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CORPORATE SOCIAL RESPONSIBILITY AND ISO 26000: A DOUBLE OXYMORON? A DISCUSSION PAPER

Summary. The paper concerns on the recognition of the Corporate Social Responsibility (CSR) concept and focuses on the problem of its implementation. One of the applied solutions is the standard of ISO 26000. In the paper it is considered as one of the ways to put CSR assumptions into practice and it is compared with other standards of this kind (GRI, SA 8000). The research focuses on the impact of quality management on the process on CSR implementation.

Keywords: CSR, ISO 26000, implementation, quality management

SPOŁECZNA ODPOWIEDZIALNOŚĆ PRZEDSIĘBIORSTW A ISO 26000: PODWÓJNY OKSYMORON? DYSKUSJA ZAGADNIENIA

Streszczenie. Artykuł porusza zagadnienie Społecznej Odpowiedzialności Przedsiębiorstw (Corporate Social Responsibility – CSR) i koncentruje się na problemie jej implementacji. Jednym ze stosowanych rozwiązań jest norma ISO 26000. W niniejszym artykule rozważana jest ona jako jeden ze sposobów wdrażania założeń CSR do praktyki oraz porównana z innymi standardami tego rodzaju (GRI, SA 8000). Przeprowadzone badania kładą nacisk na zarządzanie jakością w procesie wdrażania CSR.

Słowa kluczowe: CSR, ISO 26000, wdrażanie, zarządzanie jakością

Reactions to questions concerning Corporate Social Responsibility [CSR] and the development of a new CSR standard – ISO 26000 – can be extreme. Although many writers argue that CSR is now mainstream, not a “management fad”, both concepts still confuse people and are often regarded with cynicism. One manager recently described as “bizarre” the

idea of developing a standard for CSR, and Eddie Obeng's¹ reply became the title of this article!

A single definition of CSR has so far been unachievable, as there is much conceptual ambiguity. However, many believe that if it is ignored, it will damage brand reputations. As Peter Drucker once stated, "The guiding principle of business economics is not the maximisation of profits; it is the avoidance of loss." Even those who favour the adoption of CSR measures have problems in making change happen. Sometimes it is hard to find out whose social welfare companies are seeking to enhance, and the number of acronyms and conflicting terminology lead to further confusion. It is important to recognize that CSR includes environmental, social and governance issues. "Social" often includes poverty reduction and development issues, although Tallontire [2007] claims that "Poverty reduction is not an aim of CSR." [Certain population groups would argue that any CSR improvements will be nullified if global population rates are not reduced but that is not part of this discussion]. A further complication is the confusion caused by elements which overlap with climate change discussions. One way to begin the journey towards understanding is to watch Burtynsky's 2006 film *Manufactured Landscapes*. Using minimum commentary, he uses photography to demonstrate the problems that need to be addressed.

The scope makes it difficult to grasp, and CSR initiatives have become fragmented and compete with each other [for earlier discussions see Collins 2008; 2009]. Therefore, when people try to understand CSR, they need to separate the different streams, as understanding and implementing each sub-set requires a different skill set. It is also important to recognize that CSR is both an internal and external issue: it ranges from employee welfare to concerns throughout the supply chain.

The difficulties can be illustrated with reference to a number of situations in South America. Adams [2009] discusses the genocide leading to the extinction of Amazonian tribes such as the Akuntsu during exploitation of the region for agriculture and cattle ranching. In Peru, there are large expanses of Amazon forest – the "lungs" of the world – under which are huge reserves of oil, gold, gas and uranium. The conflict of interests between different stakeholders, leading to violent demonstrations, was vividly illustrated in a recent Al Jazeera documentary². The President of Peru, Alan Garcia, stated that

"This has gone too far. These people [the indigenous tribes] do not wear a crown. Those people are not first class citizens. 400,000 natives cannot tell 28 million Peruvians that you do not have the right to come here.....This is a terrible mistake. And anyone who thinks like this wants to lead us irrationally towards a backward, primitive state."

¹ PentacleTheVBS.com.

² <http://english.aljazeera.net/programmes/peopleandpower/2009/08/20098129472268549.html>.

In contrast, Richard Chase Smith, Executive Director of El Instituto del Bien Común³, an agency that works with indigenous peoples, explained the ways in which companies flout human rights and ignore environmental concerns. It is doubtful that a voluntary ISO standard will make any difference to the way companies behave, especially when they have the backing of national governments. The problem is to find methods to enhance the implementation of CSR in all its complex aspects.

