



Corporate Social Responsibility (CSR) is a Concept that Aims to Help Organisations Achieve a Balance Between Profitable Operation and Ethical Practice

Finding the Balance

Corporate Social Responsibility (CSR) is a concept that aims to help organisations achieve a balance between profitable operation and ethical practice. By achieving this, they not only meet the expectations of investors and other stakeholders, but also demonstrate a commitment to social and environmental responsibility.

Achieving a balance between profitability and accountability is likely to be a considerable challenge for most organisations. This is why an effective CSR management system has to be developed.

Applying this framework will, in turn, enable the organisation to find sustainable solutions to the problems and challenges that will almost certainly be encountered in meeting the CSR challenge. That solution will be different for every organisation, but identifying stakeholder requirements and implementing the processes that address them are hugely important elements of the final system. The need to meet stakeholder requirements could imply that it relates to ISO 9004, but CSR is much more than that.

So, why has CSR engendered so much debate? And why, despite this level of debate, has it also created so much confusion? If it creates this much 'hot air' and little that is concrete and easily understandable by the average manager, how can they address the issues that undoubtedly lie at the heart of CSR?

These questions need answers. If not, then the CSR agenda will be lost, and the fundamental goals that different groups are trying to achieve through CSR will certainly be devalued – and probably delayed by years. For CSR to become a mainstream consideration for all organisations, it will take much more than legislation, conferences, papers, pressure groups and ongoing debate. CSR needs to become something that can be understood, valued and implemented by any organisation that it affects – and that is every organisation, regardless of size or sector. In the same way as any other part of business operations, it has to be practical and worth the effort, otherwise it will fail.

Unfortunately, because there is no single clear definition of CSR, the journey to a sustainable CSR system is confused. Depending on which expert is talking, you might believe it to be about their own particular specialism as they tend to emphasise the issue they are trying to sell.

CSR is currently a loosely defined framework embracing a number of concepts including:

- Environmental concerns
- Public relations
- Corporate philanthropy
- Human resource management
- Community relations, and so on.



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While, in a way, all of these are potentially elements of CSR it is no wonder that there is confusion when the experts are promoting their part as being the most important one.

Bring in the non-experts

In order to find a way through this seemingly unfamiliar and currently confusing territory, an approach to the subject from a non-specialist viewpoint is needed. Specialists often express their view of CSR in increasing degrees of detail associated with their own particular specialism. But the more detail there is, the further the specialist gets from the main principles, which are so important.

As soon as a particular specialism is considered to be the way to get into CSR, it is likely to take you down the wrong track. The many workshops and conferences on CSR, and the plethora of models, frameworks and articles, are likely to do little to help you find your way back. Yes, all of these will add to the debate, but they also serve to confuse and complicate something that is really quite straightforward.

Perhaps equally concerning is that CSR specialists define it as an organisational programme. Generally, this programme is not about the fundamental design and implementation of a management system that will drive overall organisational performance. More often it is about specific elements of the CSR agenda and how they are delivered, it is then not about the delivery of the raft of required outcomes as a joined-up business result. It becomes an initiative, not the development of real and sustainable changes in the way the organisation operates in the real world.

CSR is not complicated, but it is in danger of becoming so as a result of the confusion caused by these specialist viewpoints. The purpose of this article is to help you avoid such distraction and set you on the right road towards the design of a sustainable CSR system.

An ongoing journey

In order to start your journey in the right direction it is necessary to take a far wider view than that of a specialist. The first point is that CSR is not achieved – it is an ongoing dynamic that represents itself differently in various organisations, it is more an issue of continually developing sustainability and maturity.

CSR is not implemented, but built over time within an ever-evolving environment against some known framework or best practice to shape that journey. It is a way of life with no real endpoint, which needs to adjust itself as necessary in order to reflect the changing world. It is not a single goal, to be forgotten once achieved. Put simply, CSR is about:

- how the organisation understands the business environment in which it operates and the requirement of the key stakeholders within that environment;

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- how an organisation defines products and services and delivers them back into its environment and stakeholders

When you then measure how effectively the organisation is doing these things, this measurement defines the level of CSR actually being achieved (see *Figure 1*). If you look at CSR like this it covers the way in which you can identify and deliver any standard or framework needed by your organisation and its stakeholders. These include environmental, quality, customer, safety, industry specific, corporate governance, supply webs, stock exchange requirements, etc.

