

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY IN THE SERVICE SECTOR: A CASE STUDY FROM TURKEY

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—Abstract—

As the world is rapidly approaching its limits in terms of both environmental and social problems, businesses are increasingly expected to attend to issues of socially and environmentally responsible performance. In addition that demands for heightened levels of corporate social and environmental responsibility are being pressed through regulatory initiatives in many countries, corporations at the same time are realizing that being environmentally and socially responsible makes good business sense. In the dynamic and competitive world, businesses try to differentiate themselves from their competitors by adopting a more integrative approach to their social and environmental responsibilities. Corporate social and environmental responsibility (CSER) is a helpful conceptual framework for exploring the corporate attitude of companies towards stakeholders. Stakeholders today are increasing their corporate social and environmental responsibility expectations for all businesses either in products or services market. Corporate social and environmental responsibility is an integrative concept that overlaps with environmental management, business ethics, corporate citizenship and corporate sustainability. Much of the literature concerning CSER concentrates on heavy industries such as the mining, chemical and energy sectors; there is a lack of research on CSER in the service sector. This paper, after a brief theoretical

introduction on CSER, will focus on the corporate social and environmental responsibility activities in the Turkish banking sector as an example from the service sector.

Key Words: *Corporate Social and Environmental Responsibility (CSER), Corporate Social Responsibility (CSR), Environmental Management, Competitive Advantage.*

JEL Classification: M14

1. INTRODUCTION

Global environmental problems such as greenhouse effect, waste problem, soil, water and air pollution and deforestation have raised with increased industrialization. The results of the environmental disasters like Bhopal, Chernobyl etc., increased public attention about environmental problems. The fact that the world is near its limits, pushed governments, companies and people to work together about environmental problems and solutions. As a result of these developments, governments increased the number and scope of environmental regulations for businesses to protect the sustainability of the world for future generations (Porter&Linde,1995:120).

These environmental problems and the regulations brought different opportunities to companies, although it is believed that environmental regulations threaten competitiveness due to increased cleanup and prevention costs and also product prices. While different sectors are assuming their environmental responsibilities, the green trend has affected the competitive environment. As a natural consequence these developments have caused to create new business opportunities and threats (Heikkurinen,2010:142). Companies accept environmental issues as opportunities beyond threats private costs; they may struggle probably with dynamic competition by using these opportunities (Friedman&Friedman,2009:17). In other words new costs and opportunities have emerged for companies due to increased environmental awareness. For example in more developed countries customers prefer to buy environment friendly products although their prices are higher.

The current state of the world shows that businesses need to take into consideration their corporate social and environmental responsibilities urgently. There is a growing trend in the world as such. CSER activities also help companies increase competitive advantage, profitability etc. Customers other

stakeholders, and the society at large also benefit from these socially and environmentally responsible activities.

2. CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY AND COMPETITIVENESS

Corporate social responsibility (CSR) refers to obligations of business organizations towards society. Defining social responsibility is rather hard because the concept is not clear and different authors and organizations have different points of view about corporate social responsibility. The term corporate social and environmental responsibility (CSER) is accepted as a narrow field of corporate social responsibility.

The definition of CSER like CSR includes social and environmental issues. CSER is related to regulatory compliance, voluntary initiatives, accountability and transparency, communication and also institutionalization of environmental and social issues (Lynes, 2008:339). Corporate social responsibility issues are also related with sustainable economics. Business policy and business decisions are affected by environmental and ecological issues (Desjardins,1998:833). Wastes should not exceed the capacity of environmental emission. The ecosystem's balance should be protected to assimilate wastes. Companies should assume their environmental responsibilities like to producing with environment-friendly technologies, to using recycled materials, recycling by-products of production etc. (Desjardins,1998:833).

Economic performance was the only success indicator in the past for business. The economic performance was thought to be a guaranty of corporate success by managers and shareholders. But as the world approaches its limits, social and environmental issues keep their priority on corporate agendas. Companies are evaluated by customers and other stakeholders not only by their economic performance but also by social and environmental performance. The minimization of ecological footprints and the maximization of social benefits began to impact economic results.

Companies adopting environmentally and socially sustainable strategies will have a competitive advantage over their rivals. Activities within the framework of CSER are be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage (Porter, Kramer,2006:80). Several studies show that consumers are affected from

companies' reputation resulting from strategies related to corporate social responsibility and environmental responsiveness (Folkes and Kamins,1999, Mohr, Webb and Harris, 2001, Mohr and Webb 2005).

