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Using ISO 26000 to implement a learning and knowledge creating process in two SMEs

by

Heidi von Weltzien Høivik

Heidi von Weltzien Høivik, Ph.D., Dr. h.c.

Professor

BI Business School

heidihoivik@mac.com

Heidi.Hoivik@bi.no

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Introduction

When in the early years around 2000 the new wave of CSR[i] (Corporate Social Responsibility) hit the business world, the well known managerial logic used earlier for environmental issues (Porter 1995) dominated and resulted in creating the business case argument, promising that CSR would lead to increased competitiveness and improved corporate reputation (Porter and Kramer 2006). This initial instrumental view of the usefulness of CSR is still very common today and not only voiced among large companies who have led the way. Jenkins (Jenkins 2006) in her research of SMEs in the UK showed that CSR activities solely were undertaken because of expected business benefits. With these arguments in mind, it is easy to understand that managers first and foremost seek tools which yield measurable results. Other more intangible values like internal motivation, personal development, organizational learning, fostering innovative capabilities, and not to forget, integrity or ethics which cannot be quantified easily are often ignored. A different mindset of managers is called for coupled with a willingness to "do business differently" as Kofi Annan urged when he spoke about the Global Compact in 2002.[ii] The UN Global Compact is the first strategic policy initiative for businesses who are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.[iii] By doing so, businesses, as primary drivers of globalization, can help ensure that markets, commerce,

technology and finance advance in ways that benefit economies and societies everywhere. This is a tall order, and time will reveal whether this can be achieved by both multinational corporations and SMEs.

Before proceeding in our presentation we would like to review and clarify how we understand CSR, now often relabeled as CR – Corporate Responsibility, Sustainability and Accountability or even Social Responsibility as used in the ISO 26000 process standard.

Corporate Responsibility and Accountability

In the context of this paper we view Corporate Responsibility first and foremost as a normative term, event though some have even questioned whether an organization actually can be responsible as an entity, or whether responsible/irresponsible actions are done by individuals only (Moore 1999) who also can be held accountable. Argandona and Hoivik (Argandona and Hoivik 2009) explored this notion and suggested that responsibility as accountability is social, owed to another person or a community. It is subject to the normative standards required of interpersonal behavior and to external scrutiny, evaluation and sanction. It implies duties of disclosure and transparency and includes accepting the supervision of those to whom one is accountable:[iv] Responsibility includes accounting "towards others in terms of some shared sense of normative propriety" (Painter-Morland 2006):93). Responsibility lived as something continuous and enduring implies both awareness and consistency. Furthermore the moral agent is not only responsible for her actions but also, above all, for seeing and creating the conditions (virtues) that will enable her to live in accordance with that responsibility at all times. Responsibility includes past and present actions and future projects. It also includes the conditions that the person creates when making the decision which will determine outcome and also include reasonably foreseeable consequences. This is not only true for persons but for institutions and firms as well (Argondona and Hoivik, p. 224). It is therefore our belief that a value-void or amoral understanding of CSR or CR is impossible. Therefore, it cannot be reduced to a management tool only. It is much more. To instill this deeper knowledge through a process in a company calls for a very different approach.

Reframing CR and Sustainability for Strategy

Only recently the issues of social responsibility and sustainability have been re-explored in a new manner. One can no longer only look at the issue as a sideline to real business. Instead, as David Cooperrider suggests one should replace strategic thinking about sustainability with what he calls "framing sustainability for strategy". (Cooperrider 2011). In his opinion this means asking how one can "turn the lens of sustainable value into wealth-creating, world-benefiting opportunity – for risk mitigation, radical resource and energy productivity …. Strategically altering industry standards, and catalyzing radical win-win innovation? "(p. 226). This reframing of corporate responsibility does not entail giving up the moral imperative, on the contrary, it involves reframing it as a value for business, the total business.

Researchers also have begun to question the primacy of the business case arguments and have offered to view CSR implementation strategies rather as a process aimed at furthering organizational learning. This implies also embedding moral awareness and responsibility as a means to change the existing managerial mind set. For example, engaging with stakeholders in a proactive manner using dialogue may generate new attitudes, innovation and skills deemed crucial to a firm's survival (Baden 2010).

Below an example of a successful interaction between management and employees using dialogue:

Fairmount Minerals is the third largest industrial sands company in the United States. On June 24, 2005 they launched their first sustainable strategy summit with the help of two consultants using the appreciative inquiry (AI) method developed by Cooperrider. The summit is a large-group planning, designing, or implementation meeting that brings the whole system of internal and external stakeholder together in a concentrated way to work on a task of strategic, and especially creative, value. It is a meeting where everyone is engaged as designers across all relevant and resource-rich boundaries, to share leadership and take ownership for making the future of some big-league opportunity successful. "The meeting appears bold at first, but is based on a simple notion: when it comes to embedding sustainability, there is nothing that brings out the best in human systems – faster, more consistently, and more effectively – than the power of the 'whole'."(Cooperrider 2011). The goal of the summit was to overhaul its business strategy and practices in order to integrate social and environmental value into every aspect of the company life. What happened? Copperrider tells the story:

"First you saw the integrity and sincerity of the company. Then you saw one new business idea after another being discovered. One that amazed most was the new multi-million-dollar business that was designed to take old, spent sand – the stuff that is discarded after use in factories – and turn it into clean biofuel for powering the company's heavy trucks. How could this be? Well a chemist in the group shared how spent sand, when placed on farmland, has been shown to help grow higher yields of biomass. Another person observes that the company's mining facilities are located in rural locations near many farms. Between the two observations a light bulb went on, how might we create a new business for spent sand? And why not create a new partnership with farmers – a partnership where sand-assisted biomass growth becomes the basis for low-cost, green biofuels to power the heavy truck fleet."(p. 231)

This single innovation, together with other win-win solutions doubled Fairmount's double-digit growth rates.

