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# A theoretical framework on CSR and urban development

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## **Abstract**

The role of enterprises in society is without doubt controversial nowadays due to the economic crisis. Although enterprises offer infrastructures, jobs, innovative solutions to local communities their primary goal is profit in order to be competitive and sustainable. This article examines the implementation of urban development projects under the CSR strategy and provides case studies of European enterprises that offered successful urban development projects in their local communities. There are certain elements that influence how an enterprise sets their CSR strategy and when it comes to urban development projects the characteristics of the city they operate play an important role along with the core CSR strategy of the company. In order to elaborate on the link between CSR and urban development and enhance the limited bibliography on this issue a theoretical framework is set with the elements needed for the enterprise to develop a successful project of urban development and a successful CSR activity and how finally the city absorbs this kind of CSR practices. There are many limitations also that enterprises face when try to develop such challenging projects. This article aims to designate on the importance of partnership and ethics and how CSR is a multi dimensional tool for cities to use for their benefit.

Key words: urban development, enterprises, local communities, case studies

JEL Codes: M100, M140

## 1. INTRODUCTION

Cities and enterprises are living and growing entities that affect each other and the people who live and work in them. The coexistence between those entities is controversial and either beneficial or problematic due to various conditions. Either poor cities benefit from the establishment of multinational enterprises because of the job opportunities or potentials for economic development while at the same time could also face environmental degradation due to negligence during their operation (if laws and measures or environmental standards are neglected).

The relation of enterprises and local communities is a part of CSR where businessmen and public authorities' even governments get involved in various social axes. The social activities that focus on local communities could appeal to environmental, education, sports, social, economic, urban, health, culture and other activities that concern the life of the local people. The positive influence of enterprises is vital and CSR provides the guidelines of how to offer to their local community and to the broader environment. The notion of CSR comes to enhance the philanthropic role of enterprises and offer them guidance in loose terms since it's not mandatory in order to develop economic, environmental and social activities that benefit local communities or the broader social environment. Numerous definitions reflect the vision for CSR that academics, enterprises, governments, NGO and global organizations have written, categorized, analyzed, and criticized. According to Votaw (1972) CSR means something but not always the same thing for all. CSR remains a much contested concept according to Werna et al (2009) with disagreements about the actual benefits of CSR practices for both business and society.

According to Baker (2007) what tends to be the norm in the efforts to clarify CSR is that each authority defines the term according to the area of expertise (Baker, 2007). From several definitions on CSR one of the most accurate is that of Blowfield and Frynas's (2005) who define it as an umbrella term for a variety of theories and practices all of which recognize the following:(a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behavior of others with whom they do business (e.g. within supply chains); and that (c) business needs to manage its relationship with wider society, whether for reasons of commercial viability, or add value to society.

An attempt to reinvent the notion of CSR from Blowfield (2005) coming to a conclusion where states in his article that “CSR helps us to see some of the constraints and limitations on reforming this dominant model of globalization, and thus uncovers areas where we need to revisit our development thinking. Indeed, perhaps CSR’s biggest contribution has been to stimulate new thinking about the business–society relationship, and even if we are a long way from finding solutions, we are at least becoming aware of the need for new forms of dialogue.”

The correct definition has many meanings depending from whom is expressed. CSR in whatever way is oriented or defined is a tool that enterprises should use it for their benefit and from the ethical point of view to develop a sustainable and ethical attitude towards the problems of the world or the local community. The role of enterprises has changed and is more dominant and complicated in the current circumstances.

This article aims to provide cases of enterprises that offer through the implementation of CSR activities to urban development or regeneration of local communities either in the developing or developed world. The demonstration of the specific case studies is not exhaustive and comes to supplement the current list of numerous enterprises that provide successful practices of CSR and are available in the companies CSR reports or the list of successful practices in CSR organizations. The selection of the specific case studies comes from two important sources the CSR Europe and the book of Werna et al (2009). The analysis of the theoretical framework of Urban CSR comes to enrich the present bibliography on this subject and only outline the current views on CSR and urban development. The schematic approach of this attempt is to present in a simplistic way the connection of urban development and CSR in the globalized arena of enterprises by stressing the importance of sustainable partnerships. Since it is not very easy to quantify the results of CSR activities with one global accepted evaluated system but only with various like GRI or ISO 26000 and other guidelines or awards that each company choose to present it is important to at least to present specific CSR examples with the possible effects that these have on the communities.