Quality management practitioners have long been aware of the links between quality methods and CSR in its widest sense. Their intention has always been to “do the right thing” as well as “doing things right”, such as reducing waste, avoiding pollution, and satisfying the customer [including stakeholders, not just the immediate client]. They look for continuous improvement and urge managers to go beyond quality control and quality assurance, and to aim for “business excellence.” The concepts evolved, became associated with a wide range of tools and techniques to apply in appropriate situations, and moved from being purely operational to part of organizational strategy. So embedded are the concepts that Total Quality Management [TQM], value stream analysis, business excellence – whatever name you prefer from the long list of alternatives – that no company can survive without them. The ISO 9000 family of standards⁴ is just one tool, and one that is much criticized.

Those who helped to introduce the main quality standard, the ISO 9000 series, will recall all the problems that it raised. Standards set a minimum target, rather than encourage continuous improvement, and although developed for manufacturing was applied in contexts where other approaches would have been more suitable. Some have long campaigned against ISO 9000, saying that it is about compliance, not quality. Many auditors confirm that certification is no guarantee of quality products or services. Standards achieved are not consistent. The result? Far too many firms set up the systems to be audited for the sole purpose of having the certificate to hang up in their reception areas. “Got the Certificate; done Quality.” No wonder the “Q” word became so unpopular. Did you ever hear of an organization that failed the audit or had their certificate removed? It is essential not to inflict these mistakes on our CSR efforts.

The development of ISO 26000 is potentially misleading and cannot guarantee better implementation of CSR. This is put forward as an ISO standard, not a standard that could be audited by a third party, but a set of *guidelines*. It states “*This International Standard is not a management system standard. It is not intended for certification purposes or regulatory or contractual use.*” Companies that have complied with ISO 9000 often go no further than the minimum, without adopting the principle of continuous improvement. There is much research

³ <http://www.ibcperu.org>.

⁴ http://www.iso.org/iso/management_standards.htm.

evidence showing that voluntary agreements are often blatantly ignored. Change management requires more than tick boxes and guidelines. A *social* management system is required to complement the technical systems already available. Yet Human Resource Management textbooks rarely address the CSR range of issues. SA 8000, developed in the USA, is a very important initiative that helps to fill this gap, but it is hardly known in Europe where ISO holds sway.

At one time ISO was an agency for developing standards. Now an important part of its role is to act as consultant and training agency. It claims its brand name as part of its added value. Is this new ISO 26000 just a means of raising more income for assessment agencies and consultants? It took a long time for businesses to find their way to integrate ISO 9000/14000 and OHSAS18000⁵. Thinking practitioners want just one management system, rather than little boxes which compartmentalise everything.

Several managers contacted for this research were unfamiliar with ISO 26000. One commented:

“I have to say that I’m not familiar with ISO 26000 so can’t at this stage comment on its merits. We do have accreditations in 9001 and 14001 and are currently looking to be accredited in 27001[information security] later this year. All of which currently stand on their own and therefore costs us the pleasure for doing so not only financially but in time/effort as well. Our approach though is to single out the standard that best positions us to our current and potential client base; carry out all the justifications for proceeding (and thankfully we have been pretty good at implementing these) so we can show the impact of the process fairly easily and what the cost/return of the exercise has been. Once in place and a bedding-in period has been achieved we will then look to consolidate standards where applicable.

On the surface I’d agree that more consolidation could take place within the ISO standards but this may not always appease the market place as the true global brands that we deal with have their own agenda when it comes to Management systems and you then need to adhere to that in order to do business with them regardless of how many or consolidated ISO accreditations you have. Yes, it helps but doesn’t get you on their vendor list until you have been vetted by their own internal global Teams”. [Liddle 2009].

One of the advantages put forward for standardization is that it reduces the need for government regulation. This could be another agenda behind the introduction of a so-called CSR standard. Very few governments have so far introduced legislation. ISO 26000 could forestall intervention and maintain the voluntary nature of CSR initiatives, whereas practitioners argue that only legal and compulsory regulation will stem the power of large corporations.

⁵ <http://www.ohsas-18001-occupational-health-and-safety.com>.

Another problem is that ISO standards are not the norm in every sector. It is clear for example that UK retailers do not favour the current ISO 9000 or 14000 series of standards. Retailers look for specific outcomes and their systems focus on monitoring the achievement of these outcomes. If retailers all operate their own systems within their supply chains, with the British Retail Consortium Standards⁶ often used as a required minimum, ISO 26000 is not going to have any significant impact on this huge business sector. In addition, ISO standards are not always applied to all parts of the same company. There is no guarantee that ISO 26000 would be comprehensively applied and consumers could potentially be misled. Tallontire [2007] provides a useful overview of the variety of standards in the agri-food chain and expands on this problem of public “versus” private standards, and the proliferation of new sets of rules and “ways of playing the game.” There are also managers who argue that standards imposed on the supply chain companies are a restraint on trade.

