in the collection of information about the environment, society and governance (ESG). The financial markets used these reports for the evaluation of the company's values. In practice came in the past years for circumventing stock market rules, because some companies were planning on a speculative effect on the value of their shares at the time of publication. From this reason, policymakers must formulate rules for ESG reports which goal have to be to ensure value-relevant transparency. The ESG reports are improving market efficiency and strengthen the growing confidence of investors, companies, institutions and practitioners in the materiality of ESG information (Aureli *et al.* 2020).

CSR AND CHALLENGES OF ENSURING CORPORATE SUSTAINABILITY IN THE GLOBAL ENVIRONMENT OF THE 21ST CENTURY

The importance of CSR and corporate sustainability in the context of the fourth industrial revolution

The crucial political goal which runs parallel to the technological development of Industry 4.0 and Society 5.0 is that countries implement the17 Sustainable Development Goals (SDGs) set by 2030 written in Agenda for Sustainable Development. The Agenda brings the explanation of the dimensions of sustainable development (economic, social and environmental), and seeks a balance between them that will have a significant impact not only on their implementation but on further socio-economic development (UN 2019), because today, 41% of global GDP is accounted for by the industrial and manufacturing sector, which accounts for 15.6% of global GDP (value-added), reflecting the increase in the ecological footprint. Production is responsible for 20% of greenhouse gas emissions and consumes up to 54% of the energy generated (International Monetary Fund 2019). Especially emerging and developing countries seek to make up the development deficit. Over the past 30 years, their economic development has been linked to the use of natural resources. Concurrent, the industrialised countries are becoming increasingly aware that future economic and social development is closely connected to changes in the consumption of natural resources (replacement of obsolete resources with available ones) (Dominici, Roblek, Lombardi

2016). In the last 30 years, humanity has known the fact that producers will not be able to work with the same resource intensity in the future. Therefore, today we must create opportunities for the industry sector to remain competitive and sustainable. Organisational management (Piccarozzi *et al.* 2018), and the ecological and social aspects of Industry 4.0 have a vital role in by achieving new challenges. However, Birkel et al. (2019) point to a lack of integrative research in the field of social, ecological and economic aspects. Namely, it is challenging to establish a system that enables both economic profitability and the improvement of environmental and social aspects and provides value creation to the industry. Thus, we face the contradiction of the challenges and at the same time, the potentials of Industry 4.0 within each dimension of the Triple Bottom Line. The Industry 4.0, on the one hand, promotes and facilitates sustainable development (Ngjeqari 2016; Beier et al. 2018), but the convergence of digital transformation and sustainability is not yet developed (Beier et al. 2018; Kiron & Unruh 2018).

In recent years, the results of some studies show the connections between Industry 4.0, sustainable management, and disruptive technologies. For instance, De Man and Strandhagen (2017) discuss the impact of Industry 4.0 on business models sustainability. In their study, Kamble, Gunasekaran and Dhone (2019) focus on the impact of Industry 4.0 technology on lean production processes in order to achieve sustainable organisations. Besides, Ghobakhloo (2019), in his study, presents the influence of addictive determinants for implementing Industry 4.0 policies in the context of sustainability. The benefits of Industry 4.0 in the case of sustainable development can be divided into those that i.) improve productivity, adaptability and resource efficiency (big data for quickly configuring production systems and maintaining systems); ii.) reduce the waste, overproduction, and energy consumption (e.g. surplus of renewable energy shared with other installations); iii.) cooperate between servitisation and stakeholders (e.g. closed-loop production systems); iv.) information technology competency-related job opportunities; v.) improving the quality of work tasks (e.g. age management) (Dimovski *et al.* 2019; Kiel *et al.* 2017).

