



## SOCIAL RESPONSIBILITY AND ISO: 26000

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**Abstract:** *The objectives of a modern business firm include not only wealth creation, growth, but also customer satisfaction at large. More satisfied stakeholders ensure success and growth of the firm in the long run. The firm draws its resources and inputs from the environment and the environment also influences the same in return. The various elements demand their respective share in surplus generated by the firm. Shareholders want good earnings per share, investors need effective return on investment, customers want good quality at low prices, government agencies enforce regulation of laws, employees want to protect their rights, consumer forums education of customers, etc. The management has to establish an equilibrium between demands of various stakeholders in order to survive. The concept of social responsibility (SR) is gaining more relevance with social consciousness at its peak, and the social pressure to use environmental resources more effectively and judiciously. The present paper seeks to cover the same along with relevance of international social responsibility standards ISO-26000 in attaining SR. Two case studies have been outlined too.*

**Key Words:** *social responsibility, corporate, ISO 26000, sustainable development.*

### INTRODUCTION

Organizations around the world, and their stakeholders, are becoming increasingly aware of the need for and benefits of socially responsible behavioural practices. The objective of social responsibility is to contribute to sustainable development of our world. It has become critical for every organization to evaluate its performance in relation to the society in which it operates and its impact on the environment and it is vital for its existence. This is, in part, a reflection of the growing recognition of the need to ensure healthy ecosystems, social equity and good organizational governance. In the long run, all organizations' activities depend on the health of the world's ecosystems. Organizations are subject to greater scrutiny by their various stakeholders. The stakeholders want their respective share in the surplus generated by the company proportionately.



Shareholders and investors want greater worth and equity, thus, insisting on better perception and value of firm in the market. Employees want adherence to fair remuneration and treatment as per agreement, whereas, customers want eco-friendly products at reasonable prices and good quality. Government agencies wish compliance to rules and laws along with payment of taxes. Community at large expects firm to contribute towards development of area in terms of energy conservation, water preservation, education, job opportunities, and participation in health care etc. The role of business firms have increased manifold in social context in the wake of Social Responsibility (SR) awareness. With the improved Indian Companies Act, 2013, 2 percent of net profits are to be spent by a corporate on SR activities, relevant for specific companies.

A lot of Indian companies are contributing in higher education, research, energy generation and supply, healthcare, training of under privileged etc. It is not yet mandatory to adopt the ISO: 26000 series in India. These standards relate to governance and SR. The concept of social audit is also not implemented by most of the large companies in India. However, groups like TATA and BIRLA, have been involved in philanthropic activities since their inception. CSR does not involve only charity rather it means analysing every decision in terms of its impact on the stakeholders. The increased awareness of the rights of people has led to many movements like consumer forum and trade unions, which exert pressure on companies to fulfil their demands. A number of companies have set up 24 by 7 helpline numbers for customer care and grievance handling. The ISO-26000 standards have been adopted by many countries and multinational companies world-wide. In India, we are lagging behind in terms of its adoption as the concept of SR has not been adopted in its true meaning by the companies. Yet with the changes in Companies Act, change is bound to take place soon. As per the new Act, 2 percent of net profits are to be spent on social responsibility by every public company having a specified turnover and profits. The amount is not to be spent on own employee welfare or amenities for employees. It has to be donated to NGOs working since last two years not affiliated to the company in any way. The areas of participation or corporate spending can be higher education, sanitation and hygiene, skill development and health care services, etc.