Despite the increasing numbers of success stories like the one above, there is still plenty of skepticism to overcome. Learning and organizational change processes do not necessarily yield measurable results quickly enough. We suggest therefore that initiating a stakeholder engagement process for developing CR embedded strategies is more important than the documents the process produces. From ethics management we know that a learning enabling process of reflection and dialogue with internal and external stakeholders can make a difference (Hoivik 2002). Alessio D´Amato (D' Amato and Roome 2009) described a process model for CSR which connects leadership in organizational change with management innovation. Their process model is particularly useful when trying to understand the value of CSR in a strategic innovation framework. Their approach represents a very different view of CSR (Grayson and Hodges 2004) since the drivers for business success are linked to "a willingness to look for creativity and innovation from non-traditional areas – including CSR" (p. 9). Preuss recently (Preuss 2010) examined this issue further and concluded that the concept of innovation which does not alone build on the business case for CSR, can offer firms an unique opportunity to experiment with new and innovative solutions to social and environmental challenges. Internally however, CSR cannot be implemented in organizations unless one understands the critical role of employees´ participation in the entire process. Any CSR strategy according to Rok (Rok 2009) will only succeed if employees recognize the value this creates for them as well. In other words, one must explore approaches which lead to a different 'way of being' for the firm based on non-traditional thinking which include values like trust, openness and accountability.

Knowledge enabling processes

Before presenting our research, let us briefly reflect on how knowledge and understanding of corporate responsibility can be embedded into an organization rather than imposed. What is meant by knowledge in this context? We adopt the definition by Nonaka (1994) who defines knowledge as action informed by personal belief. Knowledge he says is understood "as a dynamic human process of justifying personal beliefs as part of the aspiration for the "truth" (Nonaka, 1994, p.15). We prefer the above definition because he stresses the importance

of the ongoing dynamic process and links this to personal belief which encompasses the normative aspects of values and justification. Nonaka further stresses that knowledge represented by such terms as belief and commitment is deeply rooted in the value system of the individual (p. 16). It is by nature dynamic, evolving and therefore subject to learning and reflecting. Also for Peter Drucker (Drucker 1972) knowledge is two-pronged and dynamic as it enables individuals to do their job properly and with it develop themselves: "The cohesion and strength of our society depends increasingly on the integration of the psychological and social needs of the knowledge worker with the goal of organizations and of industrial society "(p.161).

Knowledge can be accessed, developed, created, exchanged, maintained and appreciated as a valuable asset of individuals in any organization. However, not all knowledge is made explicit, but resides as tacit knowledge in both people and organizations. Nonaka (Nonaka 1994) and Georg von Krogh (von Krogh, Ichijo, and Nonaka 2000) proposed to foster a continuous 'translation' between explicit and implicit knowledge. Implicit knowledge was seen to be an inner type of knowledge which resides in people and becomes a justified belief on how to do things. Explicit knowledge, on the other hand is shared among people, both in written and oral forms.

Since the target group of our research consists of two small and medium size companies in Norway, the above distinction is relevant. Knowledge about what CSR is all about may very well already reside tacitly in the companies of our target group and in the mindset of managers and employees, yet it has not been made explicit. There are good reasons for this reluctance. Norway with its strong social democratic government and a heavily regulated welfare state system, so far has seen little need to jump on the bandwagon and promote CSR. Strict labor laws and social welfare legislation have encapsulated many ethical and social standards in relation to key stakeholders. However in view of new demands in the European political and financial systems as well as increasing globalization, a more explicit CSR mandate is called for. This is well documented in the white paper of the Norwegian Government (Stortingsmelding No.10, 2009).

First and foremost, large companies have responded to these demands making their position with regard to CR explicit. As a result we notice an increasing

pressure downstream in the supply chain. For example, it is now quite common that larger companies, for example in the oil and gas industry, request explicit information about CSR policies of their suppliers and use this information as a criterion in their pre-selection processes. Suppliers at times experience rejection not only from one buyer, but also from others. A study in the UK (Roberts, Lawson, and Nicholls 2006) showed that suppliers were becoming more fearful of the tendering process unless they understand and can live up to these CR expectation. Also a Danish report revealed that 60% of SMEs are now asked to comply with CSR requirements from buyers (Jørgensen and Knudsen 2006).

Accessing and managing implicit knowledge

Briefly reviewed there are two well known theories for knowledge creation and for learning in organizations. To access implicit knowledge and create new knowledge Nonaka (1994) suggests four different modes. One is the conversion of tacit knowledge into explicit knowledge which resembles learning or "internalization" (p. 19). Linking this to the integrated theory of learning developed by Argyris and Schön (Argyris and Schön 1978) and double-loop learning, this can be achieved by, i.e. the questioning and even re-examining existing perspectives. Often this is best accomplished in workshops with the help of consultants or through development programs. Schön (Schön 1983) stresses also the importance of "reflection in action", i.e. reflecting while experiencing, including revisiting past experiences. Such a dynamic reflection process occurs when participants are asked to give examples from their own experiences in order to verify and test new knowledge. Doing this in groups, it becomes shared knowledge and is part of the socialization process. Nonaka (p. 24) describes this as a method where tacit knowledge is converted through co-experience among participants which in turn is leading to the formation of a common base of understanding. Sharing of experience is however always also dependent on other intangible values like mutual trust and commitment. Commitment ensures effort. An effort that is cooperative, innovative and strategically directed is essential (Hosmer 2007) in order to accomplish knowledge.

The second theory, relevant to our research, deals with the importance of creative tension in learning organizations (Senge 1990). "Creative tension comes from seeing clearly where we want to be, our vision, and telling the truth about

where we are, our current reality (Senge, p.7). This is an essential prerequisite for the learning process about CSR to take place. In order to bring this about Senge suggests not working in an adaptive mode – looking for solving current problems – but rather work in a generative learning mode. According to Senge, in the problem solving mode the motivation is extrinsic, rather than intrinsic. The generative style of learning, on the other hand, requires a mode which only a process model can satisfy where both knowledge capturing and knowledge utilization can be developed alongside (Henderson and Clark 1990). As we shall describe later, self-assessment and visualizing CSR as part of the future are distinguishable aspects which yield new knowledge.

