

# CORPORATE SOCIAL RESPONSIBILITY THROUGH THE LENS OF ISO STANDARDS

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## **Abstract**

The term corporate social responsibility has become part of the economic vocabulary since the seventh decade of the 20th century. Since the beginning of the 21st century this term extended, became complex, multidimensional with many economic, legal and social connections. Corporate social responsibility focuses not only on the means of using companies' profits, but also on the means and ways, companies achieve these profits. Social responsibility means considering stakeholders' expectations, and the management of economic, social and environmental domains manifested in relations with stakeholders in all areas of influence: the workplace, market, value adding chain, community and public policies. The companies must address these issues from a strategic point of view. This paper aims to analyse developments in social responsibility in terms of standardization. The first part is dedicated to an exploratory investigation conducted on the developments in the field of CSR and Global Governance and on the development of ISO 26000 as the most important tool to ensure standardization in the field of sustainability. We also paid special attention to the development of ISO 9001 and ISO 14001, the main existing standards related to sustainability. To determine the interest in standardization, we forecasted the trend in issuing ISO certificates based on ARIMA and Holt statistical models.

**Keywords:** Corporate social responsibility, ISO, Certification, Sustainability.

## **1. INTRODUCTION**

Experts in the area of business, government and academics are becoming more interested of the concept of "corporate social responsibility" (CSR). The main issue of this term is the suitable role of business. Since the 1990s, more and more companies have engaged in Corporate Social Responsibility (CSR), internalizing externalities and voluntarily over complying with laws and regulations on environmental and social issues. This behaviour looks to conflict with the interpretation of corporate governance as "the ways in which the suppliers of finance to corporations assure themselves of getting a return on their investment" (Shleifer & Vishny, 1997). Everyone consents that firms should obey the law.

Mahesh (2011) defines CSR as "social responsibility means the economic, legal and ethical expectations which society has at a certain time towards organizations that operate within it." The fundamental principle that supports social responsibility is based on the idea that companies should be concerned about stakeholders' expectations and not only about their interests.

Since the increasing of public worries concerning the natural environment, the respect of human rights, the ethical aspects of business and other social issues, corporations have increased their efforts to deal with their responsibilities to community. According to KPMG (2008), 80% of the Global Fortune 250 firms release corporate responsibility information (up from 50% in 2005), and 75% have a formal corporate responsibility strategy in place. Suitably, academics have advanced a variety of theories and notions about how a company should address the social issues concerned in business operations (Melé, 2008).

The notions of CSR and corporate citizenship have been part of the business vocabulary and the target of academic studies for several years. Over the previous decade, nevertheless, they have grown to include a multi-dimensional set of matters, with strategic connections for both business leaders and policy creators. A mixture of factors has powered this process (Neelankavil, 2009).

CSR is an integral part of corporate strategy in areas where discrepancies arise between company profits and social goals. A CSR program can make managers aware of these conflicts and make them take seriously the social problems. Attention to social problems can contribute to maintaining or improving morale, increasing a company's market value and appreciation of the local community (Heal, 2004).

In this changing environment, CSR covers not only what companies do with their profits, but profits eligible way to obtain. CSR is not just about philanthropy and legal compliance, but is considering how companies manage the social, economic, and environmental effects of their activities and their relations with stakeholders in all key spheres of influence.

## **2. CSR AND GLOBAL GOVERNANCE: DRIVERS AND TRENDS**

In the first place, CSR has become a major social enterprise largely because of the growing gap between the scope, inventiveness and power of private sector institutions, on the one hand, and public institutions, on the other. For a generation now the role of markets has expanded steadily, at home and abroad. CSR may be seen as a voluntary effort to realign the efficiency of markets with the shared values and purposes that societies demand, and that markets themselves require to survive and thrive.

How much of that burden CSR can and should carry is the key governance question. Just limit here to the overall context of globalization (CSR Asia, 2009).

