Multi-stakeholder governance encourages competitiveness

MSc. Štefka Gorenak, Faculty of Commercial and Business Sciences, Lava7, 3000, Slovenia
Phone: 00386-5425-559, e-mail: gorenak.stefka@siol.net

Abstract

The purpose of this paper is to outline the ISO 26000 and the development of multi-stakeholder management as it has come to be applied in strategic management. Stakeholder engagement can be defined as interactive activities initiated by an organization with its stakeholders. One of the general CSR principles within ISO 26000 concerns respecting stakeholder interests. Brief discussion of managing for stakeholders and the role this plays in achieving value creation and competitive advantage are presented. ISO 26000 adds that the active engagement of stakeholders is based on trust and goes beyond public relations. Moreover, it is also important to realise that stakeholder engagement is not a one-off event but a continuous process. CSR in SMEs is less formal and more intuitive than in larger companies but that does not make it less valuable. The challenge is to get more SMEs to do more CSR. The fact that SMEs are an extremely diverse group (size, history, sector, ownership and so on) call for a range of different approaches and strategies to encourage the uptake of CSR. Furthermore, case - the most innovative company in the EU (2010) and its multi-stakeholder governance, its sustainable corporate strategy as well as its reporting according ISO 26000 are presented. The research results show that multi-stakeholder governance is indicated and is implemented into corporate strategy but CSR reporting (according ISO 26000 guidelines, sustainable indicators) is still at an early stage.

Key words: *multi-stakeholders governance, corporate strategy, corporate social responsibility, ISO 26000, SME's, case*

1. Introduction

Over the last couple of decades a fairly contradictory body of literature has emerged on the relationship between corporate social responsibility (CSR) and traditional business foci such as innovation and value creation. Many organizations joined the path toward business and quality excellence and utilized quality tools, quality and environmental management systems standards (ISO 9000 and ISO 14000), responsibility standard (ISO 26000) and business excellence models EFQM and Baldrige to assist them in this transition. Evolution moves on and is heading now toward Corporate Social Responsibility (CSR) or Social Responsibility (SR) Excellence to Total Responsibility Management (Waddock and Bodwell, 2007, p. 72-73). Holistic CSR is continual company's commitment to ethical behavior, economic development, and improvement of the life quality of employees, their families, the local community, and society in general. Researches suggest that CSR under certain conditions can stimulate innovation, investment or trade and consequently also competitiveness. The challenges of sustainability are now being expanded in the increasing CSR-related expectations and changing consumer's behavior as well as accountability and being more active and involved in the civil society.

In this paper we discuss the roles of ISO 26000 guidance standard on social responsibility and stakeholder engagement in the most innovative company in the EU – 2010. The paper is organized in the following way. To set a scene, we define ISO 26000 and outline general features of the progression from ISO 26000 including corporate social responsibility and stakeholder engagement (Freeman et al., 2010, p. 236-240). We expose ISO 26000 (interdependence and holistic approach), CSR and strategic stakeholder engagement in SME's.

2. ISO 26000 – guidance on social responsibility

Social responsibility guideline – ISO 26000 – was issued by a well-known authority - International Standard Organization (ISO). ISO 26000 (2010) is a CSR guideline that enables all organizations to define and implement CSR in their corporate strategy.

ISO 26000 exposes seven core subjects (human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development) in which an honest behaviour supports success; all of them are linked by two crucial concepts: (1) interdependence and (2) holistic approach. However, stakeholder engagement can be defined as interactive activities initiated by an organization with its stakeholders. Managers should recognize all stakeholders, including those that are frequently forgotten but can have a major impact on the organization's activities and reputation. Stakeholder identification and engagement are central to addressing an organization's social responsibility. One of the general CSR principles within ISO 26000 concerns respecting stakeholder interests – achieving value creation and competitive advantage. The ambition of ISO 26000, as a generic, overarching SR guideline, is to enable its integration with any existing SR or CSR standard.

The research that was conducted by Brandsma et al. (2010) showed that most organizations that indicated an interest in ISO 26000 are still at an early stage in terms of SR implementation. Research conducted by Moratis and Cochius (2011 83-99) commissioned by the Dutch Directorate General of Public Works and Water Management among social responsibility (SR) champions in both the Netherlands and abroad showed that these organizations mainly engage in SR because it adds values – SR directly and indirectly contributes to the bottom-line of the organization (adopted Gorenak 2013).

However, within ISO 26000 the following general SR principles are mentioned: accountability, transparency, ethical behaviour, respect for stakeholder interests, respect for the rule of law, respect for international norms of behaviour and respect for human rights. The starting point of ISO 26000 that every organization should engage in SR in its own, unique way, depending on its organizational characteristics and external environment, offers organizations the opportunity and legitimacy to formulate their own SR principles.