Interlocking process model

Petrick and Wagley (Petrick and Wagley 1992) in their research on ethics management suggested integrating the growing demand for core moral values into the strategic planning process from the start. Since we believe that moral values are the normative core of corporate responsibility, we chose to adopt and slightly modify their model. Petrick and Wagley proposed a parallel planning model which for the aim of our research on how to implement CSR has been further modified, inspired by the double helix model for Sustainable Responsibility developed by Wayne Visser (Visser 2010). The new interdependent and interlocking learning process model we propose is presented below.
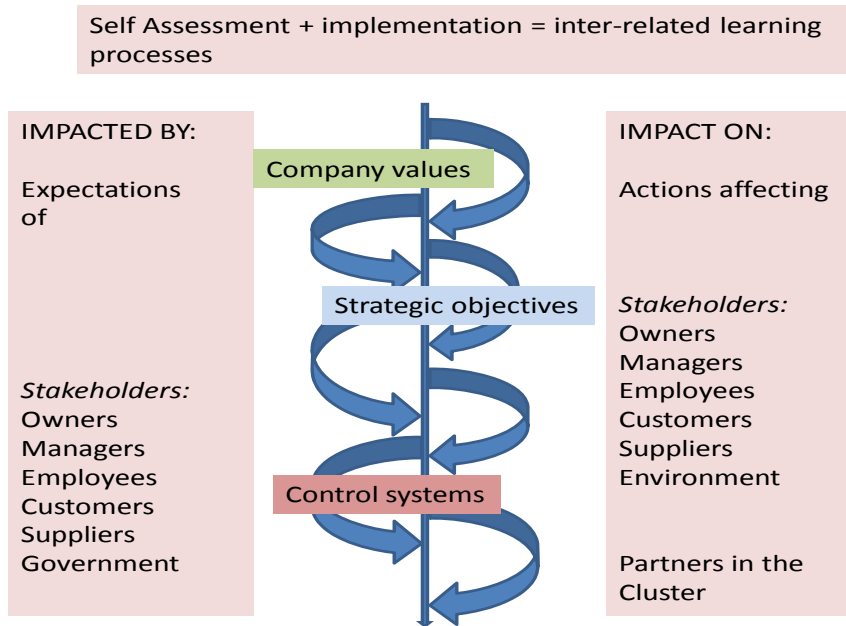
Self Assessment + implementation = inter-related learning processes

IMPACTED BY:

Expectations of

Stakeholders:
Owners
Managers
Employees
Customers
Suppliers
Government

Company values

Strategic objectives

Control systems

IMPACT ON:

Actions affecting

Stakeholders:
Owners
Managers
Employees
Customers
Suppliers
Environment

Partners in the Cluster

Fig. 1 Interlocking process model

The figure illustrates how one can understand the embedding process of CSR/ CR as part of a strategic implementation process which is capable of interlinking and interlocking business objectives with human, social and environmental objectives in order to foster a financially and socially responsible business. In our opinion the double helix model best illustrates the interdependence of both understanding of how a company is impacted by its human and financial capabilities as well as stakeholder expectations. Interlocked is the growing awareness of how corporate goals and actions have to be synchronized with stakeholders' expectations. It matches our goal to develop CR for strategy and not a strategy for CR.

Preferably this approach must be done through a participatory process with internal and external stakeholders where dialogue is a means of communication generating new insight and knowledge. A rigid self-assessment internally goes hand in hand with the assessment of the external environment and key stakeholders. How such a process can be achieved and even researched will be explained in the following sections.

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The target sample of our research consists of two companies in Norway belonging to the NCE Subsea cluster[v]. Like most of the companies, which are of small and medium size, so far they saw no urgent need to make CR explicit or integrate CR thinking into their own organizations. New demands by customers – mostly large oil companies – is about to change that. In addition, the recently released white paper on CSR by the Norwegian government (2009) is beginning to exert pressure.

For our case studies two companies were willing to "pilot" a CR implementation process. We suggested to use the newly released version of the ISO 26000 process standard to introduce 1) knowledge about CR and 2) to assist them starting the above illustrated "double helix" process to embed CR into their own organization. Both companies were willing to adopt a new way of thinking and learning, and also subject themselves to our research in action method. Even though time is a constraint and resources are limited in SMEs, both firms insisted that integrating a strong CSR perspective into their organizations was important. Before presenting the companies, we will explain our research approach.

Research method

To test the above double helix model when embedding CR within a company we use case research. Case research lends itself best if one wants to gain better understanding of how learning and knowledge creating processes lead to changes in the organizations.

We are entering unchartered areas of research which require observation, evaluation and creativity in order to understand how companies can acquire a new way of thinking about CSR issues as a knowledge creating process going beyond what previously has been achieved with other management tools. As researchers of the processes we initiated in our case companies, we adopt a research method known as *appreciative Inquiry (AI).* This method was developed by David Cooperrider in the 1980s in order to capture change processes in organizations. The underlying philosophy is that organizations are human systems which consist of a range of positive elements that energize and empower the system. Instead of focusing on problem solving, the researchers engage in asking questions about moments of success, stories of innovation, courage and positive change. In 1987 Cooperrider and his colleague Srivastva published their findings and theory (Cooperrider and Srivastva 1987). This was a paradigm shift for the field of action research into organizational change. AI is important because it works to bring the whole organization together to build upon its positive core. AI encourages people to work together to promote a better understanding of the human system, the heartbeat of the organization (Cooperrider, Whitney, and Stavros 2003). This research of the positive lends itself well observe how companies implement corporate responsibility and link this to what we consider most important, its normative core.