As a case in point, it can be considered the expansion of transnational corporations. The rights they enjoy have increased manifold over the past two decades, because of multiparty trade agreements, bilateral deal pacts and domestic liberalization. This expansion in the global rights and reach of private sector firms has generated a steady escalation in social expectations of their roles in society, well beyond traditional forms of compliance and philanthropy. Civil society actors initially drove this escalation almost entirely, but governments now are also getting involved.

Taking a hit in terms of social criticism and stock value, many companies look for ways to signal a new commitment to improve their practices. Others take steps to avoid similar problems, or to turn good behaviour into branding or business opportunities.

A new reporting, auditing and certification industry is gradually emerging as a result. This remains an arena characterized by partial coverage and competing metrics. Whether convergence is possible, how the playing field might be levelled, and what roles governments will have to play to achieve either are subjects for further discussions.

Two forms of imbalances are particularly problematic for the sustainability of globalization itself. One is the imbalanced system of global rule making. Regulations that support global market expansion have become more vigorous and enforceable. Environmental and labour side agreements to trade pacts may be inefficient and ineffective, but they, too, reflect social demands for a recalibration of the power to make rules.

The other imbalance is in outcomes on the ground. The figures are well known: half of the world's population is in a state of extreme poverty. Based on these two trends above, the third one is focused on building broader social capacity to cope with the new world that corporate globalization has produced.

The transnational corporate sector has worldwide reach and capacity, and it is able of building and executing decisions. As a result, a variety of other social actors are looking for ways to leverage this platform in order to advance broader social objectives - to help fill governance gaps and compensate for governance failures (Misani, 2010).

All these remarks can be drawn to an end. We consider that CSR is not only a business challenge. Even more important, it concerns the relationship between business and society, the respective rights

and obligations of different social sectors and actors, and the relative efficacy of voluntary vs. regulative approaches to meeting social needs (Castka & Balzarova, 2008).

### **3. ISO 26000 INTERNATIONAL STANDARD - DOES PROVIDE GUIDELINES FOR SOCIAL RESPONSIBILITY?**

In 2002, ISO Consumer Policy Committee (COPOLCO) released a report on opportunity of developing standards of corporate social responsibility (ISO COPOLCO, 2002). After this report, ISO General Assembly found it necessary to consider the development of social responsibility standards. In 2003, the Technical Management Board formed Strategic Advisory Group (SAG) to determine whether ISO should begin developing standards in corporate social responsibility, and if such an activity will be initiated to determine the scope and type of standard.

In 2004, SAG recommended that ISO must continue to develop a "guidance document" which will assess the compliance in social responsibility (ISO Strategic Advisory Group, 2004). SAG noted that the rules set out in this guide should be applied in a variety of social and cultural environments, should be formulated in clear and understandable language, and that "ISO should make every effort to ensure that developing countries can contribute to the effort of developing this guidance document. "

The final draft of responsibility international standard, ISO 26000, was approved on September 13, 2010 (Halina Ward, 2011).

ISO 26000 provides harmonized globally pertinent guidance for private and public sector corporations of all types based on international agreement among expert of the main stakeholder groups, and so support the implementation of best practice in global social responsibility. ISO 26000 provides an understanding of what SR is and what corporations require doing to operate in a socially responsible manner.

It has been agreed that certification of this guidance standard meets neither its purpose nor is it even possible. Although some stakeholders might feel this means losing an important option, other applications of the standard appear to be much more sustainable and more congruent within the spirit of the standard (Peña, 2011).

Keeping up the spirit is vital now. As experts who have developed the ISO 26000, they should see it through to its original purpose, i.e. practical use in accordance with its main ideas. To that end, it can be proposed the following way forward (Slob & Oonk, 2007):

- converting the guidance into empirical tools;

- implementing guidance in national context;
- achieving feedback for review and adaptation;
- including all stakeholders in the building of a broader framework process.

ISO 26000 is a moot point in the chase of a truly sustainable social responsibility agenda. Given that stakeholders continue to support or tolerate a market-driven paradigm, all efforts to make organizations conduct their business in a truly sustainable manner are futile.