3. Stakeholder identification and engagement

One of the general CSR principles within ISO 26000 concerns respecting stakeholders' interests. Identifying stakeholders, knowing their expectations and enabling stakeholder engagement therefore play an important role in the guideline as they are a key to understanding, addressing and implementing social responsibility. Stakeholders are seen as a starting point for CSR policies and fulfil an essential role in determining the organization's social responsibilities. Therefore,

ISO 26000 is full of references to stakeholders and stakeholder involvement, dedicating an entire clause to this concept.

ISO 26000 specifies numerous reasons to engage with stakeholders - researching informed decisions, including stakeholders in the process of the performance evaluation, reconciling or preventing conflicts, aligning interests and expectations, integrating different perspectives and developing partnership (ISO, 2010, p. 18). However, according to ISO 26000 that is not always necessary since some stakeholder expectations have been institutionalised within the law, culture or societal norms. Effective stakeholder engagement is thus important for an organization and if an organization wants to obtain maximum value from it, it should properly organize this process, as stated in ISO 26000 (ISO, 2010, p. 19). Moreover, it is also important to realise that stakeholder engagement is not a one-off event but a continuous process. Therefore, every organization should periodically review its policies and activities in the field of stakeholder engagement

4. Strategic Stakeholder Management

Porter and Kramer (2006, 2011) add that by engaging in strategic CSR, new product offerings are likely to emerge, which are in turn benefiting both, social and environmental issues in addition to a company's long-term competitiveness. There are many other researchers (Bhattacharya, 2010, p. 87), Brugmann and Prahalad (2007, p. 2), (Sherman, 2011) who discuss about benefits gained through implementing strategic CSR activities.

The main ideas of the stakeholder theory are the following: (1) Business creates (and sometimes destroys) the value for customers, suppliers, employees, financiers and communities (or society); (2) There is a jointness to the interests of these stakeholders and (3) Great companies recognize the intersection of stakeholder interests and continuously build and reimagine this intersection. The main idea of stakeholder theory is as old as commerce itself: Origins of 'stakeholder idea' are Nordic companies (are leading and will lead in the future) because they are integrating stakeholder thinking and CSR into their value creation models (adopted from Freeman et al., 2010, p. 30-62)**.**

Leaders and managers in company play a crucial role in developing vision and values. One cannot be a moral leader without first being a leader. Moral leaders possess a number of important qualities. Perhaps these qualities could be referred to as 'habits', which distinguish them from immoral or amoral leaders. Ethical and moral leaders have a passion to do the right thing (Fassin et at., 2010). Leaders, wherever they are in the organization, but particularly in the top management, need to take a long-term perspective, make a public commitment, communicate the commitment, be a role model for the company's values, to integrate vision and values into strategies and practices, and support change (Waddock and Bodwell, 2007).

Stakeholder capitalism – Freeman et al. (2010, p. 208) suggest the new vision of capitalism – stakeholder capitalism – which is founded on libertarian and pragmatist lines. Stakeholder capitalism is "based on freedom, rights, and the creation by consent of positive obligations". Freeman et al. offer six principles (2010, p. 281-284): (1) The principle of stakeholder cooperation; (2) The principle of stakeholder engagement; (3) The principle of stakeholder responsibility; (4) The principles of complexity; (5) The principle of continuous creation and (6) The principle of emergent competition. These principles together build a framework for our value creation and trade that infuses ethics at the foundations, respects the complexity of human beings, fosters innovation,

and can help us move beyond the problems outlined above. His argument is that if people on the ground make sense of their activities and their system of value creation in this way, they will act in ways that will make our capitalism more responsible and more resilient. We need to think critically, acknowledge the social nature of value creation, and work with an insatiable passion to create value for our stakeholders.

The metamorphosis of capitalism lies at the very heart of the discussions about CSR, and more recently, corporate citizenship that has abed and flowed throughout most of the 20th century. Holistic corporate citizenship is best viewed, not as a program of activities but as a holistic system of organizational behavior affecting every level and aspect of an organization's policies and practices (Eklington, 1997, 258). Three attributes are presented, which indicate the good corporate citizenship: ethical business behavior, stakeholder commitment and environmental commitment.

5. Stakeholder management in the most innovative EU company

The most innovative company in the EU for year 2010 was included in our research. Their developmental strength is the result of clear strategies, development strategies and dedication to their common values: speed and flexibility, partnership and trust, innovativeness and efficiency. They set high standards in all areas of their work and business operations.

Problem definition - The main researches on stakeholder management in SMEs, CSR, and competitiveness have not included synergies between stakeholders. According to GRI recommendations the SMEs will have to present a sustainable report prepared according to ISO 26000 and GRI guidelines. It means the big challenge for companies because they need strategy, knowledge about stakeholder management as well as about indicators and way of reporting. The companies which will not report about their sustainable activities will be forced to give an explanation including reasons. The case company (the most innovative company in EU for year 2010) is one of very innovative, successful and responsible companies as well as a stakeholders-oriented company.