## **2. URBAN CSR**

The relation of CSR to urban development or urban regeneration programs is analyzed mostly in the developing world where natural disasters or wars influence the life of cities and enterprises

support through CSR activities local communities and their citizens. In Europe, CSR activities that focus on cities or local communities as presented in CSR reports are environmental activities, health and safety and social activities. There are clear urban CSR activities which concern poor countries that face wars, earthquakes, hurricanes etc but it is important to present urban CSR cases that concern as well cities and neighborhoods that face for example urban sprawl or just cities that seek to be competitive and develop innovative technological or environmental activities with the help of private sector.

Urban environment are dynamic systems that adjust to changes according to the conditions Landry (2008) and in these dynamic systems the process of urban development is not only a positive outcome but also an answer to the opportunities and challenges that present through these processes (Roberts, Hugh 2000) and CSR play their role in these changes by introducing further opportunities for enterprises on how to develop sustainable environmental and social activities for cities. Also cities are characterized as smart cities when they achieve to combine different dimensions of urban life in an intelligent way and according to Albino, Berardi and Dangelico (2015) in an attempt to outline the definitions of smart city and how it is measured they concluded that the meaning of smart city is multi-faceted and that definitions for the concept are proliferating the definitions of smart city evolved along three main directions, representing the perspectives through which the concept has been studied: technology, people, and community. The discussion about smart cities has also extended to Entrepreneurship and the characteristics of smart cities have been analyzed from the Entrepreneurship perspective (Richter et al, 2015).

The following characteristics of smart cities Caragliu et al. (2012) is extended and analyzed by Richter et al (2015) in business terms.

- The availability and quality of ICT infrastructure and usage- (big data results in new business opportunities)
- Business-led urban development (Smart Cities are comparable to the classical cluster developments in urban planning)
- The social inclusion of urban residents in public services (strong contribution of the social inclusion of residents towards entrepreneurial attractiveness of a Smart City is a must)

- The role of high-tech and creative industries ('Living labs' referring Silicon Valley as an example)
- The role of social and relational capital is important for the determination of new business opportunities.
- Social and environmental sustainability (Applications which monitor the flow of traffic and that regulate traffic lights are an example of solving issues with smart, green ideas created by entrepreneurs. The self-motivation to be part of any kind of sustainable improvement is an issue for business/entrepreneurs in Smart Cities.)

The characteristics of Smart Cities and especially when related to enterprises could also be related to the CSR strategy that each enterprise follow and potentially could add the benefits that successful CSR practices could offer to Smart cities. Usually CSR is also interpreted as Business Community Relations referring to environmental or social activities developed by enterprises in the communities they operate or for multinational organizations in all over the world. BSR is defined as "ways in which communities and business interact with one another (New Academy of Business and UNV, 2004, p13). The relations between enterprises and communities are dynamic and either conflicting or harmonically. Enterprises rely on local communities for appliances like clean environment, infrastructures, fair tax system, educated and skilled citizens, and safety. On the other hand communities seek the support of private sector to participate to social events, or to offer economic development by paying taxes, provide job opportunities, sustain their physical environment or complement by further protect the environment. The following table provides some desires or demands of what enterprises and communities anticipate from each other.

Table 1: The relationship between enterprises and local communities

Local community demands	Enterprises demands
Pay taxes	Well educated and high skilled citizens
Work and Education	Leisure activities
Follow the laws	Infrastructures of cultural activities (museums, libraries etc)
Contribute to the education system	Adequate social infrastructures (water, electricity, gas etc)
Contribute to cultural activities	Sufficient public safety
Create parks or general to the aesthetic of the city	Health infrastructures
Participate to the economic	Avoid bureaucracy

development	
Offer urban regeneration projects	
Focus on health and safety issues	

Source: New Academy of Business and UNV, 2004, p13

This relationship of enterprises and cities means close partnership with public authorities or even governments. Corporate governance is a common definition as the implementation of policies, procedures and reporting arrangements to ensure a company understands and manages its risks effectively (Liewellyn, 2005).