This method involves the direct intervention of the researcher into an organization and is geared towards assisting the company in the actual learning process. The dual objectives, helping with practical transfer of knowledge while gaining relevant research knowledge that can be useful to others as well, is not without problems. Both, the need to be independent and at the same time be acceptable to the organization and its members can be difficult to achieve. Yet, in spite of these hurdles, the advantage of this research method allows the researcher to study both the process of learning and change in an organization under controlled conditions. Also, the researcher can at the same time be part of

bringing about such a process in the organization under study. There is a fine line between being a researcher and being perceived as a consultant. We collected data through semi-structured interviews, were present as observers when an outside consultant ran a workshop on CSR and ISO 26000, then followed up with a questionnaire and continued to be a collaborator and observer. We helped giving feedback to the organization when asked, and assisted them in evaluating action plans that would allow CSR driven organizational change to happen. Since ISO 26000 is a process standards which mainly provides guidance towards creating greater awareness of corporate social responsibility in the company and guiding them to steer the actions towards implementation of a set of principles, it is well suited to be observed by researchers applying AI. ISO 26000 is totally dependent on tapping into the existing and potential capabilities and values of the organization. We have chosen the following capability aspects:

> Learning capability (including *unlearning *)
> Relational capability (among employees and with selected stakeholders)
> Communicative capability (dialog, conversations, consensus building)
> Reflection capability (including moral reflection)
> Innovative capability (including visualizing business opportunities)

A learning method which explores hidden and underutilized capabilities of the organizations, not only provides a source of positive energy for the organization, but also gives the researcher insight into different aspects of potential for change. Instead of measuring the effect of the changes, AI offers an opportunity to qualitatively assess the process as it is taking place. It resembles observing a natural growth process at different stages and therefore is descriptive.

The AI process itself is not rigid, it allows the researcher to modify the original 4 Ds as he or she sees fit. The original 4 Ds consist of (1) Discovery of the best there is, (2) Dream – imagine what could be, (3) Design what will be and (4) Destiny – enact change learning to become what most hope for (Ludema and Fry 2008).

Our modification and interpretation of these 4 Ds are:

- Discover   raise awareness around CR
- Discern   hidden capabilities in people and systems
- Dream   envision goals obtainable with these capabilities
- Design   action steps to take advantage of all resources
- Doing   implement and sustain the change

The second advantage of this research method is that it allows the researcher to do a longitudinal study, since we can observe the 'case companies' over a longer period of time - 18 months, in our case.

In the next section we shall first present the companies and their main value drivers before describing the process.

Profile of the companies

COMPANY A:

Company A, founded in 2000 in Bergen, is privately owned. Today it employs 45 consultants with expertise in strategic logistic and IT, mainly supplying specialized know-how to the oil and gas industry. The company's activities range from analyzing, designing and implementing new purchasing processes, complex procurement processes, contract administration, logistics, business controlling to supply chain management with the help of IT and management information systems.

This company plans to extend its activities to other locations in Norway, having already started with a new division in Stavanger in 2010. The vision of Company A is to grow into a world class consultancy business dedicated to Supply Chain Management for the oil, gas and energy industry.

The customers of Company A are among the larger companies in the oil, gas and energy industry with typically large scale and complex logistics challenges.

Value drivers:

Being a knowledge-intensive company, Company A has selected experienced supply chain management specialists with relevant educational background. In

the recruitment process and later in the personal management of its employees, Company A is particularly focused on personal and competence development as well as on building a strong business culture. Personal values and attitude are on top of the list of their selection criteria. Qualities such as being service minded, self driven, customer focused, having a capacity for learning, high ethical standards and integrity, co-operative attitude and generosity are values that are decisive in the recruitment process. Furthermore Company A believes in a mixture of competences, gender, ages and multicultural background.

Company A wants to participate in the community and be a responsible business player.

In profiling herself, the CEO of the company A states:

"Our competence is based on a combination of expertise, skills and reflective attitude."[vi]

COMPANY B:

Company B is a Norwegian company, founded in 1985 and currently reports over 100 employees with offices in Bergen and Oslo. Company B was acquired in 1995 by a Dutch company listed on Euronext Amsterdam since 1992 and on Amsterdam AEX-index as of September 2008.

In Norway, Company B's activities are primarily aimed at the oil and gas industry, specializing in the provisioning of offshore survey services, including high precision positioning systems, hydrological, meteorological, oceanographic, geotechnical, geophysical and geodetic surveying. Company B provides manpower, equipment, expertise and technology that support the exploration, development, production and transportation of the world's natural resources, oil and gas.

Company B operates as an independent service provider and has no commercial or other direct interests in the projects of its clients. Being often involved in the early exploration and development phase of (potential) projects, in many cases confidentiality about Company B's engagements is essential.

Company B's clients operate in many locations and under different conditions. To be able to meet their needs in the best possible way, Company B's organizational structure is decentralized and client-oriented. They are delivering their services from a global network of offices and facilities.

Value drivers:

In order to provide high-quality and innovative services using advanced unique technologies and systems, recruiting highly professional and specialized employees is crucial for Company B. The employees of Company B need to share e common values such as reliability, integrity, transparency and respect for fellow employees and the environment.

Company B's business conduct is driven by 'building trust' in all relation with its stakeholders. Those values are described in Company B's Code of Conduct which clearly states that any breach or conflict should be reported to the management.

Furthermore assuring the respect of fair business practices, Company B has established a Code of General Business Principles, regulating its relationship with its suppliers. This is considered essential to build and protect Company B's brand in a highly professional and technical business environment.

Health and safety policies are essential components of Company B's business strategy as well as assisting in protecting the environment and the overall well-being of all stakeholders, specifically, employees, clients, subcontractors, and communities. Company B addresses the environmental and health impact of her operations by reducing waste, emissions, and discharges, and by using energy efficiently. Being good citizen in the communities in which Company B operates is important. Company B's management is continuously taking a proactive approach towards creating safe working environments for all employees and is accountable for promoting continued safety education and training, assigning responsibility for all aspects of the HSE Policy, continuously reviewing potential areas of improvement, and as well as evaluating and de-briefing incidents.

The process: "discover, discern, dream, design and doing"

The researchers together with an outside consultant specialized in certification standards had a first general presentation of the ISO 26000 process standard to the managers of both companies. The presentation included stressing some important aspects of the newly released white paper on CSR by the Norwegian government (January 2009). The participants realized quickly the growing importance of socially responsible behavior in their industry and the need to be more explicit about their way of doing business. They agreed that rather than waiting for legislation to happen a pro-active attitude would be a considerable first mover advantage in a highly competitive market place. The new ISO 26000 process standard seemed to match their expectations and was consistent with what they believed was important for doing business in an ethical, responsible and even innovative way in their sector of the industry.