However, despite being aware of the sustainability goals in the framework of establishing Industry 4.0 policies and strategies, the adverse effects of technological progress cannot be avoided. Sustainability is a transversal issue that runs through all parts of the manufacturing chain. As part of the production, companies plan to dismantle process and recycle the raw materials used in their products. Sustainable organisations are thus actively involved in the creation of a raw material logistics backbone, which is an essential part of the development of a closed-loop economy (Suarez-Eiroa *et al.* 2019). However, the strategy of lean and green management ensures the efficient use of resources. Thus, due to the digital transformation of production and new technological solutions of products (for example, electric cars), redundancies are predicted in the coming years. Mercedes Benz has already announced that it will lay off 15,000 employees by 2022. The entire automotive industry predicts that 80,000 employees will be laid off in the period 2020-2023. Thus, we see that the digital transformation of companies (robotisation, the introduction of the industrial internet, the growing presence of autonomous technologies and the cyber-physical environment) has a substantial impact on social and economic aspects. One consequence will be that within the entire value chain (not only in the automotive industry but also in other sectors), the middleman will become superfluous (Sonnemaker 2020). Countries, together with companies, will have to find a solution for all these people, who will become redundant. Consideration will need to be given to adopting new sustainable policy programs that will offer various new forms of employment or go in the direction of Germany, where testing of the Universal Basic Income (UBI) began in August 2020, under which 120 citizens will receive € 1,200 a month for three years (Payne 2020).

One of the solutions to the negative consequences of the technological development of the fourth industrial revolution is social innovation. In the 21st century is present a collective effort to broaden the definition of social innovation and increase its importance. According to this effort were adopted the Vienna Declaration term at the 2011 conference Challenge Social Innovation Conference. It promotes social innovation as an indispensable alternative to technology-oriented innovations that cannot solve the problems of the transition from an industrial to a service and knowledge society. According to the declaration, «such fundamental social changes require the inclusion of social innovations in a paradigm shift of the innovation system» (Vienna Declaration 2011).

The Vienna Declaration (2011) addresses the significant societal challenges identified in the European 2020 Strategy, which calls for social innovation in the fields of unemployment, climate change, education, poverty and social exclusion.

The European Union also stressed the importance of social innovation and corporate networks. The Committee on Economy and Social Affairs thus adopted the following position:

Social innovation and collaborative networks must be fully used in order to boost participation by the public and civil society in general in designing and managing EU policies, utilising distributed collective and bottom-up projects that strengthen more direct democracy (EESC 2016, C13/104).

Social innovation is considered an extremely complex concept, for which we now know many different definitions, the meaning of which derives either from the meaning of the adjective «social» or the verb «innovation» itself. The importance of the approach in the definition of social innovation is based on the advocacy of a change in the «paradigm of the innovation system». This shift corresponds to the transition from an industrial society to a knowledge and service-based society. This approach argues that there is less need to recognise social innovation as a complement to innovation than to change the overall concept of innovation, making it more inclusive and comprehensive (Hochgerner 2012: 92). This approach is based on the theoretical framework developed by Schumpeter in his theory of economic development (Schumpeter 1976).

In the case of a stronger emphasis on the meaning of the adjective «social», the emphasis in defining social innovation within the theoretical framework of social sciences is on distinguishing social innovation from other forms of innovation - in particular, «economic» and «technological» innovation - in that social innovation is more than «it merely requires the side effect and outcome of technical innovation» (Howaldt, Swarz 2010: 8).

The third form of definition focuses on the adjective and noun «social innovation». Within this definition, social innovation aims to address societal challenges for the benefit of society.

Thus, within this definition, we can see the meaning of the Stanford Social Innovation Review, where they have developed an example of a definition that focuses on purpose and results. Social innovation has thus been defined as «a new solution to a social problem that is more efficient and economically sustainable or an existing solution where the value created belongs primarily to society as a whole and not to individuals».

Martinelli (2012: 172) proposed a definition that would result from a more direct emphasis on the social outcomes achieved in practice and with the results of social justice:

> [...] 'social innovation' as opposed to other narrower notions of innovation, is characterised by satisfying human needs that would otherwise be ignored, empowering individuals and groups, and changing social relationships.