Although ISO 26000 could be considered a step forward compared with previous instruments of social responsibility, they all share two fundamental characteristics: voluntary feature and avoidance of providing guidelines on employees' means and forms of compensation. These features make ISO 26000 a tool compatible with corporate interests (de Regil, 2010). Corporations can choose any of the provisions of ISO 26000 they consider convenient and can ignore what they think does not apply to them.

Mahesh (2011) considers that ISO 26000 adds value to existing standards of social responsibility.

#### 4. FACTS AND TRENDS - ISO 9001

The ISO 9001 standard can be applied to any type or size of organization including largest corporations and government institutions. It supplies a framework for a customer-focused quality management system (QMS) that leads performance improvement. The standard covers all problems of an organization's actions: meeting customer needs, communication, product and process planning, monitoring and measurement of processes, training, acquisitions, production and service, customer satisfaction, internal audit, management appraisal, and continuous improvement processes.

ISO 9001 is now firmly recognized as the globally implemented standard for offering assurance about the capacity to complain quality requirements and to improve customer satisfaction in supplier-customer relations. At the end of 2010, at least 1.109.905 certificates had been released in 178 countries. The 2010 total represents an increase of 4,2% over 2009, when the total.

In certification of conformity to the standard, leaders are Asia and Europe, other world areas having small weights.

Number of ISO 9001 certificates grows continuously as shown in Table 1.

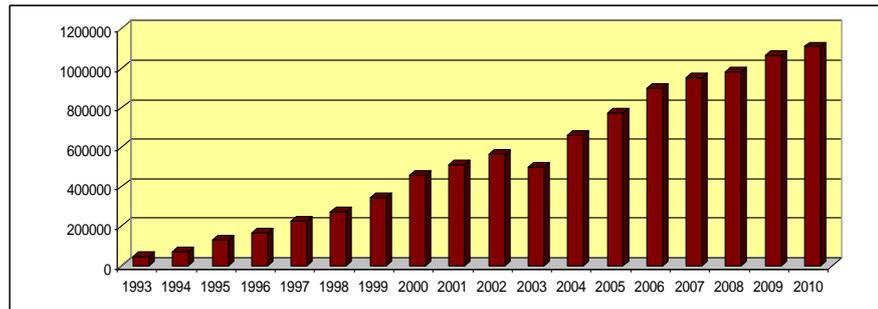


FIGURE 1 – ISO 9001 - QUALITY MANAGEMENT SYSTEMS CERTIFICATION TRENDS  
Source: The ISO Survey - 2010, 2011

To estimate the evolution of the number of ISO 9001 in the period 2011-2015 we used for forecasting, the SPSS program model called ARIMA (0, 0, 0) with stationary R-squared as measure (0,977).

Using parameters forecasted by the Economist Intelligence Unit of IMF (GDP growth), we made predictions on the evolution of ISO 9001 certificates. The period for which we worked the forecast is 2011-2015 and is based on data from 1999-2010 (Table 1).

TABLE 1 – FORECAST OF ISO 9001 CERTIFICATES EVOLUTION

	ISO 9001 certificates	Global GDP growth (cumulative percent – year base 1998)	ISO 9001 certificates predictions	Lower Confidence Limits	Upper Confidence Limits
1999	343642	103	364385		
2000	457834	107,9	434934		
2001	510349	110,8	476688		
2002	561767	114,4	528519		
2003	497919	118,7	590430		
2004	660132	124,5	673937		
2005	773867	130,4	758883		
2006	896929	137,3	858228		
2007	951486	144,4	960452		
2008	982832	148,9	1025242		
2009	1064785	148,9	1025242		
2010	1109905	155,1	1114508		
2011	-	159,8	1182465	1090251	1274679
2012	-	164,9	1256038	1163824	1348252
2013	-	170,2	1332058	1239844	1424272
2014	-	175,4	1408078	1315864	1500292
2015	-	181,1	1488849	1396635	1581063

Sources: The ISO Survey - 2010, 2011; Index Mundi, 2012; Hoey, 2012 and own predictions

Number of ISO 9001 certificates will continuously and sustainably grow in the coming years due to economic growth and increased awareness on high quality of supply chain components.

