Beyond The Quality Management Paradigm: A UK Case Study Perspective on Corporate Social Responsibility

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Abstract:
Proponents of total quality management have long since advocated a systems approach, continual improvement and emphasis on customer focused process based management as key to providing a viable sustainable business paradigm: the quality management paradigm. That argument is supported in this paper which shows that quality management is essentially holistic in nature and thus able to support emerging needs of organisations such as responding to the corporate social responsibility agenda. This paper focuses on implementation of the corporate social responsibility agenda in small-to-medium enterprises (SMEs) and reports on findings from case study action research that has been conducted in a UK based SME. This case study action research demonstrates how the CSR agenda has been implemented using the quality management systems standard ISO 9001: 2000 as a platform and discusses what benefits that case study organisation has gained from this approach. The research findings are further compared to a UK survey on the feasibility of CSR for SMEs conducted by the UK’s Department of Trade and Industry and parallels are drawn. The paper concludes that those organisations that have adopted a quality management systems approach to business are in an excellent position to incorporate the emerging and demanding requirements of the CSR agenda into the paradigm of Corporate Quality Management (CQM).

Keywords: Corporate Social Responsibility, Corporate Quality Management, ISO 9001:2000, small-to-medium enterprises, implementation

Introduction
The principles that underpin quality management have been developed over many decades, maturing into what we now term ‘business excellence’, see figure 1. Those maturing principles were developed over time, as figure 1 shows, in recognition of the need to manage product and service quality through the planning, control and improvement of processes. For example, quality guru Juran (1951), in the 1950s, discussed process management, Juran (1951) advocates developing competence and sustaining business through the quality trilogy of planning, controlling and improvement. Likewise, quality guru Deming implored business managers to improve their businesses through the quality improvement cycle of ‘plan, do, check, act’ first presented in the 1930s by process improvement statistician Shewhart (1931) (see Deming, 1982). Today’s quality experts advocate those principles as good management practice. Unsurprisingly those principles also underpin ISO 9001:2000, the quality management system standard. However, today’s quality experts are also beginning to realise the importance of ‘ethics’ and ‘sustainability’ within process based
management, Corporate Social Responsibility (CSR), Corporate Governance (CG), Corporate Citizenship and triple bottom line (TBL) have became synonymous with the emerging effort to achieve sustainable and ethical business. These relatively new agendas aim to translate the complexity and holism of the business-to-society interface into organisational realities and operational settings in the broadest context (Lunheim, 2003). That aim mirrors those of the total quality management paradigm proposed by quality advocates such as Oakland (1993) which are undoubtedly rooted in the works of the quality gurus Juran and Deming. Furthermore, the maturity of the quality discipline is widely recognised since quality management principles have now been adopted in organisations of every size and sector, and throughout both the western and eastern world (Aune, 1998).


While the ‘quality agenda’ has come to the fore amongst both large and small organisations the same cannot be said for the ‘CSR agenda’. While CSR is gaining momentum within large corporations, especially multinational enterprises (MNEs), and investors alike governmental bodies are calling for small-to-medium enterprises (SMEs) to engage in CSR activities (DTI, 2002a). This is because SMEs account for the majority of businesses in Europe and are often have an influence within their local communities (CSR Magazine, 2002). A vast collection of recent reports on CSR (see European Commission, 2001; CSR Campaign, 2003; DTI, 2002a; WBCSD, 1999) strongly advocate further research into the CSR agenda. That research should provide SMEs with the guidance, tools and techniques to enable them to implement and report on their corporate social responsibility policies, processes and performance in an effective manner. Within the UK the Department of Trade and Industry (DTI 2002b) stresses the vital role that case study research must play within this: if SMEs can see specific practices, that improve profitability and facilitate business improvement, they are more likely to adopt such practices themselves. This paper looks at some of those challenges and reports the findings of a case study action research project conducted within OLC (Europe) Ltd which is a UK based SME. This case study research demonstrates how the CSR agenda has been operationalised by OLC (Europe) Ltd and

![Image](image1.png)

**Figure 1: Ten decades of quality management development**
considers what benefits they have gained from their approach. These results are then compared to a UK survey on the feasibility of CSR adoption by SMEs conducted by the UK Department of Trade and Industry (DTI, 2002b) and parallels are drawn.

**Demystifying CSR**

Like many other management and organisational paradigms, philosophies and practices the corporate social responsibility (CSR) agenda cannot easily be defined. While, Lunheim (2003) highlights that it can include environmental concerns, public relations, corporate philanthropy, human resource management and community relations the World Business Council for Sustainable Development (WBCSD, 1999) offers a broader definition. They note that the agenda encompasses many disciplines when they state that “CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.” In the same way, the European Commission (2001) regards CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