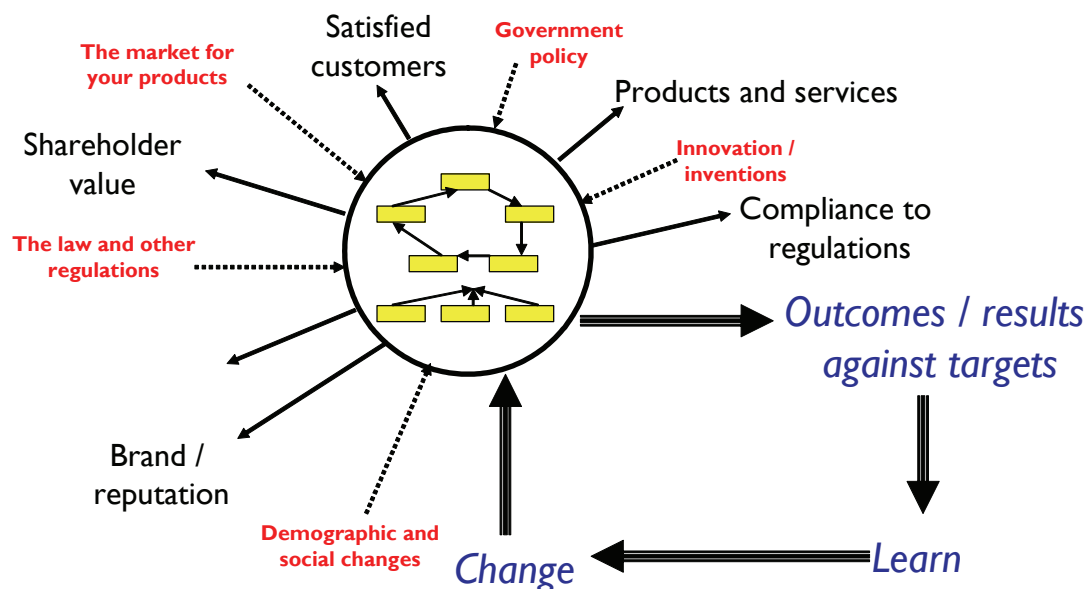


Figure 1 – The relationship between the organisation and its environment

Of course, this is not new. There is recognition by most organisations that this is just what is required in order to be successful. It is, however, the rapidly increasing number of standards and frameworks, together with the mounting level of stakeholder pressure, which are both the driver and also the problem. How does the organisation address these effectively, and not take its eye off one while addressing the other? How does it embed the requirement of these sometimes conflicting needs into its every day operations?

Designing for sustainable CSR

Many organisations, and the specialists who advise them, make the basic mistake of looking at the detail first. They build systems to manage the detail, which at first sight seems to be a very worthy approach. This approach was perhaps acceptable when there were only a few standards



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and frameworks to be concerned about, but as the list grows this becomes untenable. Having separate management system for each part of the business does not work.

If your immediate response is to suggest Integrated Management Systems, the answer to this is no. What is needed is an extended management system. By trying to squeeze together a number of different systems and integrate their functions, the complexity grows exponentially with the number being integrated.

Getting different systems to work together effectively, with different requirements, dynamics, ownership and priority, becomes a near impossible task, it also consumes large amount of management time and resources, while not really delivering what the organisation or its stakeholders require.

The basic premise is that just as business generates products and services, it also delivers measurable CSR outcomes/ results. All activities (hard and soft) take place within processes that deliver these outcomes. So simply managing and delivering social, economic and environmental outcomes is about managing and delivering the processes, people, resources, policies and strategies that deliver these outcomes, i.e. a system. But CSR requires a system that covers everything: all management disciplines, all activities (including those of the board), everyone at every level, and then measuring performance/ maturity to investors, regulators, customers and so on.

One for all

So, somehow we need to develop a single management system that incorporates everything that the organisation does. This means all the way from understanding wide-ranging stakeholder requirements to the delivery of what the organisation actually wants to deliver back to them.

'Effective CSR is best delivered, and perhaps only fully achieved, through a process-based management system. Equally, without a process-based management system that is designed to follow good practice, you will not achieve sustainable CSR.'

This statement is based on the principle that processes deliver results – in this case CSR results. CSR is about integrating workplace issues, human rights, the community and the market place into core business strategies and the processes that deliver them. It therefore makes sense that the way an organisation delivers CSR should be based upon the processes it operates. It involves every level of the organisation and its management from the board down, covering all specialist disciplines.

A review of organisations registered to ISO9001 suggests that they have not really got to grips with fully implementing process management as a strategic management tool. This may have occurred for many reasons, but do not be lulled into a false sense of security. CSR will affect corporate health so it would be wise to take stock and review any management system you may



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currently have against best or good practice. Anything less than this will put you at a competitive disadvantage to those who have taken this route and created a firm foundation for addressing CSR. This may mean revisiting the structure, scope and content of your management system and the business process it contains.