The ISO 9001 standard supplies management tools for corporations to manage their SR issues such as customer needs, training, acquisitions, customer satisfaction, management appraisal etc., and assess their performance in SR area. The ISO 9001 brings this contribution to corporate social responsibility.

**5. FACTS AND TRENDS - ISO 14001**

Worldwide corporations, as well as their stakeholders, are more and more conscious of the need for environmental management, SR behaviour, and sustainable growth and development. Consequently, as the proactive management of environmental aspects meets with organization risk management, corporate governance, and performance.

International Standards are becoming more and more significant for corporations to work towards common environmental management practices. ISO 14001 is first standard intended at a more responsible approach of corporations and the world’s most acknowledged framework for environmental management systems that assists corporations both to handle better the effect of their activities on the environment. ISO 14001 has been implemented as a national standard by more than half of the 160 national members of ISO and its use is encourage by governments around the world. Although certification of conformity to the standard is not an obligation of ISO 14001, at the end of 2007, at least 154.572 certificates had been released in 148 countries and economies.

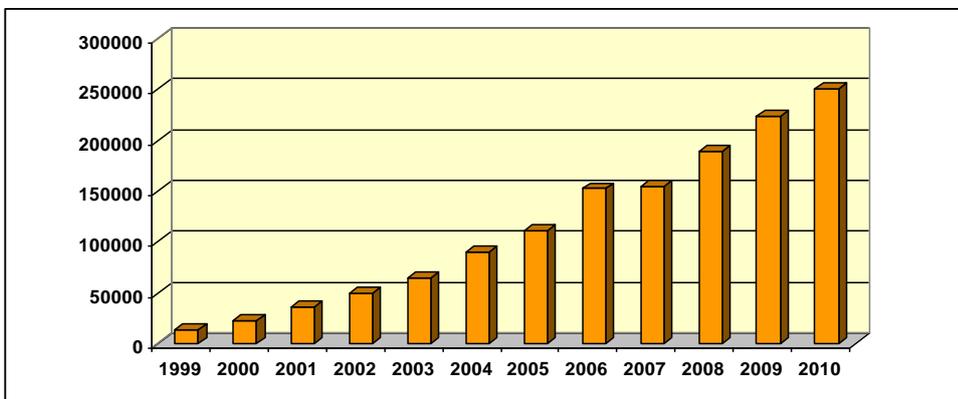


FIGURE 2 – ISO 14001 - ENVIRONMENTAL MANAGEMENT SYSTEMS CERTIFICATION TRENDS  
Source: The ISO Survey - 2010, 2011

ISO 14001:2004 maintains its global relevance for organizations desiring to activate in an environmentally sustainable way. At the end of 2010, no less than 250.972 certificates ISO 14001:2004 had been released in 159 economies.

In certification of conformity to the standard, dominate Asia and Europe, other world areas having small weights.

Although the ISO 14000 standards are intended to be equally supportive, they can also be used separately to achieve environmental objectives. The whole ISO 14000 family of standards supplies management tools for corporations to manage their environmental features and assess their environmental performance. Jointly, these tools can offer important tangible economic benefits (decreasing waste and consumption of energy, raw material/resource use).

Linked with each of these economic benefits are different environmental benefits too. ISO 14000 makes this contribution to sustainable development and corporate social responsibility.

Number of ISO 14001 certificates is growing continuously as shown in Table 2.

