

## Operations and corporate social responsibility (CSR) - evolving to SE

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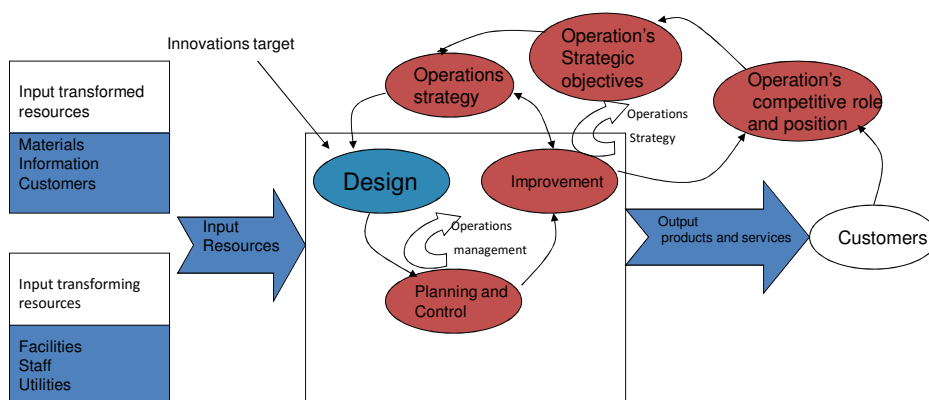
### CSR and OM

- $E + CSR = SE$
- Dealing with world's challenges using entrepreneurship knowledge and skills
- an issue that is far wider than operations management, but with which operations management is intimately connected – corporate social responsibility (CSR).
- It is important to operations management because, of all the functions of any organization, it is operations management that can have the most practical impact on its CSR performance.

## CSR + OM = SE

- Of course we could pick any number of issues that may become more important in the future and examine how operations management will have to respond.
- By definition, the future is unknown, so who knows what will be important in the future?
- However, one issue in particular has risen to the top of the list of things that concern many, if not most, businesses, regulatory authorities, governments and citizens generally.
- *That issue is 'how should the relationship between business and wider society be viewed, assessed and (if possible) managed?'*
- *This issue is generally referred to as corporate social responsibility (or simply CSR).*
- ***If the business itself is CSR than it is the SE***

## Innovation in the operational process of the company



A general model of companies operations

## Operations management

- - OM uses resources to appropriately create outputs that fulfill defined market requirements
- - Managing the resources
- - Optimization of the management process
- - Finding the most efficient effective and costless way that company develop products and/or services

## Defining CSR

- *'CSR is about how companies manage the business processes to produce an overall positive impact on society.'*  
(Mallen Baker, a writer, speaker and strategic advisor on CSR, [www.mallenbaker.net](http://www.mallenbaker.net))
- *'Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development.'*  
(International Finance Corporation)
- *'CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.'* (European Commission)

## Defining CSR

- Although there are so many definitions, according to Alexander Dahlsrud of the Norwegian University of Science and Technology almost all of them involve five 'dimensions' of CSR, as shown in Table:

- (Dahlsrud, A. (2006) *How corporate social responsibility is defined: an analysis of 37 definitions, Corporate Social Responsibility and Environmental Management, vol. 12, no. 2*)

## The five dimensions of CSR and example phrases

The 'dimensions' of CSR	What the definition refers to	Typical phrases used in the definition
<b>The environmental dimension</b>	The natural environment and 'sustainability' of business practice	'a cleaner environment' 'environmental stewardship' 'environmental concerns in business operations'
<b>The social dimension</b>	The relationship between business and society in general	'contribute to a better society' 'integrate social concerns in their business operations' 'consider the full scope of their impact on communities'
<b>The economic dimension</b>	Socio-economic or financial aspects, including describing CSR in terms of its impact on the business operation	'preserving the profitability' 'contribute to economic development'
<b>The stakeholder dimension</b>	Considering all stakeholders or stakeholder groups	'interaction with their stakeholders' 'how organizations interact with their employees, suppliers, customers and communities' 'treating the stakeholders of the firm'
<b>The voluntariness dimension</b>	Actions not prescribed by law. Doing more than you have to	'based on ethical values' 'beyond legal obligations' 'voluntary'

Triple bottom line

## Triple bottom line and 5D of CSR

- Five dimensions of SCR are upgrade of ‘**triple bottom line**’ concept that includes the *environmental dimension*, the *social dimension* and the *economic dimension*.
- The addition lines are: *stakeholder dimension* and the *voluntariness dimension*

## From CSR to CSE

<b>CSR</b> Corporate Social Responsibility	VS.	<b>CSE</b> Corporate Social Entrepreneurship
<ul style="list-style-type: none"> <li>✓ MINIMIZING NEGATIVE IMPACT</li> <li>✓ INCREMENTAL INNOVATION</li> <li>✓ SEPARATED FROM THE BUSINESS</li> <li>✓ REACTIVE</li> <li>✓ BUSINESS AS USUAL</li> <li>✓ STIMULATING SUSTAINABLE BEHAVIOUR</li> <li>✓ MEETING TODAY'S REQUIREMENTS</li> </ul>		<ul style="list-style-type: none"> <li>✓ MAXIMIZING POSITIVE IMPACT</li> <li>✓ TRANSFORMATIONAL INNOVATION</li> <li>✓ PART OF THE CORE BUSINESS</li> <li>✓ PRO-ACTIVE</li> <li>✓ EXPLORING NEW MARKETS</li> <li>✓ STIMULATING ENTREPRENEURIAL DNA AND INNOVATION</li> <li>✓ MEETING TOMORROWS CHALLENGES</li> </ul>

## Glossary

- **Incremental Innovation.** This consists of small, yet meaningful improvements in your products, services, and other ways in which you do business.
- **Breakthrough Innovation.** This is a meaningful change in the way you do business that gives consumers something demonstrably new (beyond "new and improved").
- **Transformational Innovation.** This is usually (but not always) the introduction of a technology that creates a new industry and transforms the way we live and work. This kind of innovation often eliminates existing industries or, at a minimum, totally transforms them.