## **ISO: 26000 STANDARDS**

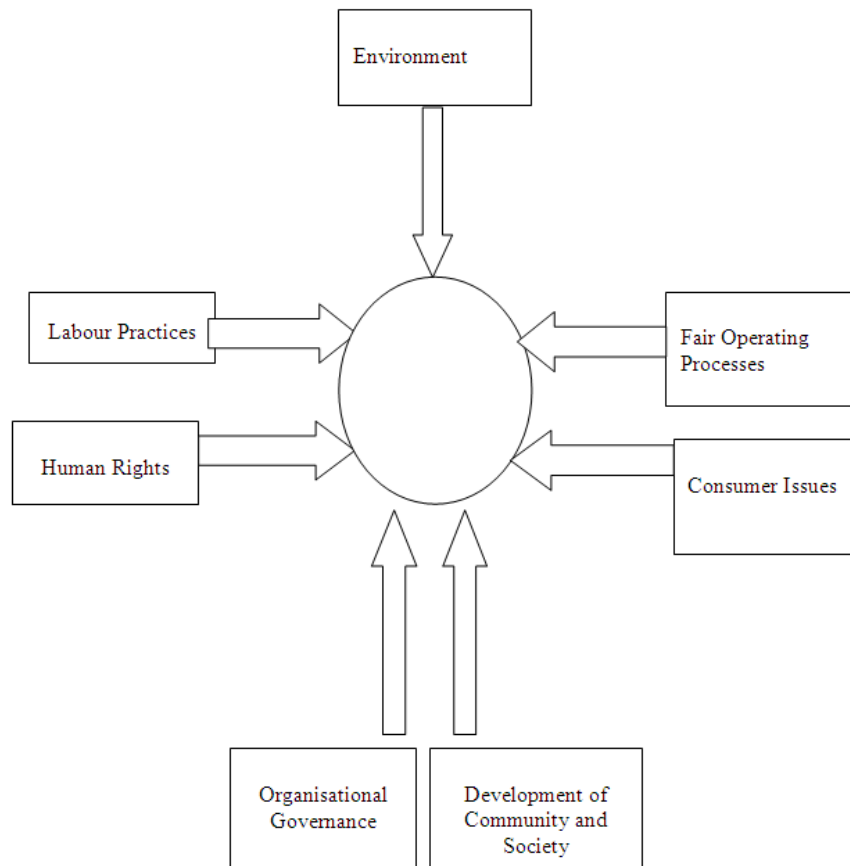
ISO standards make a positive contribution to the world we live in. They facilitate trade, spread knowledge, disseminate innovative advances in technology, and share good management and conformity assessment practices. ISO standards provide solutions and achieve benefits for almost all sectors of activity, including agriculture, construction, mechanical engineering, manufacturing, distribution, transport, medical devices, information and communication technologies the environment, energy, quality management, conformity assessment and services.

The governance of ISO is complex, reflecting its global membership and reach.

An important point about ISO:26000 is that its development was not initiated by any member but by the consumer policy committee (COPLCO). Most standards are developed to follow established practice, and they are still in development stage. The debate regarding development process was concerned with the definition of the concept of SR. There is still no consensus about the definition of the SR as developing nations have no clarity about the process of social responsibility implementation. There are no legislations making it mandatory, in most of underdeveloped and developing countries, regarding social responsibility rather it is optional for companies.

## **CONCEPT OF SR**

The concept of social responsibility is comprised of all the expectations of stakeholders and others having vested interest in the company. The environmental forces continuously interact with and pose challenges before the organisation as shown in figure 1. One significant component is labour and trade unions demanding fair wages and opportunities for growth along with fair treatment. The consumers play a prominent role by creation of demand and revenue for the company as they are significant for their survival. The consumers and society expect that operating practices do not violate human rights and the organisation has practices which are fair and equitable. The stakeholders are now-a-days interested in governance of companies as well.



**Fig.: 1. Concept of Social Responsibility**

The enterprise has to take up initiative for development of community and society at large. The enterprise has to involve in higher education, healthcare, higher education, water resources, and energy conservation, etc. Many consumer forums are analysing the role of the organisations in participation in social causes and for protection of environment. They have to seek protection of cultural value system also. The ISO has given an outline of standards and widely accepted definition of social responsibility which has been adopted by several countries. Let us take a look at the definition suggested by ISO, known as ISO 26000:2010. It is only at a draft stage yet and discussions are still going on at various platforms.