There emerged many environmental and social organizations, principles and standards on global, regional and national levels. UN's World Commission on Environment and Development, World Business Council for Sustainable Development, Global Reporting Initiative and International Organization for Standardization are some examples of them. These and similar organizations try to promote environmental and social awareness in the world. There are many environmental laws and standards emerged from these organizations (Kuo,2011:4). Some of them are the Global Reporting Initiative (GRI) Reporting Guidelines, The Social Accountability (SA)8000, ISO 14001-Environmental Management Systems, ISO 26000- Guidance on Social Responsibility, and The United Nations Global Compact. ISO 26000 is still a draft standart about CSER activities for all industries (Babin and Nicholson,2009:205). With enhancing environmental and social awareness on the market, companies that have adopted at least one of these standards/guidelines can be accepted being more environmentally or socially responsible by their stakeholders.

3. CSER IN SERVICE INDUSTRY AND CASES FROM TURKISH BANKING SECTOR

Services represent a formidable segment of the economies of many advanced industrialized countries around the globe. Yet, when discussions of environmental consciousness issues are raised, the focus is usually on companies that produce cars, canned goods, disposable nappies, mobile homes and a cadre of other manufactured products(Carter, Hugby,2005:255). The characteristics of being intangible, perishable, heterogeneous and produced and consumed simultaneously render service products as little threats to the environment. But ecological considerations regarding the materials comprising the tangible aspects of service products ostensibly could have a major impact on the environment.

Many multinational companies give priority to their social and environmental responsibilities in order to create a win-win situation. DuPont, for example, has saved over \$2 billion from reductions in energy use since 1990 (Porter and Kramer, 2006:82). By purchasing 24 million key cards made of 50% recycled material, The Marriot hotel saves 66 tonnes of plastic from being dumped in the landfill (RBC Royal Bank). 3M eliminated pollution at the source through product reformulation, process modification, equipment redesign, and the recycling and

reuse of waste materials in 1996. 3M reduced wastes by 57% between 1990 and 2006 (The 3M Company). Recently, some researchers showed that customers tend to buy the eco-friendly product (Banyte, Brazioniene and Gadeikiene, 2010:552). With the increased ecological awareness of especially customers and other stakeholders of companies, environmental products or services have emerged in many sectors like banking, communicating, manufacturing etc.

Banks play very critical roles in national and international economies. They operate the payments system, are a source of credit for large parts of the economy, act as a safe haven for depositors' funds. Eco-products and ecological processes are increasing in the banking sector. There are many banks in the world that try to reduce carbon footprints, energy consumption, solid waste and green gas effects. HSBC China, for example, have replaced all light bulbs in its branches with energy-saving bulbs, which is expected to help reduce the Bank's electricity consumption by about 650,000 kWh per year. This results in an annual reduction of carbon dioxide emissions by more than 429 tonnes (HSBC). The Royal Bank of Canada has a programme to save paper in its 1,600 branches by converting almost exclusively to electronic data processing" (Grove etc., 1996:61). Lloyds TSB Bank reduced CO₂ emissions by 161,000 tonnes, wasteS by 26,700 tonnes and increased recycled waste by 47 % in 2007 (Lloyds TSB).

In Turkey there are leading banks in the banking sector, which try to help protect the environment. It is the first time, Is Bank has launched an eco-friendly fund, - TEMA Environment Fund- in 2008. The fund comprises of only the shares of firms which are respectful to the nature (Is Bank). Besides this fund, Is Bank had financial contributions to the several environmental projects of TEMA (Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats).

