

SOCIAL RESPONSIBILITY VERSUS ESG

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Evolution of concepts

In all spheres of activity, concepts and their definitions keep evolving over time. We have seen, for example, how the concept of transportation has historically passed through "logistics", "operations", "supply chain", etc. These changes always respond to different reasons: concept obsolescence, incorporation of new capabilities and technologies, scope extensions, concept modernization, even a marketing perspective, etc.

In these situations, the sphere of social responsibility (SR) is not irrelevant. Referring some of the last updates of this definition, and making a great concretion effort, we could say that a company or organization is socially responsible when besides willfully complying with the law, it establishes a dialog with its stakeholders, acts in a balanced manner regarding the organization's different activity spheres (not only with a business vision but also with a social and environmental one), and enforces this approach in its strategy, policies and procedures.

Foreseeable regulations and adaptations

If we were to touch on this definition again within a few months or a year, it would certainly have changed as society and its expectations keep changing as well. An aspect that would likely be modified in the near future is the concept of willfulness (it should be considered, however, that such willfulness has always been relative, since it does not begin where the law ends but rather where society demands). As we all know, the reason for that is that we are in the middle of a legislation tsunami by the EU, which is leading us, both in form (reporting) and core (content), into a regulated environment in most of its aspects. Maybe, willfully, we will indeed have other pending topics related to social action, etc.

Related and complementary concepts

In any event, besides the general definition we have previously mentioned, the social responsibility of an organization is also keeping society on the edge due to the actions and impacts it involves. As we all know, a series of other related parallel concepts have emerged around this one, such as sustainability, green economy, circular economy, shared value etc., and most recently, the approach based on ESG criteria.

If we were to analyze these concepts more in detail, we observe that the sustainability concept involves approaching an organization's management by balancing different economic aspects, like good governance and responsible management, social aspects, such as labor, human rights and relation to society, and also environmental aspects. If our goal is to focus our activity towards this direction, then we should walk towards a green economy, which, as defined by the UN, is the one that results in the improvement of human wellbeing and social equity, substantially reducing environmental risks and ecological harm, which also falls at the intersection of the three previously mentioned concepts (economic, social and environmental concepts).

The ESG approach

The ESG-based management approach is another vision that has emerged in recent years. This fact has especially come from the investors' perspective as these aspects involve more risks and future requirements for the different organizations. On the other hand, as we had mentioned, working under a sustainability approach or ESG approach is fundamentally the same for they both take into account the same concepts, and though ESG is more advanced in form with greater reinforcement on good governance (already included in the economic sphere), it basically assumes the same major concepts of sustainability.

In this way, the ESG or sustainability approaches don't replace social responsibility, since an organization considered as socially responsible should focus its activity on ESG or sustainability aspects (economic, good governance, and social aspects, the latter comprising labor, human rights, relationship with

society and environment), also keeping in mind what SR adds, the relationship with stakeholder groups and the cross-organizational implementation of all this management style into the organization's strategy, policies and procedures.

However, it is a fact that given the willingness to modernize and update the terms, especially from this investors' perspective, especially in certain sectors, today we hear more about an ESG strategy, policy, department or manager, rather than about a sustainability one. Just as we have seen, in my opinion these are related and mutually complementary concepts.

Global vision and conclusions

From a global perspective, when we speak about ethics within an organization, we talk about working under certain values, about general guidelines, and about where to direct (or divert from) our vision. When speaking about social responsibility, we talk about bringing that philosophy into the organization's daily routine (in agreement with stakeholders, etc.), and in order to be responsible, we should focus our activity on sustainability or, in other words, have an ESG vision.

In conclusion, all that have been previously mentioned will not prevent us from now referring to this policies or approach as ESG, while we used to refer to them as sustainability, since at some point this term, "sustainability" had already been used in detriment of the term, "social responsibility", even though as we have seen they are complementary and compatible. Therefore, when we speak at a company or organization about ESG, the term being now incorporated and used, we speak correctly as long as we don't lose that complementary vision, as it happens in the case of SR, or of sustainability.