According to Werna et al (2009) the key concept behind community relations, citizenship and governance is the idea that companies should not account for their financial performance only. They should also endeavor to audit, account for and report their social and environmental impacts and make positive contributions to the communities in which their businesses operate. The gaps or inefficient operation of these public instruments comes to be filled with the philanthropy of private sector (anticipating benefits ex tax relieves) and is a subject discussed among different parties as the political turn of CSR (Fougere, 2011, Scherer and Palazzo, 2011). Especially, the effect of globalization comes to magnify the problems that arise from this interaction between governments and enterprises. Is it enterprises that control governments for their sake or governments have the power to control private sector even when they fail to follow the laws? The boundaries are not clear and CSR either divides or connects those who are against or in favor. But the positive outcomes of CSR is a fact and numerous CSR organizations stress the importance of partnerships by providing numerous success practices, presenting guidelines and definitions, building alliances that work for the benefit of the triple bottom line (Elkington) and for each other (grants, publicity) and no doubt enterprises make their best in order to minimize their environmental impact or give back to their community but the phenomenon of green washing is side to side with the above mentioned efforts. The term of bluewash uses Kenny Bruno of CorpWatch to raise questions about the motives and actual practices of companies that wrapping themselves in the UN Flag (Bruno, 2002). But all these suspicious critics should not supplant the development and enforcement of legal and regulatory mechanisms to promote more responsible business globally (Werna et. al., 2009).

### **3. CASE STUDIES**

#### **3.1 EUROBANK-WWF-CSR HELLAS**

The Greek case study of Eurobank concerns the environmental dimension of CSR and the collaboration between the bank, WWF and the Hellenic Network for CSR. The implementation of the campaign WWF Eco2nomy programme took place in 2011. The objective of the campaign WWF Eco2nomy programme had educational character for the public showing ways to protect the environment while saving money. The solution is based on the provision of tools that households can use to increase energy efficiency, to reduce waste and to save up to €2,000 a year. The main tool in this effort is the European Citizens Climate Cup, a household competition between 11 countries / regions to reduce CO2 emissions. This case study has an environmental and educational character and is a partnership among dedicated organizations like WWF a leader on environmental issues and CSR Hellas one of the top actors in the promotion of CSR. It is a case study oriented to a wide scale and not to a specific local community and the involvement of a bank to a sensitive topic like climate change is an example of how companies with no direct impact on the environment (unlike heavy industries) could contribute to another area of expertise.

#### **3.2 SUSTAINABLE LIVING IN CITIES EUROPEAN BUSINESS CAMPAIGN**

The Sustainable Living in Cities European Business Campaign is a campaign launched by CSR Europe under the initiative of Enterprises 2020. Its objective is to work with business, national partner organizations, policy makers, urban sustainability experts and city stakeholders, towards the creation of local and regional sustainability alliances for the acceleration of urban sustainable development.

City authorities will need strategic input from all urban actors (citizens, business, industry associations, NGOs, academia, etc.), as well as economic support from the private sector to develop an integrated and holistic approach to urban sustainability (CSR Europe). The campaign uses impact maps in order to upload best practices of commercial partnerships, supports national workshops to promote the collaboration among cities and business stakeholders and participate in meetings to promote the dialogue for sustainable living.



The impact maps shows three types of partnerships categorized as commercial, pre procurement collaboration and multi stakeholder urban alliance. The following case study is extracted by the impact maps and is characterized as commercial partnership.

HP is the IT partner for STORM CLOUDS - a European Commission initiative that aims to transfer municipal functions of three cities to the cloud. These will include electronic voting, energy saving, environmental pollution monitoring and crime prevention.

The purpose of STORM CLOUDS is to define useful guidelines on how to address the process in order to accelerate it, for Public Authorities and policy makers. These guidelines will be prepared based on direct experimentation in 4 European cities, Águeda (PT), Manchester (UK), Valladolid (ES) and Thessaloniki (GR) creating a set of relevant use cases and best practices.

Part of the Sustainable Living in Europe is also the Urban EV car sharing Project between city of Grenoble and Toyota Motor Corporation who launched a collaborative zero emission ultra compact urban eclectic vehicle car. The aim of this project is to address last mile transportation needs for public transportation and at the same time develop green transportation by reducing CO2 emissions and car use in the city of Grenoble.