Hypotheses – Innovative strategic stakeholder management into corporate strategy are elements of successful CSR which lead case company to sustainable development and long-term responsible competitiveness as well as long-term partnership with the company's stakeholders.

Methodology - In–depth interview with a representative manager in the company. Annual reports, news, award, campaigns, presentations published at web page were investigated.

Research questions – the main topics – sustainable development, corporate social responsibility, stakeholder management and reporting as well as long-term competitive advantages. How the stakeholder strategy and stakeholder management (according ISO 26000) are implemented into corporate strategy? How do you evaluate your stakeholders, which indicators have already been implemented and how do you report about your stakeholder and sustainable activities? How awards contribute to case company's image and its competitiveness in the global market?

Research findings – The case company has been established in 1989, as the first private aircraft producer in former Yugoslavia. The case company consolidate continually its position as one of the most innovative producers of light aircraft in the world – got many international awards – it has been selected as a recipient of one of the ten prestigious Ruban d'Honneur awards for the UKTI Award for Innovation in the 2010 European Business Awards. The company launches their academy – flight school program and is involved in many other activities. Furthermore their products are presented all over the world and they offer high quality, efficacy and safety. Their prod-

ucts are marketed under their own brands. Their systematic approach is intended to ensure it exceeds customer requirements and achieves its operating objectives. The integrated quality management system and business excellence covers every step from customer requirements via marketing, research and development, product supply and sales, to the monitoring of customer satisfaction. The function of all major quality processes are also periodically reviewed. One of their key objectives is to achieve excellence (EFQM excellence model, as well as ISO 26000 – partly and Global Reporting Initiative).

According to our research stakeholders management, CSR and competitiveness we can confirm that it is included into corporate strategy. The case company is the world's leading designer and producer of advanced light aircraft and self-launching gliders. The aircraft producer with the widest range of light aircraft in the market has proved many times that its products are the best in the world. The case company received the 2010 European Business Award for the most innovative company in the European Union and has won the NASA Centennial Challenge many times (2007 and 2008 and 2011). Their aircrafts fly are presented at the global market. Nowadays company is the leading developer of aircrafts with green means of propulsion and the producer of environmentally friendly aircrafts.

We highlight three points: (1) strengthening the professional and cost synergy within the company, and maximizing the competitive advantages offered by the business environments – global market. (2) Maintaining the economic, social, and environmental responsibility to the surroundings in which they operate. (3) Operating in accordance with the principles of business excellence and thereby strengthening the visibility and positive public profile of the company. Social responsibility – company's business performance is based on the commitment and knowledge of its employees. They are building a culture of mutual trust, respect, effective collaboration and teamwork, involving lifelong learning and responsible and effective. Environmental protection – Responsible environment management has been included (reduce emissions, introducing cleaner technologies and reducing their environmental impact – company got many international awards). Sponsorships and donations – Society at large is very important the case company, and they support it through their sponsorship and donation programs. Gorenak (2013) says that there are many case studies (especially in pharmaceutical industry) which confirm that CSR according ISO 26000 was successfully implemented into corporate strategy and companies report about their CSR activities according GRI guidelines. The above mentioned activities as well as their measurement (indicators) should be presented in their annual reports.

Outcomes and results show the level of CSR development as well as holistic and systemic approach by ISO 26000's implementation into corporate strategy. Furthermore the results show how management recognize the interdependence, stakeholder engagement and how management evaluate business opportunities (value creation for all of their stakeholders). The research results show that multi-stakeholder governance is indicated and is implemented into corporate strategy but CSR reporting (according ISO 26000 guidelines, sustainable indicators) is still at an early stage. Finally, we outline the area for improvement but the researchers should pay more attention on CSR implementation in SMEs.

6. Conclusions

Nowadays participants in stakeholder partnerships come together specifically to achieve social benefits through joint action. The relationship and potential synergies between the stake-

holders and their measurement (indicators) lead company to long-term competitiveness and long-term partnership development. The result of this study presents a positive contribution to the progress and development of innovative sustainable management and its measurement in the case SME from Slovenia which is the biggest global player in the aircraft industry. The aim – to highlight the characteristic features of case company stakeholder management and ISO 26000 compare them to other researches (theoretical and empirical) with available empirical published studies – is achieved. Finally, this case adds to the mounting evidence that stakeholder management in general, has created a new dimension in managing sustainability at the corporate level. We need a global dialogue between politicians, business and research institutions about 'best practice' and ways to enhance and effectively coordinate CSR activities (holistic and systemic – management innovation) especially in the SME's.

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