TABLE 2 – FORECAST ON ISO 14001 CERTIFICATES EVOLUTION

	ISO 14001 certificates	Global GDP growth (cumulative percent – year base 1998)	ISO 14001 certificates predictions	Lower Confidence Limits	Upper Confidence Limits
1999	13994	103	9398	-	-
2000	22847	107,9	20683	-	-
2001	36464	110,8	31861	-	-
2002	49440	114,4	45855	-	-
2003	64996	118,7	60876	-	-
2004	90554	124,5	77758	-	-
2005	111163	130,4	103228	-	-
2006	152231	137,3	129927	-	-
2007	154572	144,4	171293	-	-
2008	188815	148,9	190364	-	-
2009	223149	148,9	214883	-	-
2010	250972	155,1	246634	-	-
2011	-	159,8	278548	254446	302650
2012	-	164,9	308728	277864	339592
2013	-	170,2	338908	296613	381202
2014	-	175,4	369087	311855	426319
2015	-	181,1	399267	324444	474090

Source: The ISO Survey - 2010, 2011; Index Mundi, 2012; Hoey, 2012 and own predictions

To estimate the evolution of the number of ISO 14001 certificates in 2011-2015 we used a forecasting model, SPSS program, called HOLT with stationary R-squared as measure (0,630). Using parameters forecast by the Economist Intelligence Unit of IMF (GDP growth) we forecasted the evolution of ISO 14001 certificates. The forecasted period is 2011-2015 and is based on data from 1999-2010 (Table 2).

Number of ISO 14001 certificates will continuously and sustainably grow in coming years due to economic growth and increased awareness on environmental protection.

Tschopp and others (2012) show that increasingly more organizations use ISO 9000 and ISO 14000. ISO brand name recognition and reputation can play a key role in implementing a social responsibility standard as ISO 26000.

It is a fact that, during 2011, ISO 26000 had a remarkable evolution. According to a survey carried out by ISO during September and October 2011 among 162 members, the following results were provided:

1. 66 members participated in the survey, with 25 out of 29 member countries from Europe;
2. ISO 26000 adoption as a national standard: from the 66 responses received, approximately 80% claimed that either adopted (55,5% - 36 members) ISO 26000 or will do it soon (26,5% - 17 members)
3. ISO 26000 was translated into 18 languages;
4. Approximately 10000 copies were sold and another 10000 were distributed free.
5. There is a high (31%) and very high interest (5%) regarding ISO 26000 implementation
6. 30 subjects (46%) claimed that there were developed and implemented methodologies according to national regulations which will create the basis for ISO 26000 implementation.

On the other hand, it was asked for advice on communication and practical implementation and on integration of the standard within the existing management systems.

## 6. CONCLUSION

The work of an organization relative to its relations with the local community and environmental impact has become a measure of its performance and ability to function effectively. This is a consequence of the need to live in an unpolluted environment and socially equitable. The current global economic crisis was the main issue considered as having a lack of regulation. This view is harmful because the additional regulation could affect the economic recovery. It is sufficient for organizations to comply with current regulations. The study we conducted on the development of ISO 9001 and ISO 14001 standards underlines the increasing interest companies have in standardization. The global economic growth in coming years will determine the increase in the number of ISO 9001 and ISO 14001 certificates and the adoption of ISO 26000 as national standard. To reduce the specific efforts made when implementing a

new standard, it is necessary a potential model of integration (quality-environment-social responsibility integrated management system), which combines corporate social responsibility systems requirements with those systems of quality management systems and environmental management systems.

A standard such as ISO 26000 is emblematic for the growing trend of regulation and intervention in business. However, ISO 26000 compiles the best practices developed by public and private initiatives. ISO 26000 is not intended to impose mandatory regulations but it will be an instrument of social responsibility that will be a help for companies that want to take account of stakeholder views.

Corporations should be concerned about this trend, especially when they are pressed to transfer part of their profits to government authorities from host countries or by NGOs favoured by them, in order to function in that country. As long as CSR initiative is transparent, discrete, and voluntary, they have great potential to contribute positively to the work of employees, employers, consumers and investors. The business community should unite against mandatory standards of social responsibility, which would undermine the fundamental purpose of any business: maximize profits and create new value.

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