



ISO 26000 – AN INTEGRATIVE APPROACH OF CORPORATE SOCIAL RESPONSIBILITY

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Abstract:

ISO 26000 represents a guidance on corporate social responsibility and it is, at the present time, one of the most important document on CSR in the world. Without being mandatory or regulated, ISO 26000 is focus on seven core subjects that have to be approached synergistic – governance, human right, labor, environment, business practices, consumer, and community – in order to achieve its goal. The present paper intends to present and analyze the seven core subjects of ISO 26000 from tow perspectives: by emphasizing the benefits of implementing the standard into the business strategy and by revealing the correlation between corporate social responsibility and sustainable development.

Key words: *ISO 26000, CSR, business strategy, sustainable development*

1. Introduction

The concept of CSR has evolved from social issues to social responsiveness and has been developed over the decades to social responsibility. Some categories of social responsiveness (economic, legal, ethical, and discretionary) started with Carrol (1979) and the agency theory (Friedman, 1970), continues, in nowadays, with stakeholders theory (Freeman, 1984, Donaldson and Preston, 1995, Jones, 1995) and resource-based view of the firm approach (Hart, 1995, Baron, 2001, McWilliams et al. 2002). The concept was incorporated into the companies' strategies and become a bottom line for most of them. Also, international institutions have developed indicators in order to offer guidelines for reporting the achievements in this direction (Global Reporting Initiative – GRI, UN Global Compact, ISO 26000). By integrating the CSR core subjects into the day by day business strategies, companies will drive to the final goal: sustainable development.

2. What are the meanings and the results of Corporate Social Responsibility (CSR)?

McWilliams and Siegel (2001), define CSR "as actions on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law".

In a recent study, Dahlsrud (2008) analyzed 37 definitions of CSR starting with Jones (1980): "CSR is defined as the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract, indicating that a stake may go beyond mere ownership" and finished with Business for Social Responsibility (2003): "Corporate social responsibility is achieving 46 Voluntariness Responsibility, 2003b commercial success in ways that honor Stakeholder ethical values and respect people, Social communities and the natural environment". By analyzing different definitions for CSR it can be identify 5 key terms, such as: Voluntariness, Stakeholder, Social, Environmental, and Economic. More than that, Husted and De Jesus Salazar (2006) assert that companies will be engage in CSR based on three scenarios: altruism, coerced egoism, and the strategic use of CSR. So: (1) "**Altruism** describes the case when firms sincerely want to be socially responsible, without regard to how such activities affect the bottom line; (2) **Coerced egoism** occurs when firms act in a socially responsible manner only when they are compelled by regulation (and other factors) to do so; (3) The strategic use of CSR is defined as instances where there are clear benefits to the firm for engaging in CSR".

Also, McWilliams, Siegel and Wright (2006) have presented, in a special issue dedicated to the CSR, a list of the main important assertions on CSR (Table 1) in order to find out the ket arguments or the results, such as:

Table 1. The theoretical approach of CSR

Author(s)	Theoretical perspectives and results
Friedman (1970)	Agency theory <i>CSR is indicative of self-serving behavior on the part of managers, and thus, reduces shareholders wealth".... "It is one and only one social responsibility of business--to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."</i>
Freeman (1984)	Stakeholder theory <i>"Managers should tailor their policies to satisfy numerous constituents, not just shareholders. These stakeholders include workers, customers, suppliers, and community organizations".... "For all of the analytical power stakeholder theory offers and its narrative refocusing on a broad set of stakeholder relationships rather than a narrow set of purely economic relationships, there is relatively little agreement on the scope of this theory"</i>

Donaldson and Davis (1991)

Stewardship theory

"There is a moral imperative for managers to do the right thing, without regard to how such decisions affect firm performance."... "Agency theory argues that shareholder interests require protection by separation of incumbency of roles of board chair and CEO. Stewardship theory argues shareholder interests are maximized by shared incumbency of these roles".

Donaldson and Preston (1995)

Stakeholder theory

"Stressed the moral and ethical dimensions of stakeholder theory, as well as the business case for engaging in CSR."

Jones (1995)

Stakeholder theory

"Firms involved in repeated transactions with stakeholders on the basis of trust and cooperation have an incentive to be honest and ethical, since such behavior is beneficial to the firm."

Hart (1995)

Resource-based view of the firm

"For certain companies, environmental social responsibility can constitute a resource or capability that leads to a sustained competitive advantage."

Jennings and Zandbergen (1995)

Institutional theory

"Institutions play an important role in shaping the consensus within a firm regarding the establishment of an ecologically sustainable organization."