Given CSR’s broad remit it is unsurprising that several expert reports stress the importance of implementing CSR within business processes. Like ISO 9001:2000 and several experts in quality management theory (Juran 1951, Oakland 1995), some writers engaged within the CSR debate (for example see Mallenbaker 2003) argue that the fundamental building block for a sustainable, ethical business is process based management. Mallenbaker (2003) asserts that “CSR is about how companies manage the business processes to produce an overall positive impact on society.” With this assertion Mallenbaker directly builds upon the work of earlier management theory scholars. For example, Koontz and O’Donnel (1955), and later Koontz (1964) conclude that “a process approach could encompass and synthesise the diversity of the day”. Clearly those early management theorists had little concept of CSR and little insight that it would emerge as an important agenda for management within the 21st century. Nevertheless, their conclusions are considered by the authors of this paper to be wholly valid since they believe that process based management is fundamental to business success, regardless of what organisational discipline may interest the management team. The concept of process based management was advocated as early as 1916; Henry Fayol, a French industrialist, wrote in 1916 that all managers must perform five management functions – they must plan, organise, command, coordinate and control organisational activities. According to Fayol (1916) these functions are circular and continuous. Clearly this cyclic and continuous approach to management closely mirrors the process approach adopted within the ISO 9001:2000 quality management system standard.

Refering back to Koontz (1964) it is useful to point out several dimensions of the CSR agenda that now represent the “diversity of the day”. Initially, we can identify the economic, environmental and social dimensions as being critically important within the CSR agenda. This view is supported by many credible CSR expert bodies: UK Government (CORE Bill, 2002; DTI, 2002a), Global Reporting Initiative (GRI, 2002), the European Corporate Governance Institute (ECGI, 2002) and many other reports. This view is also compatible with the triple-bottom line approach (Elkington, 1997).
Within this approach “ethical business must balance the performance in three bottom lines” (Elkington, 1997).

Two CSR dimensions, which are arguably complimentary, are identified by the European Commission (2001) in their Green Paper as:

- The internal dimension is within an organisation whereby socially responsible practices primarily involve all employees and relate to issues such as investing in human capital, health and safety, and managing change, while environmentally responsible practices relate mainly to the management of the natural resources used within production of the products and services.

- The external dimension is where CSR extends beyond the perimeter of an organisation into the local and wider community and thus involves a wide range of stakeholders (in addition to employees and shareholders) such as business partners and suppliers, customers, public authorities and Non-Governmental Organisations that represent local communities, as well as the environment.

Based upon the definitions provided by Mallenbaker (2003), WBCSD (1999) and European Commission (2001), CSR appears to be concerned with the “business-stakeholder interface” (BSI). The full consideration of the Stakeholder perspective within CSR is also strongly advocated by Clarkson (1995), AA 1000 (1999) and Moir (2001). The authors of this paper argue that BSI more accurately describes CSR than does Lunheim’s (2003) “business-society interface”, which overemphasises CSR’s external dimension. Similarly, the overemphasis of the business-society interface makes the CSR agenda incomprehensible for many businesses, particularly SMEs (DTI’s (2002b). However, the authors’ views that CSR is primarily concerned with the external environment and the internal organisational interface are not new. Chester Barnard, an early American management practitioner, published similar views in 1938 (“The Functions of the Executive”) where he regarded organisations as social systems that require human co-operation. He also argued that organisational success depends upon maintaining good relations with those institutions external to the organisation that regularly interact with it. That view mirrors the assertion that an organisation is an “open system” that interacts with the environment within which it operates. The quality management paradigm advocated by Deming in the 1950s and popularised as Total Quality Management by Oakland (1995) also views the organisation as an open system; however within that paradigm the external focus is given to customer satisfaction and meeting or exceeding customer needs. Beyond that paradigm ISO 9004:2000 considers, to a greater degree than ISO 9001: 2000, the interaction of other stakeholders and not just customers.

**The CSR Business Case for SMEs (Beyond the Quality Paradigm)**

The current trend within quality literature, particularly since the emergence of the revised ISO 9001:2000 standard, is to focus upon process based management as an organisation-wide paradigm. Even with the current fad and excitement caused by many organisations’ following of strategies such as “six sigma”, quality is still fundamentally concerned with process based management. Accordingly, it is natural that the quality systems approach to managing organisations (originally advocated by Deming, Juran and Feigenbaum) should also incorporate a process based approach for an organisation’s interactions with its external environment. Unfortunately, this quality
systems approach often does not go far enough and fails to include all stakeholders of the business. However, the authors of this paper believe that the quality management paradigm (itself incorporating systems thinking and process based management) is a valuable foundation upon which CSR maturity can be built. Likewise, this paradigm can also be used to support organisations during their initial CSR journey, known as Corporate Quality Management.

Within the CSR agenda, the term “corporate”, can be misleading since it implies that CSR is relevant to large organisations such as multinationas enterprises (MNEs). Interestingly the Public Draft of Australian Corporate Social Responsibility Standard (DR 03028, 2003) states that the term “corporate” should cover all types of organisation. It can be argued that CSR is generic in nature and thus can be applicable to all organisations regardless of their sector, type or size, from public to private, from SMEs to multinational enterprises (MNEs), from manufacturing to service organisations. The business case for adopting CSR by SMEs becomes clear, given this definition, because of the vital and fundamental role that SMEs typically play within the local community (DTI, 2002a,b; CSR Campaign, 2003; CSR Magazine, 2002; European Commission, 2001). Any practice that improves the SMEs’ impact upon, and relationship with, their external environment (usually their local community) will strengthen the underlying business model. The real issue for SMEs then is how can the CSR agenda be adopted such that it enhances their impact upon, and standing within, their wider environment thereby leading to greater levels of business ‘success’?