Other definitions illustrate the distinct focus of social innovation that leads to the benefit of society:

(1) Social innovation is a component of social change that is «explicitly directed towards socially worthwhile goals» (Gillwald cited in Howaldt, Swarz 2010: 25), and

(2) «Only when the idea of solving a social problem (in the sense of regulating social affairs) is established and recognised can we speak of social innovation» (Kesselring / Leitner, cited in Howaldt, Swarz 2010: 25-26).

Challenges of business ethics in the 21st century

Business ethics can be defined as a particular branch of ethics that emerged in the 20th century. In the postmodern period, more specifically in the 1980s, business ethics became a necessity for economics; it has not been sufficiently addressed before. In the postmodern period, the belief in immoral business has spread in the West, especially in the United States (DeGeorge 1990: 3-33), advocating the incompatibility of business and honesty. Prejudices about the separation between economics and ethics have been dragging on in various interpretations to the present day, which is much more sensitive to the moral dimension of successful economic activity and life in general. Business ethics, however, is not just a set of rules but implies the application of universal ethical rules in business activities (Frederick, Davis, Post 1988: 52). Ethical problems in the business world mostly arise from conflicts of interest between primary and secondary stakeholders and conflicts in individual stakeholder groups. Interest in business ethics has increased in recent years, on the one hand, due to public pressure due to various corrup-

tion scandals, non-compliance with environmental standards (Krausirpi, Honduras; Shell-oil-soaked Niger Delta; BP-Deepwater Horizon oil spill), after on the other hand, because of corporate strategy in response to these pressures (Ali 2019; Boatright 2007). An additional challenge for business ethics is the globalisation of the market. At the global level, there are no laws for companies to follow (Chan, Pollard, Chuo 2007; Stiglitz 2006), the impact of national regulations on companies is declining, and managers must decide in their day-to-day work which norms and values they will follow acted (Lindgreen *et al.* 2009). A very notable violation of human rights is linked to the fight against climate change. The question is whether it is ethical to buy an electric car? Amnesty International points out those human rights violations occur within the supply chain of raw materials (minerals and cobalt) needed to produce electric batteries. Child labour is exploited in the mining of cobalt in the Democratic Republic of Congo. It is also a problem that the cobalt itself is exceptionally toxic to anyone who mines it. The OECD Forum on Responsible Mineral Supply Chains this issue has therefore called on manufacturers of electric vehicles to publish their supply chain information (Broom 2019).

CONCLUSIONS

This paper addresses a crucial and poorly considered topic in the debate on sustainable development against the backdrop of a broader process of change that has affected capitalism in the early 21st century. Specifically, it focuses on the idea of «corporate sustainability» and its practical understanding in terms of «corporate social responsibility». In this paper, we discuss the importance and issues of corporate sustainability in the context of awareness and approaches to social responsibility in the early 21st century. The paper is conceptual and therefore addresses a question that cannot be answered by factual information.

When providing CSR policies, it is essential to be aware that a company is affected by various internal and external factors, in particular, the cultural characteristics of countries and regions and expectations of different stakeholders. For this reason, it is utmost important that the company uses the knowledge of its employees, establish a customer relationship management (CRM) and supplier policy, and formulate a marketing strategy that ensures market positioning and the creation of a company brand value (Villalba 2006: 33-34). The company's external impact is reflected in the organisational effectiveness, activities and importance of research and development by groups and individuals within the company. Organisational components for a one-off contribution to outsourcing include the involvement of all employees, autonomy, teamwork, integrated production technologies, organisational learning and excellence management.

To ensure corporate sustainability in the 21st century, it is also important that technological solutions will require the development of new solutions for the employment of workers. The 17 UN sustainability goals will have to be taken into account in order to prevent inequity, pollution.

A company can improve its efficiency and effectiveness if it knows the factors that influence it. There are many of them, regardless of the country in which they operate. Companies analyse the social and environmental characteristics of a geographical region and follow industry-specific guidelines relevant to the business activities of the industry.

For future research, we propose the development of new practices within Industry 4.0 in order to ensure sustainable business growth.

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