It is important, then, to ask why the International Standards Organization [ISO] is preparing a standard for CSR. How is it possible to “comply” with CSR, which is a value system demanding:

“the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”[WBCSD 1999]

Few managers will agree with Jeffrey Hollender, quoted by Worldwatch, that CSR will “lose credibility” if there are no standards. However, this raises a key question: what do people mean when they use the word “Standard” – the word means different things to many people. Does Hollender mean ‘certifiable’ by a third party, or does he mean ‘guidance’? There are many frameworks which companies are already using as guidelines. Yet there are those who still prefer compliance [often associated with prescriptive measures or regulation], and do not recognize that TQM and CSR are both about culture change, not ticking boxes. There is still a corporate mentality that prefers the traditional hierarchical, command and control approach to organization, rather than an inclusive, partnership style. The latter takes a “processual management” stance – an integrated, holistic view of organizations that avoids functional silos.

⁶ <http://www.brc.org.uk>.



Fig. 1. Processual management
Rys. 1. Zarządzanie procesowe

Others such as USA company B Corp⁷ endorse this view. B stands for “beneficial” and “be the change we seek”. They suggest that “a new type of corporation which creates benefit for society, not just shareholders” is required. Their certification scheme requires businesses to change their Articles of Incorporation. This perception contrasts with the views of Richard Welford [2009], Director of CSR Asia, who thinks that ISO 26000 will end up as a “standard of standards....Global Compact represents a subset of ISO 26000 and has a limited role in that context.” Welford also believes that ISO 26000 will be useful as then he “can go to companies who think they are doing CSR [and are not] and show them a definition of what CSR really comprises”. It can be argued that there are so many agencies already providing such information that an additional one will further confuse the situation. There is absolutely no guarantee that ISO 26000 will become a “standard of standards.”

If we accept that there are three main sub-divisions, a further complication is that difference measures are required for each element of CSR. It is relatively easy to find performance measurements for environmental concerns. Frynas [2009] has written a comprehensive review of CSR in the oil and gas industries. He points out that it is easier to

⁷ <http://www.bcorporation.net/about/>

measure technical solutions than social ones. Shell or BP have regularly monitored reductions in greenhouse gas emissions for example. However, where such companies need to improve is in the *impact* of their operations. Frynas states that “there are no systematic attempts to measure the actual impact of oil operations on air quality, water quality, or the health of the local communities” [p. 85]. Thus the quality of their reporting is perhaps insincere, and is certainly incomplete.

Oil companies have such huge lobbying power, voluntary cooperation is insufficient. Porter and van der Linde [1995] commented that “businesses spend too many of their environmental dollars on fighting regulation and not enough on finding real solutions.” They believed that regulation was required, among other things to “level the playing field during the transition period to innovation-based environmental solutions, ensuring that one company cannot gain position by avoiding environmental investments.”

Anyone trying to impose a single “standard” will lose the spirit of CSR just as the quality movement for a time lost its way – until it evolved from a set of tools to a philosophy of business excellence. One reason for the renaissance of the quality movement was the introduction of the assessment processes such as the European Foundation for Quality Management Model. The EFQM⁸ model has it about right where CSR is one of the eight Fundamental Concepts that underpin the model. The Concept given in the Model is “Excellence is exceeding the minimum regulatory framework in which an organisation operates and to strive to understand and respond to the expectations of stakeholders in society”. The Model then gives some ideas how to put the concept into practice.

The Model includes a section on “impact on society” which many companies are now using as the basis of their integrated quality and CSR systems. Assessment is very different from audit, and encourages ownership of the processes. As John Pimblott, Business Excellence Consultant put it, “Until institutions think across rather than down we are not going to make much progress in areas like CSR. All the Excellence models have CSR linkages as part of their core across the management model. There are no CSR-labelled criteria as such – they are part of the “society results” criteria” - but the concept of ‘red threads’ across the Model is key here. In the EFQM Model ‘threads’, CSR has specific threads/links to leadership; policy and strategy, people, partnership and resources, processes and all the results sections. It is here, in developing those criteria in the business excellence models, that managers should be putting their efforts. The idea that any ‘Standard’ will have to cover all the enabling approaches just described is not going to happen”. Even in the EFQM model, the weighting currently given to “society results” is still only 6%. However, the Model is under review and this is one area which is likely to be subject to change [as yet

⁸ <http://ww1.efqm.org/en>.

unknown]. The timeframe for this review is for considerations and discussions to take place over the next two years.

There are also various reporting mechanisms, such as the Global Reporting Initiative [GRI].⁹ The effectiveness of these depends on the sector and the intended audience of the report, but allows consumers to see the efforts that companies are making to address CSR issues. Global clothing brands for example, are strong users of the GRI as they are aiming at a global opinion forming audience. UK retailers on the other hand have a very much more diverse approach with only three using GRI at all – and even then in a much more selective manner. Similarly, only these three retailers use any form of credible third-party assurance for the information contained in their reports. The vast majority of UK retailers including some major 'names' do not report on sustainability issues at all. Public pressure for more transparency is slowly resulting in more GRI reporting.