Baron (2001)

Theory of firm

"The use of CSR to attract socially responsible consumers is referred to as strategic CSR, in the sense that firm provide a public good in conjunction with their marketing/business strategy."... "Corporate social responsibility is often advocated as a normative component of the social contract between business and society, yet competition and markets demand efficiency."

Feddersen and Gillian (2001)

Theory of firm

"Activists and NGOs can play an important role in reducing information asymmetry with respect to CSR on the part of consumers".... "An activist can alter the decisions of firms and consumers and enhance the social welfare of market exchange. We also find that an activist can support equilibria in which firms differentiate their products on some credence characteristic even though this characteristic remains unknown to the consumer both prior and subsequent to consumption."

McWilliams and Siegel (2001)

Theory of firm

"Presents a supply/demand perspective on CSR, which implies that the firm's ideal level of CSR can be determined by cost benefit analysis. Managers should treat decisions regarding to CSR precisely as they treat all investment decisions."

McWilliams et al. (2002)

Resource-based view of the firm

"CSR strategies, when supported by political strategies, can be used to create sustainable competitive advantage."

Waldman et al. (2004)

Strategic leadership theory

"Certain aspects of CEO leadership can affect the propensity of firms to engage in CSR. Companies run by intellectually stimulating CEOs do more strategic CSR than comparable firms."

Source: Adapted by McWilliams, Siegel and Wright (2006) by quoting the authors

3. ISO 26000 – benefits and diffusion

Facing the challenges generated by CSR, companies have to integrate all actions into a Report in order to emphasize the steps that they have made in order to become more responsible. Most of them already use GRI Report or UN Global Compact to share their achievements in terms of CSR. But, recently the International Standard Organization has launched ISO 26000 a standard for CSR that "aims to assist organizations and their network in addressing their social responsibilities (SR) and providing practical guidance related to operationalizing SR, identifying and engaging with stakeholders and enhancing credibility of reports and claims made about SR" (Castkaa and Balzarovab, 2008). More than that, ISO 26000 will be able to: (1) create value for the organization and for the others; (2) increase, decrease or transform capital (financial, human, social, natural, intellectual); (3) emphasize performance results and improvements; (4) enhancing credibility; (5) attract investors.

In 2014 International Standard Organization has published *Discovering ISO 26000 – Guidance on social responsibility* in order to offer stepping stone for companies who wants to benefit from operating in a social responsible manner. Figure 1 offers an overview of ISO 26000 clauses, piciples and core subjects (clause 6).

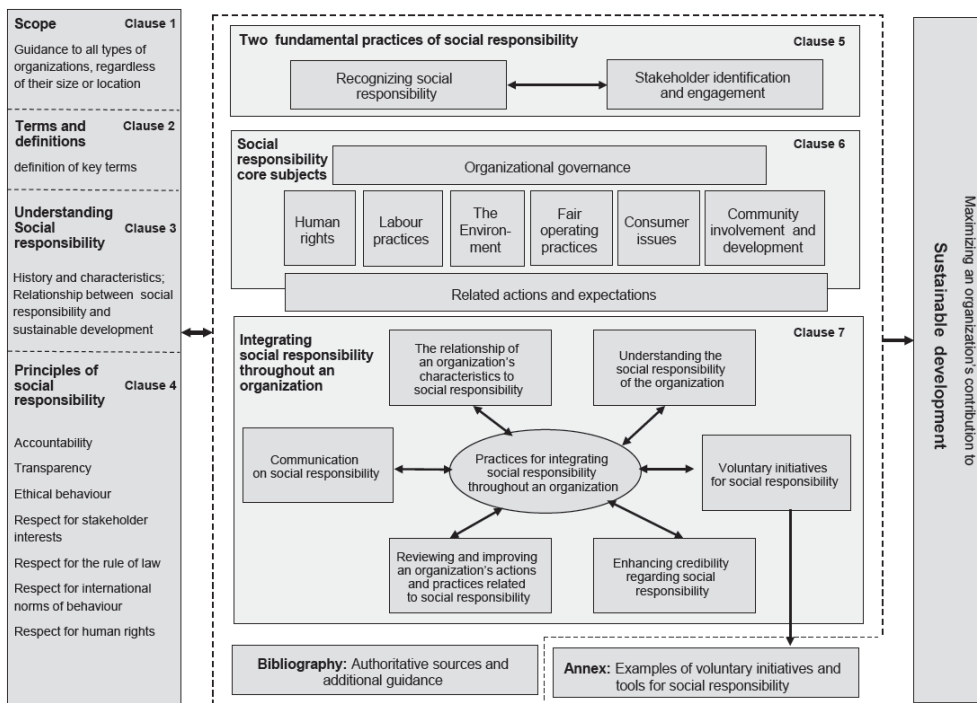


Figure 1. Overview of ISO 26000 (Source: ISO 26000:2010)