#### **CSR Definition by ISO: 26000**

The responsibility of an organization for the impacts of its decision and activities on society and the environment, through transparency and ethical behavior that:

- Contribute to sustainable development, including health and welfare of society
- Takes into account the expectation of stakeholders



- Is in compliance with applicable law and consistent with international norms of behavior
- Is integrated throughout the organization and practices in its relationship.

This implies the willing inclusion by business of social and environmental concerns in the commercial (economic) activities and their relation with their stakeholders. CSR Correlates with the social and environmental dimensions of Sustainable Development as defined by Brundtland Commission and the model of the triple bottom line (Economic- Environment- Social or Profit-Planet-People). CSR may be considered as a tool and way of doing business towards sustainable development. CSR is a good way of doing business strategically & profitably. It implies that social responsibility is: the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, health and the welfare of society; takes into account the expectations of stakeholders and is in compliance with applicable law and consistent with international norms of behaviour. It is integrated throughout the organization and practiced in its relationships.

The definition highlights the ethics in decision making by top management. Social responsibility means taking responsibility for what we do and the impact our decisions have on others. In other words, it implies being transparent in our decisions. The large companies making profits should work towards the welfare of over all good of the society, including the environment. Therefore the position taken by this standard is relevant. The standard expects that the companies should obey regulations by not breaking norms of behaviour, and human rights should not be violated. It means that companies may be spending on charity and social up-liftment of weaker sections of the society and fulfilling all SR practices but if they are flouting norms by bribing officials and breaking labour laws, they are failing in their responsibility towards society. Such companies are perpetuating corruption in the society. They can not be termed as socially responsible companies.

### **ISO: 26000 STANDARDS**

It is a widely agreed ISO standard. It includes a 100 page document comprising of first international consensus on definition of SR. It includes a guidance document (offering recommendations and orientation, structured into 7 core subjects and 37 issues, including



an annex with a list of existing tools and standards (not an exhaustive list), claiming that all core subjects are relevant to all organizations, but not all issues.

There is still not total clarity about the scope of the same as it is still at draft and discussion stage. Many developing countries can not participate in the deliberations due to paucity of funds and research facilities regarding the impact of standards in their respective countries. Many countries only have observer status in the process, thus, again developed countries have decided the course of deliberations mostly. However, it is neither a 'requirement' standard, nor a management standard nor a management system standard unlike ISO: 9000 or ISO:14001. Therefore, it is not meant for audit or certification, not for use for reference in any kind of contracts. It is applicable to all types of organisations regardless of the size and location. Let us see some of the strengths and weaknesses of ISO: 26000 standards draft.

### **STRENGTHS OF ISO: 26000**

The major strengths of these standards are as follows:

1. There is broad consensus internationally about the definition.
2. It has enhanced the awareness through debate on SR across the world, building on ISO's reputation.
3. It seeks to cover all sorts and sizes of organizations and not industry only.
4. They offer freedom to use as they only provide guidance on how to choose the relevant parts in a context.
5. It focuses on 7 major issues of relevance internationally.
6. It however, gives detailed explanations for 37 issues.
7. It provides good orientation for organisations which start their journey towards SR.
8. They encourage cross- border dialogues and stakeholder and company dialogues as well.

### **WEAKNESSES OF ISO: 26000**

The major weaknesses of the certification are mainly related to procedures.

1. Its major disadvantage is it is too complex as it is a volume of hundred pages.
2. It limits SR to mainly 7 subjects but in real life it is much more broad and varied.
3. There are several weak definitions like organisation, stakeholder, and international norms of behaviour, which are basic to the implementation of the concept.



4. It lists many recommendations without being able to specify what has already been regulated by national governments.
5. There is too much focus on organisation-internal operations instead of the identification of possible contributions to society.