### Social entrepreneurs operate within the boundaries of two business strategies:

1. Non-profit with earned income strategies: a social enterprise performing hybrid social and commercial entrepreneurial activity to achieve self-sufficiency. In this scenario, a social entrepreneur operates an organization that is both social and commercial; revenues and profits generated are used only to further improve the delivery of social values.
2. For-profit with mission-driven strategies: a social purpose business performing social and commercial entrepreneurial activities simultaneously to achieve sustainability. In this scenario, a social entrepreneur operates an organization that is both social and commercial; the organization is financially independent and the founders and investors can benefit from personal monetary gain.

## The **environmental** dimension of SE

- *Important measure of CO<sub>2</sub> footprint*
- *Think Globally and Act Locally mandate*
- *Environmental burden (EB):*

$$EB = P \times A \times T$$

where

*P* = the size of the population

*A* = the affluence of the population (a proxy measure for consumption)

*T* = technology (in its broadest sense, the way products and services are made and delivered, in other words operations management)

Achieving sustainability means reducing, or at least stabilizing, the **environmental burden**. Considering the above formula, this can only be done by **decreasing the human population, lowering the level of affluence and therefore consumption, or changing the technology used to create products and services.**

- Which of those is the most feasible way?

## The **social** dimension of SE

- The fundamental idea behind the social dimension of SE is not simply that there is a connection between businesses and the society in which they operate (defined broadly) – that is self evident.
- Rather it is that ***businesses should accept that they bear some responsibility for the impact they have on society and balance the external 'societal' consequences of their actions with the more direct internal consequences, such as profit.***

## The **social** dimension of SE

- GLOBALIZATION:
- The International Monetary Fund defines globalization as *'the growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, free international capital flows, and more rapid and widespread diffusion of technology'*.
- **GST applied on the WORLD**
- **In 19 century interconnections were mostly material**
- **In 20 century – material and information**
- **In 21 century – mostly information**

## The **social** dimension of SE

- Positive and Negative dimensions of GLOBALIZATION:
  - +
    - It reflects the idea that the world is a smaller place to do business in.
    - Even many medium-sized companies are sourcing and selling their products and services on a global basis.
    - Considerable opportunities have emerged for operations managers to develop both supplier and customer relationships in new parts of the world.
    - Many individuality see it as the only way of spreading the levels of prosperity enjoyed by developed countries throughout the world.
  - - All of which is exciting but it also poses many problems.
    - Globalization of trade is considered by some to be the root cause of exploitation and corruption in many developing countries.



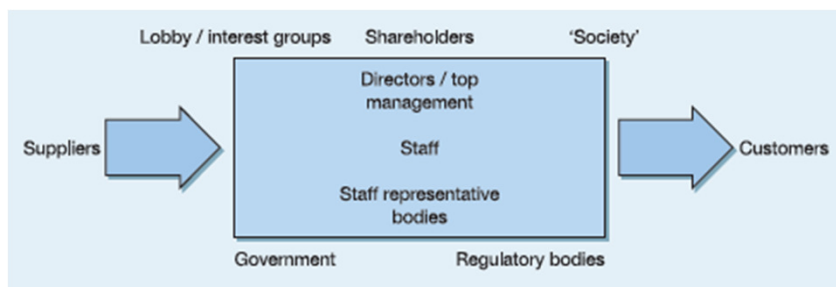
## The **economic** dimension of CSR

- Yet the direct business benefits of adopting a SE philosophy are becoming more obvious as public opinion is more sensitized to business's SE behaviour.
- Similarly stock market investors are starting to pay more attention.
- According to Geoffrey Heal of Columbia Business School, some stock market analysts, who research the investment potential of companies' shares, have started to include environmental, social and governance issues into their stock valuations.
- Further, \$1 out of every \$9 under professional management in America now involves an element of 'socially responsible investment'. (*Economist (2008) Just good business, 17 January 2008*)
- **Short case: GAP company**

## The **stakeholder** dimension of SE

- Two points should be made here:
- The first is that a basic tenet of SE is that a broad range of stakeholders should be considered when making business decisions. In effect, this means that purely economic criteria are insufficient for a socially acceptable outcome.
- The second is that such judgments are not straightforward. While the various stakeholder groups will obviously take different perspectives on decisions, their perspective is a function not only of their stakeholder classification, but also of their cultural background. What might be unremarkable in one country's or company's ethical framework could be regarded as highly dubious in another's. Nevertheless, there is an emerging agenda of ethical issues to which, at the very least, all managers should be sensitive.

## The **stakeholder** dimension of SE



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## The **voluntary** dimension of SE

- In fact most authorities on SE emphasize its voluntary nature. But this idea is not uncontested.
- Certainly some do not view SE as *only a voluntary activity*. They stress the need for a mixture of voluntary and regulatory approaches.
- Globally, companies, they say, have, in practice, significant power and influence yet '*their socially responsible behavior does not reflect the accountability they have as a result of their size.*
- *Fifty-one of the largest 100 global economies are corporations . . . so . . . corporate power is significantly greater than those of most national governments and plays a dominant role in sectors that are of significance for national economies, especially of developing countries, which may be dependent on a few key sectors .'*

(Traidcraft Exchange (2001) EU Corporate Social Responsibility: a Green Paper, at [www.traidcraft.co.uk](http://www.traidcraft.co.uk).)