ISO 26000 allows "guiding companies on their path to sustainability as well as any shortcomings and gaps that need to be filled to be identified" (Hahn, 2013), provides the "missing link" that can allow your organization to convert its environmental management system into a truly integrated sustainability management system" (Pojasek, 2011), offer a settlement on a new institutional practice (Helms, Oliver and Webb, 2012), and could be a meaningful instrument of governance if it helps "organizations to better implement responsible management practices" (Hahn and Weidtmann, 2016).

Balzarova and Castka (2007, 2008a, 2008b, 2012) have been preoccupied to develop a set of steps or processes in order to contribute to standard development. On one hand, stakeholders have to "eliminate issues that are controversial and undesirable; link and integrate the standard into a network of other documents and ISO standards; seek consensus by highlighting areas for further dialogue or by addressing their exclusion from the standards development, reinforce issues that are important; and improve the content of the new standard." On the other hand, implementing the standard ISO 26000 will not be easy. Castka and Balzarova (2008) have made some prediction about ISO 26000 diffusion based on the companies networking and less on cost/benefit analysis.

Table 2. Prediction of ISO 26000 diffusion

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- First adopters of ISO 26000 will be SR-oriented organizations where the cost of implementation will be offset by the perceived benefits of doing so.
 - Companies will adopt ISO 26000 if it is recognized by their most salient stakeholders.
 - ISO 26000 will be favored by companies involved in networks with long-term partnerships.
 - Companies that adopted international management systems standards and similar frameworks in the past will be more likely to adopt ISO 26000.
 - Multinational companies (MNCs) will adopt ISO 26000 to seek legitimacy of their internal SR policies.
 - Multinational companies (MNCs) that adopted ISO 26000 will require ISO 26000 in their networks.
 - Organizations aiming to join MNC networks will adopt ISO 26000 to compete for contracts and opportunities to join the network.
 - National adoption of ISO 26000 will be higher in countries where the standard is supported by the government.
 - Organizations competing for governmental contracts in countries with governments supporting the social responsibility agenda, will adopt ISO 26000 to demonstrate their social responsibilities.
 - Domestic diffusion of ISO 26000 will be dependent on the coercive pressures of key agents in each country.
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Source: Castka and Balzarova (2008)

Implementing ISO 26000 will bring benefits for all industries and for all stakeholders (from shareholders, to costumers and investors). MIT Sloan Management Review (Unruh et al. 2016) and BCG have conducted a global survey of managers about corporate sustainability. As a results, industries like chemicals, industrial services, energy and utilities, automobiles have a sustainability strategy and maybe will be more interested in implementing ISO 26000. More than that, these types of industries have a higher capacity of diffusion based on their networking, on one hand, and they must implement anyway some specific standards, on the other hand.

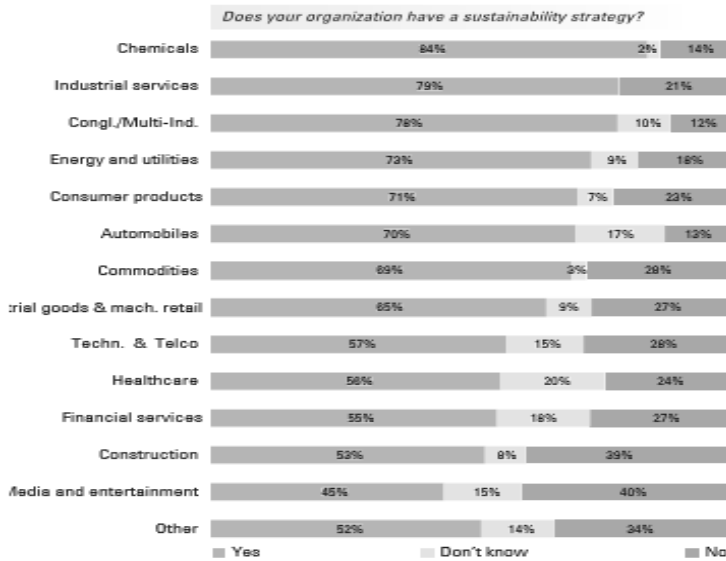


Figure 2. Sustainable strategy in different industries

Source: Unruh et al. (2016) Research Report

In conclusion, approaching of CSR through ISO 26000, at micro-level, will drive to the possibility to maximize the firm contribution to sustainable development, at a macro-level.

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