### **ADVANTAGES OF ISO 26000**

The concept of SR has been enforced with the advent of ISO: 26000 standards. It has many advantages. The perception and reality of an organization's performance on social responsibility can influence, among other things:

1. **Competitive advantage:** The certification creates a competitive edge over the rivals in the market by creating a positive image of the organization. The philosophy has to be imbibed in the value system of the organization in order to influence the decisions of the management in a desirable manner, keeping ethics in mind. Every decision is evaluated in terms of its impact on the beneficiaries or people involved.
2. **Enhances Reputation:** The certification enhances the prestige and reputation of the organization in terms of social consciousness. Ethical decisions definitely improve the image in the society.
3. **Ability to attract and retain workers:** It improves retention of members, customers, employees, clients or users. Every one is attracted to an organization where there is fair treatment and just dealing which enhances the integrity quotient of the organization. The society expects them to perform their duties towards society in creation of a better place to work and live in. The working environment is also positive if the management is conscious of its decisions.
4. **Maintenance of employees' morale:** Better working environment and conditions lead to higher commitment and productivity on the part of employees. It has a positive impact on morale of the employees of the organization. They are assured of promotion and stability in the organization.
5. **Considers view of investors, etc.:** The standards consider views and perception of owners, sponsors and the financial community. It is a challenge for every modern organization to keep all the stakeholders reasonably satisfied and happy. It is important for its survival and growth to have approval of all those involved with it.



- 6. Facilitates Building up Relationships:** The implementation to these standards help in maintaining relationship with companies, government, the media, suppliers, peers, customers and the community in which it operates. It involves just and equitable decisions and actions taken by top management in order to build long term stable relationship with

The concept of SR is not only a strategy of attaining social change but a human-oriented philosophy which provides basis for the existence of such organisations. It provides legitimacy to the consumption of scarce resources of the natural physical environment by modern businesses. It is a way of managerial decision making where managers think in terms of not only maximisation of returns but also for the value addition to the quality of life of the community that they are part of. The standards establish the public accountability of organisations in their role in accomplishing the same. The gradual acceptance of these standards by many countries implies the strategic importance of the same. Many large and small organisations are realizing that their existence and growth depends on the environment they are formed in. Thus, understanding the needs of society and removing disparities across classes, environment protection, better health care, facilitating primary and higher education, energy conservation, provision of basic infrastructure for living, human rights, etc. are some of the areas of concern of modern organisations across the world.

### **SCOPE OF ISO 26000:2010**

Let us see the scope of the standards in terms of its coverage, tools, factors and conditions that have influenced the development of the same.

### **ISO: 26000 OUTLINE**

Description of clause contents as per ISO draft document is given below:

1. Clause 1 defines the scope of this International Standard and identifies certain limitations and exclusions. It also comprises of terms and important definitions.
2. Clause 2 identifies and provides the definition of key terms that are of fundamental importance for understanding social responsibility and for using this International Standard. It also facilitates understanding the concept of social responsibility.
3. Clause 3 describes the important factors and conditions that have influenced the development of social responsibility and that continue to affect its nature and





practice. It also describes the concept of social responsibility itself –what it means and how it applies to organizations. The clause includes guidance for small and medium-sized organizations on the use of this International Standard. It also outlines the Principles of social responsibility.

4. Clause 4 introduces and explains the principles of social responsibility. Recognizing social responsibility and engaging stakeholders in its implementation.
5. Clause 5 addresses two practices of social responsibility: an organization's recognition of its social responsibility, and its identification of and engagement with its stakeholders.

It provides guidance on the relationship between an organization, its stakeholders and society, on recognizing the core subjects and issues of social responsibility and on an organization's sphere of influence. It includes guidance on social responsibility core subjects.

6. Clause 6 explains the core subjects and associated issues relating to social responsibility. For each core subject, information has been provided on its scope, its relationship to social responsibility, related principles and considerations, and related actions and expectations. It also covers issues like guidance on integrating social responsibility throughout an organization.
7. Clause 7 provides guidance on putting social responsibility into practice in an organization. This includes guidance related to: understanding the social responsibility of an organization, integrating social responsibility throughout an organization, communication related to social responsibility, improving the credibility of an organization regarding social responsibility, reviewing progress and improving performance and evaluating voluntary initiatives for social responsibility. It provides examples of voluntary initiatives and tools for social responsibility.