Company A and B decided to go on with the process and had a joint one day workshop where an external consultant went through the ISO 26000 process standard in greater details. At this stage of the process, the researchers were observers only, analyzing the learning process, mapping growing motivation and designing the intended change process evolving in the target companies. In the next section we will offer more details of the process.

Discover:

The objective of the first joint session was to give the participants a thorough understanding of CSR concepts and to describe the components of the ISO 26000 process standard. Most important was initiating a reflection on the issues essential to the companies. Briefly, the workshop day consisted of:

- raising awareness why CSR is important for the companies
- a presentation of the main principles of social responsibility and the main core subjects defined in the ISO 26000 process standard
- a presentation of a materiality assessment tool regarding the main issues affecting the business value drivers of each company: human capital, organizational efficiency, legal compliance, market access, reputation and brand.

- a presentation of additional management assessment topics like organizational governance, human rights and environmental issues.

Our understanding of the motivation factors that triggered the companies to put CSR on their agenda in a more strategic way can be summarized as follows:

- Company A clearly wanted to acquire more knowledge about CSR. They saw new business potential in implementing CSR as part of their own business development strategy. They regarded ISO principles as valuable new opportunities with regard to strengthening their relationship with their main customers. In addition they considered CSR as a potential valuable asset to share with the other members of the Subsea cluster.

- Company B on the other hand was pushed by its mother company in another European country to be ISO 14001 certified in order to assure that the company's environmental management system is in accordance with the ISO 14001 standard. They saw ISO 26000 as a valuable link both to ISO 14001 and a way to embed the newly released business principles focusing on ethical relationship with its major business partners. This dual perspective would turn out to be a particular challenge.

Frequently both Company A and Company B voiced how much they are faced with fulfilling the requirements from their large customers, who demand that they too can verify their own CR principles and policies. However, instead of providing written documentation, both companies felt that they clearly preferred to integrate CSR into their business strategy in a more explicit way by setting clear priorities and above all by improving both internal and external communication. Their motivation was to improve their own company by focusing on organizational learning. They believed it was time to make explicit their CSR related ethical values and how to live up to them. They expected help from using the ISO process standard and its guidelines. They saw a value in the process which includes both self assessment and the setting of priorities.

The general managers of both Company A and Company B were highly motivated and played an important role in initiating the process in their respective companies. Besides making their personal values explicit, both believed in the significance of immaterial values such as knowledge, learning and fostering innovation capabilities for their company. Specifically, they stressed the need to

recruit and retain highly professional employees (which is a scarce resource in this industry sector in Norway). Following are two quotes:

"As consultancy in logistics a better understanding and focus on CSR can help us to design innovative new tools and follow-up procedures in the supply chain."

"We believe the ISO 26000 process standard will change the culture in our organization and promote greater awareness and new thinking"

The strategic motivations for Company A and Company B were different, however. The motivation of Company A is clearly associated with a will to initiate change inside the company, doing business differently by seeking stimulating creativity and innovation when addressing social and environmental problems. Applying Wayne Visser's classification of Sustainability Professionals (Visser and Crane 2009) the top manager of Company A can be characterized as 'catalyst type'. Typical for the 'catalyst type' is seeing the big picture and an influencing leadership style. Company A clearly desires to have a role in promoting CSR with regard to other members of the NCE subsea cluster.

"For a consultancy like us it is possible to affect our business partners within the cluster by raising the bar."

Company B grounded its motivation on focusing on technical excellence and seeking uniqueness through specialization while complying with new regulations and the law - similar to the 'expert type' described by Wayne Visser and Crane. The goal of the 'expert' is often linked to problem solving capabilities. In spite of this rough generalization, the differences became even clearer in the next in-company workshops held on the premises of the respective companies. The site was chosen with care to ease taking over ownership of the process within each company.

Discern:

The objective of this second session was first to depict in detail the steps of an ISO 26000 implementation process and together with the participants to highlight

their major stakeholders and ascertain the core subjects which are most relevant for their own business strategy.

Stakeholder mapping:

As illustrated earlier in Fig 1. the self assessment process is focusing on both how the companies perceive their major stakeholders' impact on them and how they envision their own power to influence them.

The results for Company A and Company B were as followed:

Stakeholders	Influence on company activities		Is influenced by company activities	
	COMPANY A	COMPANY B	COMPANY A	COMPANY B
Owners	High	High	High	Medium
Employees	High	High	High	High
Customers	High	High	Low	Low
Business partners	Medium -High	Medium -High	High	High
Cluster	Medium	Medium	Low	Medium
Suppliers	Low	Medium	Low	High
Competitors	Low	Medium	Low	Medium
Regulator	Low	High	Low	Low
Media	Low	Low	Low	Low
Financial partners	Low	Low	Low	Low
Certification org.	High	High	Low	Low
NGOs	None	Low	None	Low

Fig. 2 Results from the self-assessment process in both companies

The results show clearly that for both company's employees and customers, and though for different reasons the owners, are the main stakeholders. Company B being part of an international group is more influenced by the group's major shareholder's decisions than company A, which is privately owned.

Company A's main stakeholders are employees. For them it was important to develop and sustain a culture within the organization where vales like professional integrity, honesty, and trust are aligned with the company vision. With regard to attraction, retention, or engagement of a highly knowledgeable and motivated work force, creating a culture of belonging and loyalty was essential. Small consulting companies are facing particular challenges from large and powerful customers who do not hesitate to hire consultants for full time positions who have already been trained by company A. Expertise, learning and innovation are key intangible assets of company A.