Some of these activities are outlined:

- City of Grenoble: Allocation of parking spaces for the car-sharing system
- Grenoble Alpes Métropole: Connection to the Mobile Station trip planner
- Cité lib: Customer relationship management and daily vehicle and charger maintenance
- EDF: Planning, installation and operation of the charging infrastructure
- Toyota Motoring Company: Supply of electric vehicles and management of the interconnectivity between users, vehicles, charging stations and the Mobile Station trip planner

The benefits derived from this project are that it enables mobility in neighborhoods where public transport is scarce and also develops a green attitude towards the environmental problems that cars create. Overall this collaboration between a public authority and a Toyota is offering the public an innovative green urban solution addressing the problem of traffic. The electric vehicle network enables mobility in areas where public transport is scarce. This project represents a best practice, as it incorporates all the signs of a healthy and creative inter-sectorial collaboration creating value shared by all.

### **3.3 GO GREEN, HELP LEBANON**

These case studies analyzed in the book of Werna, Keivani and Muphy (2009) concerns a multi stakeholder initiative in Lebanon as Go green partnership which began in 2002 and Help Lebanon a partnership between NGO and private sector launched in 2000.

The first initiative Go green began by an SME in Lebanon which was a local restaurant Schtroumpf with highly sense of social responsibility and already developed environmental activism including education and clean up campaigns. The characteristics of this case study were the formation of partnerships with NGO, public and private sector. The Go green project with the help of UNDP/UNV and following FTML, Coca Cola and Tetra Pak East Med as official partners organized activities with an impact on the urban environmental awareness campaigns, environmental contests for students and workshops in order contribute to environmental enhancement. The objectives of Go Green were:

To promote the concept of CSR as a critical element in human development

According to Werna, Keivani and Muphy (2009) one of the key lessons of this activity were that such activities may not always need a huge sum of money to succeed and a well established strategy and process could be the key to a long lasting impact.

The second case study presented in the book concerns the Help Lebanon project which is a partnership among NGO and private company. SNA is an insurance company that was engaged to several CSR activities oriented to environmental and social activities and the NGO Help Lebanon is a humanitarian organization that shifted to rehabilitation of buildings and surroundings in Beirut. The partnership by 2000 along with other private sponsors (banks) rehabilitated 1200 buildings which were in the district of Beirut. Yet, the project was successful but to some in the community was just for publicity reasons. To sum up, each CSR activity might be spacious for several actors but the bottom line is that the committed companies with a consistent CSR strategy will be recognized by the public and their stakeholders.

Prima Woods case study is about a company manufacturing and distribution of timber products. The CSR activity is taking place in a local community and includes renovation and construction for public authorities along with activities aiming to social development and utilities. It is a case study

that concerns small settlements (Werna et al, 2009) commenting that small construction activities make a difference because if these settlements are better equipped will help to decompress large cities.

The drawbacks to this case study according to Werna et al (2009) were that it concerns a company that will exhaust forest resources by 2010 in the local community where the CSR activities takes place so it is a CSR strategy with no long term sustainability perspective. The activities of this company aiming at urban development and regeneration of a local community by establishing a police station which according to the citizens were vital for their safety and further at the location of the headquarters of the company the social contribution to offer employment to hundreds of citizens and to fund the development of a road in the area were part of their CSR commitment. Yet, the company due to the argument about the local community and the exhaustion of its natural resources the company responded that the business community relations initiatives need to be revamped (Werna et al 2009).

It is one of this most clear and contradicted case studies because it concerns a company that exploits the natural resources of the local community with no specific measurements as far as preservation but at the same time provide jobs to the inhabitants of the local community and supports through projects of urban development.

#### **4. CONCLUSIONS**

The above case studies were selected taking in consideration the environmental and urban dimension of CSR and going through the current literature and case studies from CSR organizations in Europe and Middle East. The involvement of NGO or public authorities with the CSR activities of a private company is by all means only beneficial for both sides. It is two way street to achieve a successful CSR activity in order to be characterized sustainable social development and the participation of actors dedicated to the principles of sustainable development is vital for this purpose. Stren and Polese (2000) defined social development that is compatible with the harmonious evolution of civil society fostering and environment conducive to the compatible cohabitation of culturally and socially diverse groups while at the same time encouraging social integration, with improvements in the quality of life for all segments of the population.