Different strokes for different folks

CSR can be all encompassing, but not every organisation needs to cover every management discipline to the 'n'th degree of detail, otherwise every organisation would look and act the same, which they don't. In reality, CSR will mean different things to different organisations. Each organisation will have to find its own definition of CSR and make decisions based on the market in which it operates and on its stakeholder needs.

It is also about balance, rather than an absolute and no CSR framework can explain exactly what to do. It can only state that management must make these decisions based on obtaining the correct information and on the needs of the market and other stakeholders. In other words the organisation decides:

- how to build and extend its CSR management system;
- what management disciplines to include; and
- how to achieve CSR.

Remember, however, that how the organisation's effectiveness in delivering CSR is measured will be up to its stakeholders i.e. the outcomes they receive, and not the organisation. What is required is a sound framework in which to operate and deliver what is needed. And this framework builds on a solid, whole-business process-based management system (see *Figures 2 and 3*).

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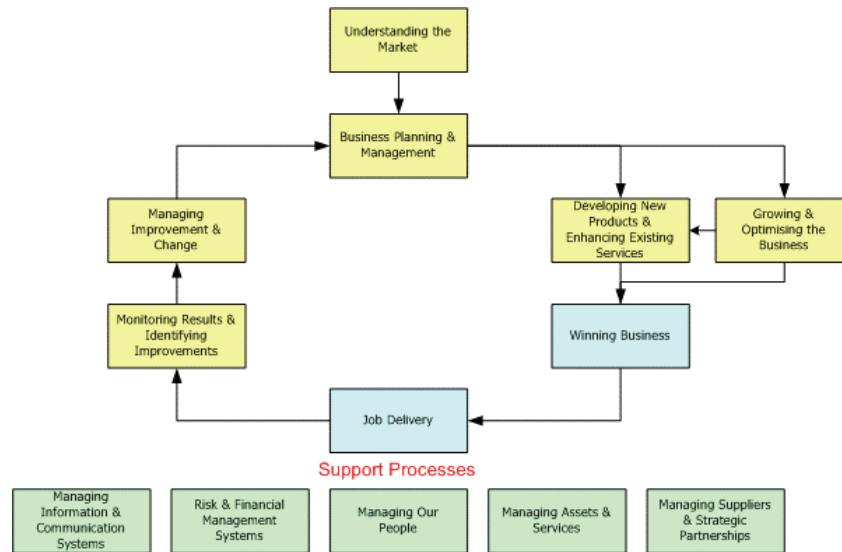


Figure 2 – A typical process-based management system

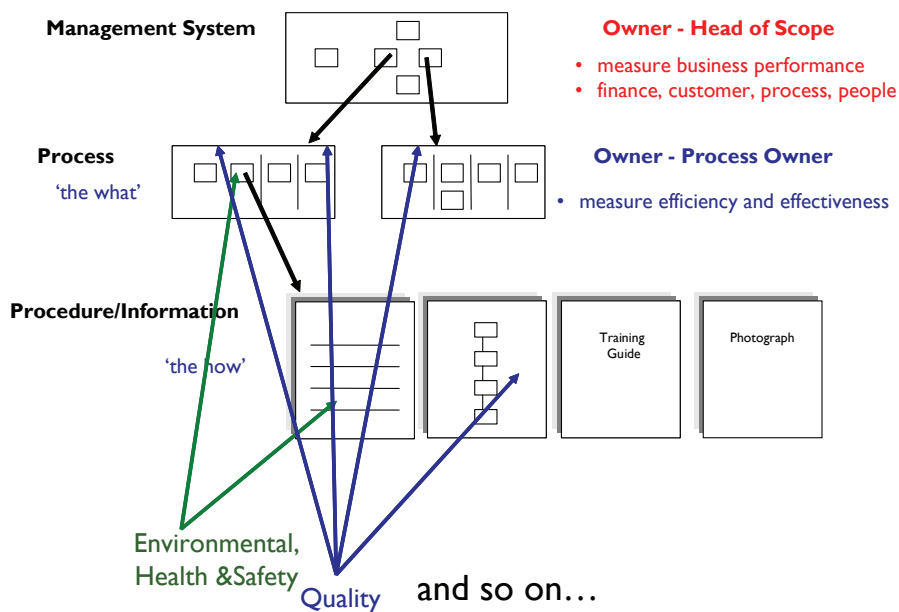


Figure 3 – The structure of a process-based management system



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As all organisations deliver their performance through their processes and the way in which they are managed, this is the natural place to start the journey. The system is then extended (not integrated, i.e. running a number of standards-based management systems alongside each other) to describe the actual real world situation where they work together.

What really happens to create this extension is that people's skill's, knowledge and competences are developed to maintain and improve this maturing system and the developing CSR performance. The system then requires more enhanced auditing and assessment methodologies to help the organisation learn about its current level of achievement and then move forward. CSR is an ongoing programme of activity, with maturity and change being the watch-words, not achievement. Management, staff and auditing all need to develop to create this learning organisation.