For Company B as well, employees are major stakeholders, because again a highly professional work force possessing technical excellence is critical in company B's sector of activity. In order to ensure a continuing 'license to operate' and to strengthen their present brand reputation in a highly competitive market, company B needs to hire and retain a unique and skilled workforce. Also company B experiences that large powerful customers and competitors are fighting for a workforce in a labor market where the demand exceeds the offer. In both companies employees also exert a major influence on how the company is setting its strategic direction with embedding CSR. To include employees in the ISO 26000 process was considered both natural and vital. Both companies agreed that so far the large oil and gas companies have been setting the standard for CSR, but they saw a unique chance to influence how CSR can be applied in their own business.

With regard to assessing their impact on customers, differences became clear. Obviously as a consultancy in logistics, working directly and often over a long period of time with customers, company A can exert a larger influence on its customers as well. They can suggest qualitative and quantitative measures to ensure living up to CSR standards in the entire supply chain of their customers.

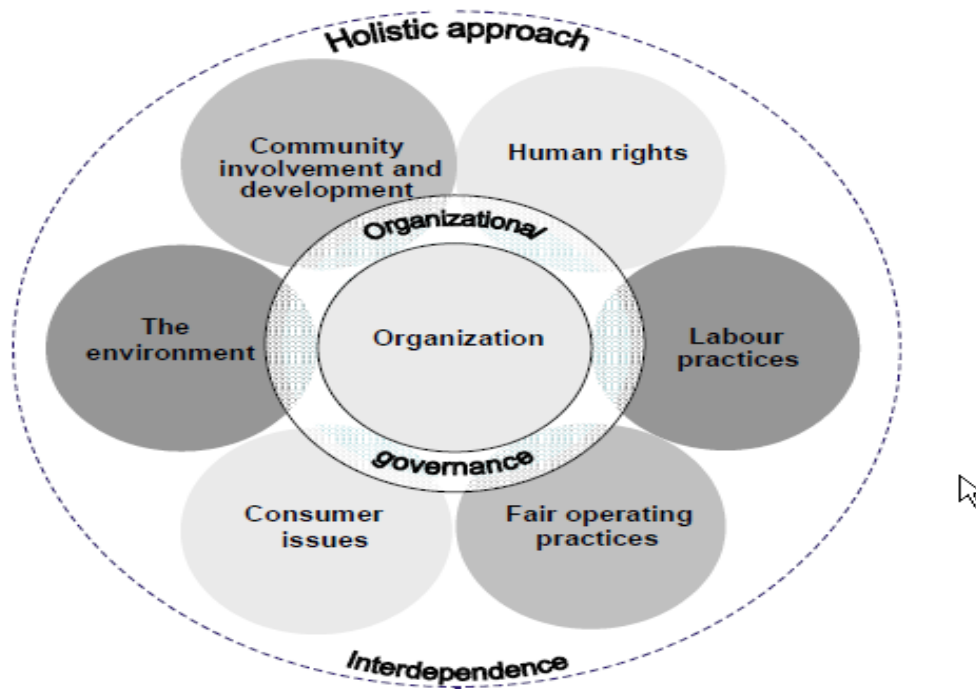ISO 26000 depicts the core subjects in the following manner:

Fig. 3 ISO 26000 holistic approach model (according to ISO draft document)

Based on the stakeholder mapping, the companies did a self assessment and prioritization of the core subjects (labor practices, fair operating practices, human rights and the environment) impacting their activities in order to define a strategic implementation process. By engaging in a dialogue with its main stakeholders, the employees, changes are both created and implemented in a consensual manner.
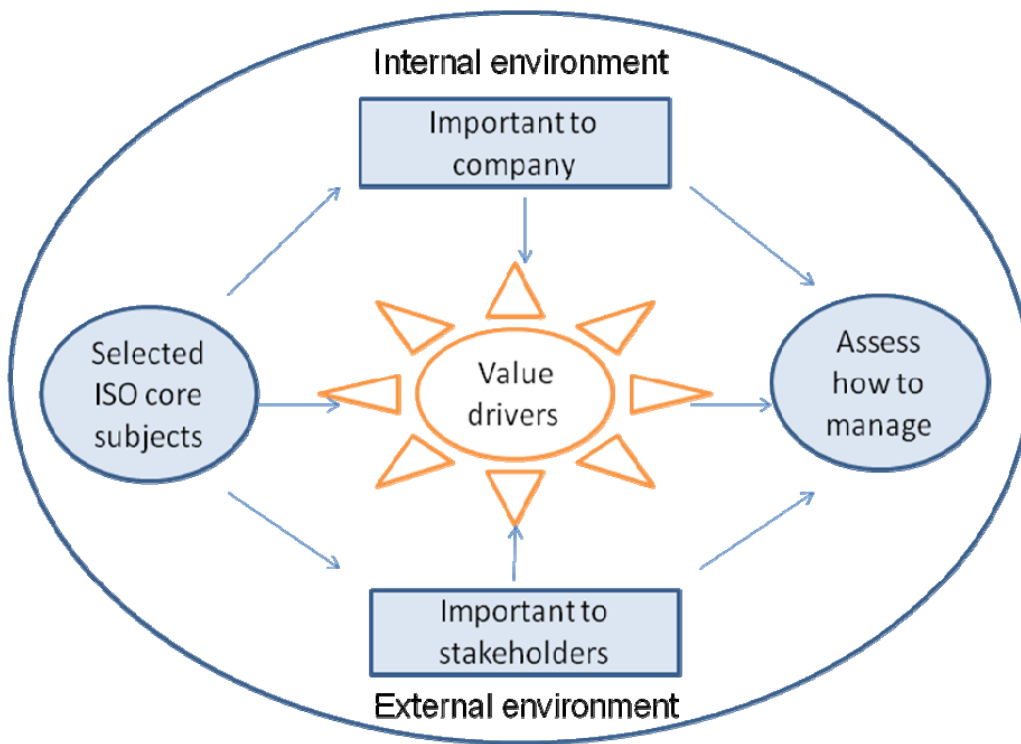
Fig. 4 Self assessment process

Each core subject chosen was assessed with regard to importance and relevance as illustrated above.