## **CORE AREAS AND ISSUES IN ISO: 26000**

The standards include main 8 core areas and many issues relevant in them. They define the scope and limitations of the same. Table 2 covers core subjects of SR.

**Table 2 — Core subjects and issues of social responsibility**

1. Core subjects and issues in sub-clause 6.1
2. Organizational governance 6.2



3. Human rights 6.3
4. Labour practices 6.4
5. The environment 6.5
6. Fair operating practices 6.6
7. Consumer issues 6.7
8. Community involvement and development 6.8

Source: [www.iso.org](http://www.iso.org)

The adoption of the international standard ISO: 26000, help the organisations to create a positive image in the minds of all stakeholders that it is a socially responsible institution. It is optional and not mandatory rather it is prescriptive in nature which guides the enterprises in maintaining international standards of SR in the process of decision making. Let us see some of the cases how they have implemented these standards in their strategic management. Social responsibility involves an understanding of the broader expectations of society. Social responsibility, however, also entails actions beyond legal compliance and the recognition of obligations to others that are not legally binding. These obligations arise out of widely shared ethical and other values. Although expectations of socially responsible behaviour will vary between countries and cultures, organizations should nevertheless respect international norms of behaviour such as those reflected in the Universal Declaration of Human Rights, the Johannesburg Declaration on Sustainable Development and other instruments.

Thus, the concept of SR is here to stay in the long run. The stakeholders are becoming more demanding and government intervention has increased in India. Let us see few case studies to understand the use of standards in implementation of the SR concept. It will help us analyse the impact of the same on these companies.

### **CASE STUDY 1: TATA CONSULTANCY SERVICES**

Source: [www.tcs.com](http://www.tcs.com)

At TCS, sustainability is seen as a state of being in balance between Corporate Economic Responsibility (CER) and Corporate Social Responsibility (CSR).

The guiding principle of TCS' Corporate Social Responsibility programs is "Impact through Empowerment," where empowerment is a process of strengthening the future today, so that risks are minimized, value created and certainty is experienced. The core areas for TCS'



CSR programs are education, health and environment. The choice of education as a theme flows from TCS being in the knowledge domain. Similarly, attention to the cause of health acknowledges that health is a vital precondition for promoting social good. Concern for the environment is in line with the belief that this global cause demands attention to ensure a sustainable and productive planet.

### **TCS' APPROACH:**

TCS has chosen the following channels to drive its CSR initiatives:

- Developing innovative solutions to address large-scale societal problems by utilizing IT core competence.
- Volunteering for projects that address the felt need of communities in which TCS operates, while aligning with the core themes of TCS' CSR.
- Participating in community development program championed by our clients.
- Partnering with select non-government and civil society organizations and other government bodies.
- Supporting large-scale causes such as disaster relief or any other cause as determined by the Corporate CSR Council.

Some of the initiatives include the Adult Literacy Programs, University Alliances, TCS' BPO Employability Program, Academic Interface Program, mKRISHI, Web Health Center, Mansuki, TCS Maitree village development initiative, TCS Maitree's Advanced Computer Training Center, Med Mantra, Insight, Empower and CSR Technical Team's support to social organizations.

Tata group of companies is one of the pioneers in social responsibility and sustainable development in India. The group is the first one to have started Social Audit in most of its companies. It is an accounting system taking an account of cost and benefits of social expenditure. It is first effort to make public aware of its efforts in social upliftment and contribution to the community at large. TCS is also one of the companies to follow suit. As is seen, it has launched many initiatives in diverse fields such as, literacy, higher education, energy research, computer training, village development programmes, and support to NGO's.