Getting a clear focus on this will get you going in the right direction. What matters is the maturity of the organisation at any point in time – its ability to understand and meet the overall needs of its market (in the broadest possible sense). This means the application of System Thinking (see separate article) and process management is in context of each individual organisation, and is not a prescriptive CSR approach to be applied as a 'one size fits all' solution.

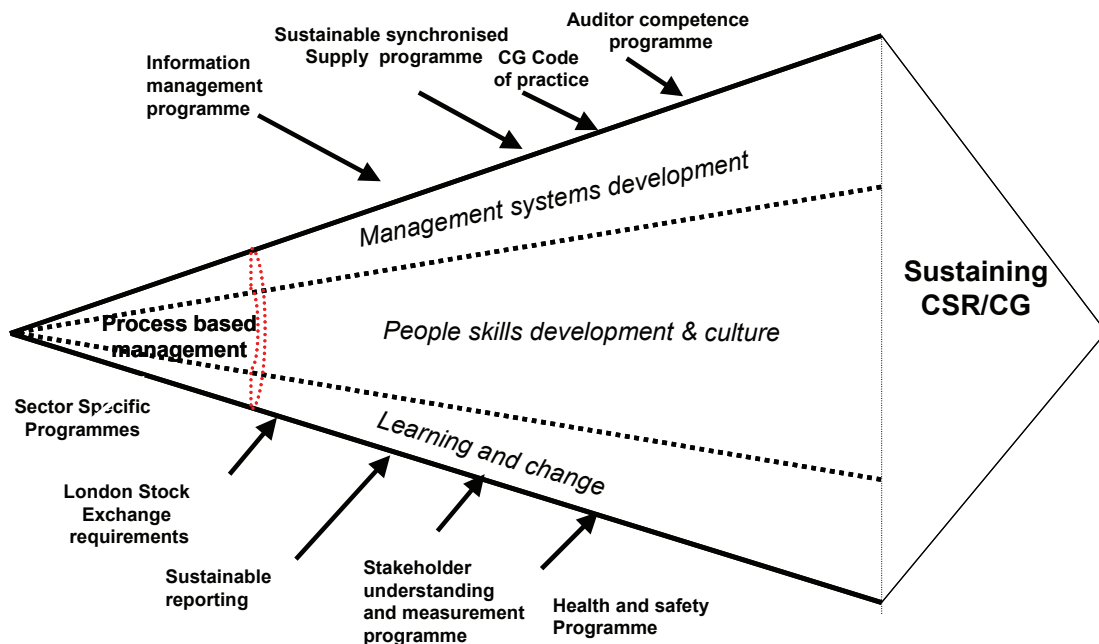
Linking CSR and corporate governance

Corporate governance (CG) is often associated with CSR. It is concerned with how the organisation is managed, providing a system by which organisations are effectively directed and controlled. It also specifies the distribution of rights and responsibilities within the organisation. This covers groups such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.

There is growing pressure on boards of directors to not only fulfil their monitoring/directing role but also to be a source of advice and counsel for executive managers. They also need to take an active role in ensuring that the organisation is adequately resourced. Senior management is responsible for the management of the organisation, which, as has already been seen, is really a system made up of processes, supported by resources and designed to deliver results (see *Figure 4*). The management is therefore responsible for the system and as corporate governance is part of the system, it must be part of CSR. They are inextricably linked. One cannot be addressed without the other and critically; both are addressed and delivered via the system.



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Figure 4 – The ‘System Thinking’ Journey

Process management is key to CSR delivery

So, the key to delivery of CSR is to have a process-based management system. Equally, the application of ISO9001 should place organisations, which have adopted it in a strong position to also deliver their CSR requirements. Unfortunately this is not necessarily the case.

Many organisations, even though they may well have ISO9001 certification, do not have a well-designed, holistic, process-based system. They have not fully adopted the principles that are defined in the standard, but have tried to use it in the same way as the previous version – as a prescriptive list of things to do. They have missed the point that ISO9001 is a set of principles to be applied in different ways by every organisation to meet its unique situation. These organisations still need to go through the self-analysis that allows them to develop and adopt an effective management system and the culture it needs in order to be successful.

For those that have this process-based system in place, the next steps should be much easier to achieve. It will not be easy to embed the various stakeholder requirements in the system and this will need careful thought and consideration. But with the process-based system to build upon, it will be achievable. Without a process-based management system it is highly unlikely to be achievable and certainly will not be sustainable.



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If you would like further details on our assessment and single management system approach to CSR, contact Phil McNee on phil.mcnee@pinnacleassoc.com or telephone + 44 (0) 7506 725079