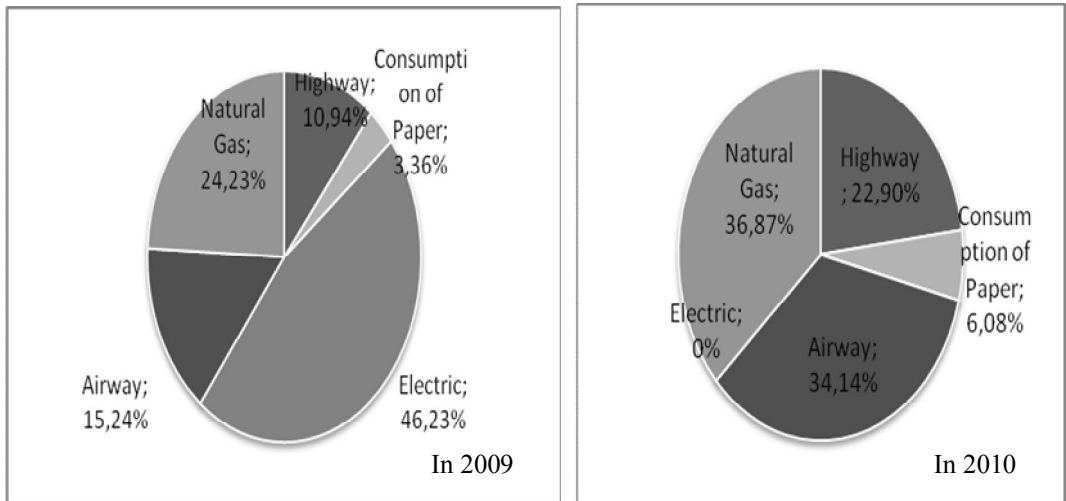
Garanti Bank's "Environmentally Friendly Bonus Card" enables customers to donate a portion of the bonus they earn to WWF-Turkey (World Wildlife Fund) to be used in environmental projects. The card delivery letters, envelopes and all printed communication materials are made of recycled paper. A minimum amount of PVC, which is relatively less resistant to environmental conditions compared to other types of plastic, is used as card material. Therefore it dissolves in nature more quickly than other plastic cards (Garanti Bank).

VakifBank has saved on operating costs by investing in the energy-efficient products with Green Technology Package and also the bank has provided

financial support to companies wishing to contribute to the environment (VakifBank).

An organization’s carbon footprint represents the total of all greenhouse gas emissions arising from the fulfillment of its transportation, heating, lighting, and similar functions. Industrial Development Bank of Turkey (TSKB) is the first and only bank in Turkey to eliminate its carbon footprint and become carbon-neutral. TSKB won the award of "Sustainable Bank of the Year" for the third time in Eastern Europe in 2010. TSKB reduced consumption of paper by 6.8% compared to 2008 by the end of 2010. In 2010, the Bank became the first member of the Turkish financial services industry to supply its stakeholders with a GRI-checked sustainability report.(TSKB).

Figure-1: The Distribution Carbon Footprint of TSKB



Source: TSKB Sustainability Report 2010, <http://www.tskb.com.tr/sustain/tr/m-5-12.html>, [Accessed 3.4.2012].

Akbank launched jointly with the Sabanci University, the Carbon Disclosure Project (CDP) in Turkey in January 2010. The project, sharing companies' carbon foot prints with the public, aims at enabling institutional investors to have direct access to corporations' greenhouse gas emissions and climate change management policies. Akbank is also the first and only Turkish corporation to be included in the CDP 2010 Global 500 Report. (Akbank)

The banking sector has many alternative ways to contribute to the protection of the environment and the society. Besides recycled paper use, increased electronic data, environment-friendly credit cards, decreased energy consumption, the banking sector, has an important affect on the environmental impact of companies from other sectors through their lending policies. Since banks themselves do not produce hazardous chemicals or discharge toxic pollutants into the air, land or water, at first sight they do not appear to be involved with environmental issues beyond those which would normally apply to any office-based service industry – paper recycling, energy efficiency of buildings etc. However, through their lending practices they are inextricably linked to commercial activity that degrades the natural environment. Therefore it is very important that the banking sector in every country be aware of its environmental and social responsibilities.

4. CONCLUSION

Global environmental problems like greenhouse effect, waste problem, technological contamination, soil, water and air pollution are serious threats for the globe. The seriousness of these problems urge international organizations and governments to increase regulatory initiatives in many countries. Besides regulations, social and environmental the demands of the different stakeholder groups affect companies to frame their strategies in a more sustainable way. Customers are more environmentally conscious today, they are ready to pay a little bit more for eco-products. Many investors prefer investing in more environmentally and socially responsible companies. Socially responsible investment, is a broad term for a range of investment activities that aim to influence companies to adopt policies that benefit society and the environment.

These developments brought new and different competitive conditions today. Corporations are realizing that being environmentally and socially responsible makes good business sense. They redesign their products, production processes and reorganize their activities by taking into consideration these environmental and social issues. Both manufacturing and service sectors are affected by these developments.

Banking sector, as a subsector of the services, is also one of the sectors which is becoming more environmentally conscious. Turkish banks change their products and processes to become more sustainable. Examples from the banking sector include eco-credit cards, use of recycled paper, eco-funds, reduction in carbon footprints, increased energy saving etc. These specific examples show that

Turkish banking sector in general is aware of its environmental and social responsibilities.

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