Social sustainability is given, if work within a society and the related institutional arrangements satisfy an extended set of human needs [and] are shaped in a way that nature and its reproductive capabilities are preserved over a long period of time and the normative claims of social justice, human dignity and participation are fulfilled.”

Achieving sustainable urban development requires intervention at city or neighborhoods levels that can either address immediate problems or develop long term capacities in economic, social and environmental spheres (Werna, et al, 2009).

The following table presents the case studies and its characteristics in order to categorize the type of partnership and CSR activity and how it was funded. The field of urban development taking account the categorization of Werna et al 2009 by activities oriented to utilities like the case of Toyota and Storm Clouds Project while the social development consists of projects raising awareness like the case of Eurobank. City wide interventions and construction are directed to urban development projects and includes building infrastructure or regeneration projects. The dimension of each CSR activity is then separated for its environmental, social and innovation character.

Table 2: Characteristics of case studies

<b>Case study</b>	<b>Field of urban development</b>	<b>Location</b>	<b>Dimension of CSR practice</b>
Eco2nomy	Social development	Greece	Environment
STORM CLOUDS	Utilities	Europe (Greece, UK, Spain)	Innovation
Urban EV car sharing Project	Utilities	Grenoble	Social
Go green partnership	City wide interventions	Lebanon	Environment/social
Help Lebanon	City wide interventions	Lebanon	
Prima Woods	Construction	Ghana	social

The common element of most of the case studies except the Prima Woods is that of partnerships and seems to become an integral part of CSR engagement. The key actors of these partnerships besides companies were NGO, CSR organizations, public authorities and the public. Either it took place in Europe as initiative of a large organization like CSR Europe or UNDP or it was a small enterprise

like Prima Woods those companies were focused on these CSR activities oriented to the environmental and urban dimension of CSR. Also, the drawbacks or the low budget that Prima Woods and the case studies of Lebanon faced compared to the case studies in Europe seems to overcome their determination to offer to their local community. Certainly a CSR activity well coordinated and supported by money from other resources than just the company itself is an asset but as well a committed SME could also develop a successful CSR activity oriented to urban development projects.

The cases of Sustainable living cities by the CSR Europe and private companies are examples of how CSR organizations could lead private companies and public authorities to work together and build successful and effective partnerships for their cities and find innovative solution to improve the quality of life in cities. There is no doubt that large firms like Toyota or HP have access to the knowledge and resources to succeed in these sector of CSR but also they could inspire small enterprises to take small steps towards this direction like the case of Eurobank in Greece.

The problems that cities face are numerous either it is a poor city or a developed city. The environmental pollution, insufficient infrastructure, education concern all people in our globalized community and since companies operate and depend on the places they established either it is a small town or a metropolis they are subjected to the challenges and opportunities that CSR provides. Every CSR activity will be questioned and discussed among peers and the public but when it is based on partnerships it is more likely to have a strong base and follow a more organized pattern to succeed. Yet, it is our belief that if a company is dedicated to its social role and operates responsible in every step of their operation then it can rely on itself to succeed in any CSR activity because the triple bottom line principles are in the core of their business strategy.

According to Healey the promotion of social sustainability issues within the urban development context is largely assumed to be a role of the public sector, and more specifically local authorities; but other groups such as politicians, party-networks, lobby groups, business interests, landowners, developers and residents also have responsibilities in that complex process of governance (Healey 2007).

This paper aimed to provide though this case studies that urban developed projects within CSR have numerous perspectives to improve cities and how important and vital are the existence of

partnership among the key actors like cities authorities, companies, NGOs, experts. The case studies selected is certainly a small fraction of what companies develop in the field of CSR and the purpose was to present and enrich the field of urban development projects through CSR and attempt a theoretical framework on Urban CSR. Whether the company engagement to CSR is done for publicity reasons or to hide other spacious activities or their intentions are clear as crystal the bottom line is that CSR actors and the policy makers will always find ways through guidelines, campaigns or even legislation to improve this controversial notion.

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