Dream and design

Company A put in place a CSR working group that planned the following:

- Promptly, inform the employees in preparation of later workshop sessions
- As soon as possible develop a General policy document in order to ensure a decision making system designed for responsible conduct, then communicate it to the staff and create incentives related to CSR performance
- Several seminars are planned in the coming months in order to:
    - o coordinate the CSR strategy plan with the request of Achilles – a company qualifying and monitoring suppliers on behalf of their customers in order to ensure sustainable procurement and reduce risk in the supply chain
    - o enhance labor practices by engaging a dialogue with the employees and managing change in a consensual way, also create health and safety policies

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- o review their operating practices, create policies and guidelines as well as encourage reporting of violation of policies
- o promote CSR in the sphere of influence
- o execute a due diligence analysis with regard to the respect of human rights and indentify the risk in the entire lifecycle, then create human rights policies
- o initiate a community project that will support and encourage local programs that improves health, education or employment creation
- o in the longer run, evaluate their environmental footprint and work to reduce burden on climate and ecosystem

- Communicate the CSR plan to stakeholders in order to ensure transparency and consider the stakeholder interests in their decision making process
- Periodical re-evaluation of their CSR strategy, establishing follow-up systems and tracking performance

Company B:

Company B assigned a CSR manager who intends to perform the following actions, together with a leadership team:

- Review immediately their sponsorship and donation strategy
- Inform all the employees about ISO 26000 important issues through information meeting, e-learning programs and internal workshops.
- Getting the ISO 14001 certification in a few months
- Getting a new round of OHSAS18000 certification in a couple of months
- Make a total survey of their working conditions carried out by an external auditor followed by a presentation of the results to the staff
- Fair operating practices, mainly assuring fair relationship with their business partners will be taken care of by the mother-company in collaboration with the Norwegian procurement manager.

Doing

After having discerned who and what to prioritize for their CSR strategy, we followed the two target companies in their initial implementation phase, which we called "doing".

Company A started with a workshop over two days involving all employees. The purpose was to identify the company's core values and to get all employee's input as part of the ISO process. Each of the five working groups was asked to name only 3 values and give arguments for their choice. Some focused on values which distinguish them from others, others named values with which they were comfortable with, or chose professional and ethical values which matched what the company delivers as products and services.

The second part of the workshop dealt with reviewing all values suggested and testing them for positive or negative associations. The final result then was compiled and three values were agreed to. These were later reviewed and accepted by the board. The values chosen are: Competent, generous, and responsible.

For the second day of the workshop with all employees two core subjects from the ISO process standard were selected for the discussion: *Fair Labor Practices* and *Fair Operation Practices.*

The groups were asked to reflect on these and review their implication with regard to their daily work and experiences. Examples and stories were elicited and shared in the groups. As the documents reveal: "These core subjects are important to each and every one of us, since we embody them in contact with our main stakeholders, our customers in particular."

The conclusion was that more clarity, structure and some written policies with regard to responsible practices are needed. Furthermore, when discussions touched on grey or more difficult areas, the need for dilemma training and a forum to share speaking about difficult conflicts became apparent. The employees themselves stressed that this had to be a major part of continuously developing and sustaining ethical and responsible competence in the organization.

After these dialogue based sessions with the employees as the first stakeholder group, it was decided to go "external", contacting suppliers, customers, and other business partners. A first step was sending out a survey to receive feedback and input to the company's CSR strategy as it was standing now. The second is to be a dialogue.

Another outcome was the creativity which surfaced when employees discussed the implications of adopting a CSR driven strategy. Innovative ideas with regard

to product development and services were aired, e.g. modifying existing logistic software to include CSR requirements from the very start. Another idea emerged regarding benchmarking of CSR software products. This idea is now in a development phase and remains a company privilege.

Company B was also acting according to their own plan. The process was led by a CSR/ Health and Safety manager, who combines the role with her responsibility as HR manager. From the very beginning of the process she took into account the views and opinions of the staff, creating a high level of involvement of employees, owners and managers. This attitude fostered a common understanding of what to achieve and as to how with regard to CSR, for instance:

- ‘Company B shall not only comply with health, safety and environmental measures as required by law, but shall also act positively to prevent injury, ill health, damage and loss arising from its operations, and provide a safe and healthy working environment for its employees’ and ‘ensure that all personnel understand their specific responsibilities for health, safety and the environment’ (Internal document).

She could also notice the strong motivation for environmental issues by the youngest employees, of which one expressed this in the following manner:

“Our motto ‘we shall conduct our business according to ethical principles’ is to be applied to both the people, the environment and the wildlife.”

Even though, in an early phase of the implementation process, the CSR plan was communicated one way, from the management to the employees, bearing in mind that the learning curve needed to increase first at the top. Later they will then develop a more extensive two-way communication process. Workshops and e-learning programs are planned for a second phase of the implementation process. But it is clear that the dialogue has begun, employees feel involved; questions and dilemmas are raised and will form the basis for later discussions.

As expected, they concentrated their efforts on what is crucial for the company's access to markets and reputation building, like ISO 14001 that 'will probably be required by some clients in the coming years'. Fair operating practices will be part of strengthening the brand and is considered to be a potential opportunity with regards to customers. CSR requirements also will later be better integrated in their own contracts and supervised in the supply chain.

Impacting the cluster

With regard to knowledge transfer from the two pilot companies to the rest of the members of the cluster, we envision two main obstacles, which we discovered in the above described process with two companies. One concerns the fact, that ISO 26000 as a process standard is extremely well suited for customization by the respective company and therefore becomes company specific. It becomes deeply embedded knowledge in the company and cannot be copied. It becomes an asset, is "patented" and is exclusively owned know-how. The second obstacle is related to the manner with which such knowledge can be shared. To overcome this hurdle, it is possible to view the cluster per se and the individual companies differently.