### **CASE STUDY 2: MARKS & SPENCER'S SUPPLY CHAIN CLIENT: UK, INDIA, BANGLADESH & SRI LANKA**



**The Company:** Marks & Spencer M&S is a major British multinational retailer that was founded in 1884 and headquartered in the City of Westminster, London. It specializes in the selling of clothing, home products and luxury food products. The company is present in 54 countries and in UK, with over 85.000 employees and a turnover of over £10 billion (March 2013) and a net profit of 458 million pounds. M&S is listed in the London Stock Exchange and is a constituent of the FTSE 100 index.

**Project background:** Social and Environmental policy: In 2006, M&S launched a campaign called “Look behind the label”. The aim of this campaign was to highlight to its customers the various ethical and environmentally friendly methods adopted by M&S in the production and sourcing of its products. In 2007, they launched an initiative known as “Plan A” to dramatically increase its environmental sustainability spanning 5 themes: Climate change, waste, sustainable raw materials, fair partnership and health. The plan aims for carbon neutrality, responsible consumption, reuse and recycling, sustainability in the supply chain etc.

As a Major garment retailer, M&S faces challenges in responsibly sourcing its materials from its suppliers in South Asia, mainly from India, Sri Lanka and Bangladesh. The suppliers from these countries account for close to 90% of the supplies. It was therefore decided that M&S would implement ISO: 26000 among its suppliers as a part of its “Sustainability Management Framework”, implementation of which would be done by CSR Company. M&S identified top ten suppliers who account for 70% of the supplies and invited them to participate in this initiative. They were offered to integrate social and environmental sustainability in to their business strategy through the ISO 26000 framework.

**Implementation:** The starting event took place in New Delhi with a three-day workshop for these nine top-suppliers coming from Sri Lanka, India and Bangladesh. The importance of this project was highlighted to the partners and was made to understand how this is crucial for the successful implementation of Plan A, which is the core of M&S business strategy. Each company sent two representatives who received information and training on ISO: 26000, expectations of the project, cost approximation and other related information.

**Steps:** The implementation of the SMF comprised of the following steps:

1. Gap analysis with a self-evaluation tool, professional support available from the CII.
2. Draft presentation of current status and material issues was worked on.



3. Evaluation by CSR Company.
4. Gaps are to be filled with certain actions using the ISO 26000.
5. Policies and actions to be evaluated by the CSR Company.
6. Implementation of the agreed actions in the operational day-to-day functioning in the factories, not only at the management level.
7. After nine-months of the first workshop, the head of the Ethical Resources department and the CSR Company will undertake an audit to examine if every matter was applied consistently and correctly.
8. In case the result being positive, the supplier will receive a status from M&S: 'Golden Status supplier'. This means regular audits are no longer necessary, and random occasional checks can substitute these.

**Expected Benefits:** By launching this initiative of introducing ISO: 26000 to the largest suppliers of M&S, it is expected that the suppliers would be more socially and environmentally responsible. By adopting ISO 26000 voluntarily, the suppliers would take upon themselves to conduct their business in a more transparent and accountable manner. This would help them integrating with the overall sustainability frame work of M&S.

**Advantage:** It helps in building ownership, responsibility with accountability, cost-reduction and reduces the time spent on periodic Audits.

## **CONCLUSION**

As customers and other stakeholders are becoming more aware of environmental and social issues, it is creating challenges for organisations to form policies for meeting their expectations. The organisations are thinking ways and means to keep them happy and society gains out of their endeavours. The concept of SR has become a key word as well as a threat to growth and survival of the companies. In many countries the guideline provided by ISO regarding social responsibility through draft of ISO: 26000-2010 has been adopted, the chapter covers the outline of the standards and advantages, weaknesses and strengths. It is not to be certified or registered, they are only suggestive and not mandatory on any country.

Every country may form its own rules and laws regarding CSR in their respective country. They are guides to action and thinking in lines of creating socially responsible organisations world-wide and the philosophy of human welfare to be followed across nations. As the



businesses are formed for wealth maximisation, its benefits should flow to all vested parties and not investors alone. If they are drawing the inputs from the external environment, they should give it back and not exploit it and seek to improve the same for future generations to come. Two relevant case studies have been discussed to understand the process of SR implementation.

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