Another argument against ISO 26000 is the success of SA 8000, now over 10 years old. Leipziger [2009 p. 2 & 3] states that: “Voluntary standards were established because governments alone seemed unable or unwilling to assure decent work on a global basis. Clearly the private and the public sectors need to work together to reach this goal.” She continues: “Voluntary programs are no substitute for government regulation, but they can play a crucial supportive role, fostering a ‘culture of compliance’.” Her book presents a series of success stories that show that the social side of CSR is already well covered by SA 8000. A particularly good example of a culture change is the TNT story – Kofi Annan, former UN Secretary-General, praised the company for its a partnership with the UN World Food Program in 2002 “Moving the World.”

To embed CSR into our organizations requires a level of culture change and acceptance of social as well as environmental stewardship which almost certainly cannot be achieved through voluntary compliance. ISO 26000 does not intend to include certification so will have no teeth, so it is doubtful that it can add value to the frameworks we already have. There are already tried and tested assessment methods which can be developed further: various third party standards for issues requiring risk management such as the ETI¹⁰/ ILO¹¹ base code on labour standards; FSC¹²/ MSC¹³ on wood/fish sourcing; the EFQM model; and GRI. Large corporations recognize these and are learning to adapt. The public, quality managers, consumers, and end-users have to challenge all organizations to use their power for the common good – essential for their survival and the survival of the planet. It is very doubtful

⁹ <http://www.globalreporting.org/Home>.

¹⁰ <http://www.ethicaltrade.org>.

¹¹ http://www.ilo.org/global/About_the_ILO/lang--en/index.htm.

¹² <http://www.fsc.org>.

¹³ <http://www.msc.org>.

that ISO 26000 will be able to accommodate all these initiatives worldwide as Welford suggests. Burdening managers with new audit schemes is more likely to result in bureaucracy and extra staff – just what they do *not* want.

Whilst implementing the various stages of Quality management, managers quickly discovered that there is no “one-size-fits-all”. Bjorn Stigson, President of the World Business Council for Sustainable Development, said the same thing about CSR and strongly believes that “business cannot survive in societies that fail.” As long ago as 1999 Stigson was telling people that no one code, guideline, value or indicator would suffice. He said that “each company must determine what works best for them – globalize your values... recognize that operating contexts are highly variable... raise standards – but also caution as to the protectionist agenda. State what you stand for and be accountable.¹⁴”

An example of this can be found within Mars Inc: their Five Principles clearly set out their concepts of responsibility and mutuality:

“The principle of Responsibility applies to every level within Mars, from the associate’s obligation to maintain the highest standards of honesty and integrity to the company’s ethical responsibility to its communities and the environment. Because we value and recognize each other’s contributions, we treat all associates fairly and equitably, avoid divisive privileges and disapprove of disrespectful behaviour of any kind. This is the source of the word “associate” and of the egalitarian spirit at Mars, which is our policy and practice regardless of age, gender, race or religious belief. As such we must have the courage to call attention to those associates not behaving according to our values. We believe that if what we say and what we do are consistent with our principles, we will achieve the results we seek.”¹⁵

In the long run, there can be no escape from legislation as consumer and end user expectations continue to rise. Traditional organisation structures have to adapt to address these expectations and that will be a continuous challenge. The balance may often be decided by the nature of the business and the extent to which legal stipulations apply. This can be explained quite simply by taking the example of the tightening of regulations on chemical substances - their use and movements around the world. In this case the rules are very explicit and there are clear restrictions against non-compliance which literally can prevent business being conducted. In this way there is little option but to ultimately comply. CSR does not currently hold such an iron grip on businesses.

Growing consumer expectations cannot be ignored but CSR would gain if the word “corporate” was to be removed so that consumers and business recognized their *joint* responsibility. Kakabadse et al [2007, p. 1] quoted a senior director who affirmed that “We

¹⁴ <http://www.wbcds.org/plugins/> accessed 13 August 2009.

¹⁵ www.mars.com.

have gone beyond making the annual report look good. I think CSR is beginning to take hold.” There is, however, a long way to go before CSR is rooted in organizational culture in the way in which Quality has become embedded.

Henderson [2006, p. 232] succinctly summed up the current situation:

*“Today, our increasingly crowded, polluted planet is mirroring back to humans the unsustainability of our fossil-fuelled industrial technologies and life-styles..... We are reconnecting the dots – learning the first law of ecology: Everything is connected to everything else..... We have learned that narrow, fragmented, short-term thinking is now too costly and is unsustainable. When seen in a planetary context, we understand that all our self-interests are **identical!** Morality has become pragmatic.”*

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