Preuss et al (2009) offer a description of both the elements and the process view of knowledge management with regard to CR in the following manner:

	Element view	Process view
Nature of CSR knowledge	Focus on technical knowledge	New way of working with wide range of internal and external stakeholders. Emphasizes political skills of CSR advocates
Advantages	Comparability of CSR performance across firms and industries Setting targets and indicators for key impact areas	Consultation of stakeholders and communication on CSR issues. Development of diversification and innovation capabilities. Greater legitimacy for CSR as activity and corporate function
Disadvantages	May encourage one-size-fits- all and box-ticking mentalities. May foster compliance driven approach to CSR	May lead to gradual improvement of existing activities rather than radical re-thinking of overall approach. General shadow structures of dialogue in the form of communities of practice
Practical implications	Refine performance indicators and make them available through a shared repository	Promote self-development and self actualization. Bring external members to communities. Discuss CSR implications to transform organizations

Preuss et al (2009): CSR implications arising from the element and process view of knowledge management (rep. w/ permission)

Fig. 5

If we view standards like SA 8000 and now ISO 26000, even though it is a process standard, as making knowledge explicit, we can regard the latter also as a means to capture, store and distribute CR knowledge. Therefore we can apply both perspectives suggested by Preuss et al (2009, p. 521) and propose that the element view suits the cluster of companies best, because here information can be codified, captured - even electronically - and distributed. However, the process view of knowledge management has to be the privilege of the respective individual companies since it all about embedding CR within individual firms. The advantage of ISO 26000 is that it is a process standard, rather than a standard to be audited or verified. This implies that each company can and must choose setting its own priorities, its own speed and its own communication strategy with regard to goals, action plans and how it wants to communicate achievements.

This in turn can turn out to be a competitive advantage, since the advantage lies in being different (and better) than others. Porter (1985) emphasizes better quality, reduced costs or niche products and better services, among others. If this differentiation also holds true for CR practices, companies can and ought to differentiate their CR strategies compared to others, at least in order to retain a prime mover advantage. So far, competition on the basis of CR is rare (Aguilera et al. 2007). Misani (Misani 2010) therefore offers a distinction of convergent CSR strategies, where firms adopt practices that have already been taken on by rivals and divergent CSR where firms try to be unique. However, since CR is a normative responsibility which companies and societies have to be accountable for, the argument to make CR into a competitive advantage, is based on the rhetoric of the business case and far too limiting.

Sharing a general commitment to CR within the entire cluster does not remove the competitive advantages of each company. On the contrary, if companies work together they can achieve more than with turning CR into a competition among themselves.

Knowledge sharing can then take place within the cluster, provided one has a set of commonly agreed commitment to principles, i.e. Global Compact. These can serve as key indicators for setting targets. Furthermore, the cluster network of companies should regularly share experiences from living up to these targets (exchange stories) to foster learning and commitment in the group. Since the larger companies of the cluster often also are the customers of the small and medium size companies, it is likely that the knowledge of CR commitments can have an impact on their buying and contracting behavior. It will be more difficult to say no to buying for example environmentally friendly products and services and thus ignoring agreed-upon principles, even when the prices are higher. A joint effort within the cluster can improve the transparency of transactions and behavior patterns. The new knowledge network which is formed when several companies have established a CR embedded process strategy can be very powerful. Customers and other market participants, financial investors and society at large will more and more ask for evidence as to how companies live up to CR expectations. More research needs to be done in this area.

Concluding remarks

For both companies it can be said that the internal discussions yielded self assessment, stakeholder evaluation and prioritization and setting of goals which were realistic and of particular relevance. For the participants it became apparent, how much power and influence a company can have with regard to various stakeholders (customers, suppliers, shareholders, communities). Often for the first time, employees realized the normative dimensions of decision making and the link between responsible and accountable behavior and economic outcomes. The process involved employees in a participative dialogue, thus enhancing understanding of CR and linking it to personal moral capabilities since in this process all stakeholders´ interests, rights and aspects of justice are made explicit. Knowledge sharing and knowledge creating is easier in an environment where dialogue is practiced as part of a strategy design and implementation process. (Hoivik 2002). For both companies this was a natural way to proceed as the culture of dialogue and knowledge sharing is quite common in Norwegian companies and typical for SMEs who are not bound by hierarchical structures.

The implicit assumption that responsible managers and employees are holders of public trust beyond what is stipulated by law, became apparent. A clearer and deeper understanding of the inter-relationship of business and society evolved. Furthermore, the process started in the workshop, instilled a new understanding of the importance of functional responsibilities not as separate entities, but realizing how they are linked to each other through a web of relationships created by the employees themselves. As such they also extend to the external sphere of influence of the company, to other stakeholders, in particular customers and suppliers and society in general. Both internal and external expectations have to be taken seriously in order to build a sustainable organizational culture and remain a successful business.

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[i] In this paper we use the terms CSR (Corporate Social Responsibility) CR (Corporate Responsibility) and SR (Social Responsibility) in accordance to the documents and research we refer to.

[ii] " We do not want business to do anything different from their normal business; we want them to do their normal business differently" Kofi Annan, in his speech at MIT Sloan's fiftieth anniversary, October 2002

[iii] The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. For more: http://www.unglobalcompact.org/AboutTheGC/index.html (accessed 28.04.2011)

[iv] In this, it differs from moral responsibility as an attribution, which exists no matter to whom the agent is responsible. Thus, responsibility as an attribution is linked to a person's intentions (in some ethical theories, at least), whereas social responsibility is not always, because society cannot judge intentions.

[v] The NCE Subsea stands for National Center for Expertise Subsea. The Norwegian Centers of Expertise is a program carried out by Innovation Norway, the Industrial Development Corporation Norway and the Research Council of Norway. To achieve NCE status the cluster must prove substantial impact and demonstrate high growth potential.

The NCE program has a ten-year perspective and is partly financed by the Norwegian government. The Subsea cluster consists of 60 companies (SMEs focus on maintenance, modification and operation of subsea installations. The cluster includes a great number of suppliers of services and high-tech products. The cluster is internationally oriented and a large part of the worlds 3000 subsea wells are operated from Bergen. Approximately 4000 are employed in the cluster and the cluster has a turnover of 8 billion Norwegian kroner.

[vi] This was is what he said in a meeting in June 2010.