In the UK the DTI (2002b) in cooperation with Business in the Community, the British Chamber of Commerce, Institute of Directors (IoD), and AccountAbility (the Institute of Social and Ethical Accountability) conducted research that sought to improve understanding of how to engage SMEs in responsible business practice (within the UK). DTI (2002b) used the definition for an SME as an organisation with less than 250 employees, a turnover of under 40 million Euros (£27 million) and over 25% owner-managed. The research was undertaken via a survey of 200 SME Managing Directors the findings of which were further analysed via regional group discussions organised by local Chambers of Commerce in Aberdeen, Chesterfield, Hastings, Manchester and Preston in the UK.

The findings pointed to several important issues, which were highlighted by Castka et al (2004), and confirmed that several commonly reported issues surround the CSR agenda. They found that it can be extremely difficult for an SME to establish an irrefutable business case for CSR adoption (DTI, 2002b). Several reports argue that CSR adoption almost always results in higher levels of sustainable profits (IUCN, 2002 and AGSM, 2002), whilst others point out that the evidence supporting this supposition is inconclusive (McWilliams and Siegel, 2001). Similarly, as Jayne and Skerratt (2003) note, CSR adoption is low on most investors’ lists of priorities and they pointed out that “financial aspects are the most important aspects even among specialists in ethical investments.”

In addition the DTT’s (2002b) research pointed out that the CSR agenda is seen by many SMEs as being too complex, too much focused upon the “social” aspects of business practice and therefore of concern primarily to “large” businesses. Many SMEs believe the CSR agenda to be incomprehensible and its full deployment unattainable (DTI, 2002b). The DTI (2002b) report that some SMEs have already implemented ‘at
least part of the CSR agenda”, however they remain unable to fully embrace the concept because as Cowe (2003) reports, businesses must make hard decisions when confronted by a choice between financial returns and moral business practice. The key therefore, lies in finding a balance between entrepreneurship and ethical practice (Taylor, 2003; Cassidy, 2003). Consequently, for an SME, the reasons for CSR adoption must be made understandable and transparent so that its benefits and adoption rationale can be evaluated and planned as would any other investment (McWilliams and Siegel, 2001).

There is also a fear amongst SMEs that CSR adoption will result in excessive levels of administrative bureaucracy. Unfortunately there is some evidence that this fear could soon be realised. The EU Parliament is likely to introduce the first raft of CSR legislation within two years, according to Richard Howitt, the European Parliament’s spokesman on corporate social responsibility (Business Respect newsletter, 2003). Similarly, discussion in the UK Parliament’s House of Commons has already been initiated (November 2002) around CSR in the form of the Corporate Responsibility Bill (Environmental, Social and Financial Reporting) or CORE Bill 145. CORE Bill 145 aims to introduce the following requirements for all UK registered companies/companies operating within the UK:

- Mandatory reporting: There will be a requirement for companies with a turnover in excess of 5 million pounds to produce and publish reports on their economic, environmental and social impacts.
- Stakeholder dialogue: There will be a requirement for companies to consult affected stakeholders before launching major projects.
- Directors’ duties: There will be a requirement for directors to fully consider the impact their business has upon the environment and upon society.

Concerns have been raised that such legislation will adversely affect SMEs by placing a further burden upon an already stretched asset and resource base. David Frost (Director General of British Chambers of Commerce) has argued that CORE Bill 145 represents a major threat to SMEs as its requirements will place a huge burden upon them.

The authors of this paper believe that the concerns highlighted within the DTI’s research (DTI, 2002b) add further weight to their argument that process based management systems represent a potential vehicle for CSR agenda adoption by SMEs within the UK. Many SMEs are already familiar with the concept of process based management and have successfully implemented it in the form of ISO 9001:2000. Therefore, if this framework can be shown to have already worked for CSR adoption it could provide a suitable vehicle with which to tap into UK SMEs clear desire to adopt the CSR agenda. Moreover, the use of process based management would enable these businesses to adopt the CSR agenda without unduly raising their administrative burden whilst simultaneously providing them with the tools needed to satisfy the likely legislative requirements of initiatives such as CORE Bill 145.

The Case Study and the CSR Agenda
OLC (Europe) Ltd (referred to in this paper as OLC) is an SME in the North West of the UK and provides training, facilitation, consultancy and research solutions for other businesses and service organisations. Since 2001 OLC has operated a business system based on ISO 9001:2000. In April 2003 OLC’s system was certified against the ISO
9001:2000 standard. In 2002 OLC became interested in CSR and started to incorporate the CSR agenda into its business system. OLC decided that its existing ISO 9001:2000 could be adapted to serve as the vehicle for its CSR adoption. Underpinning this decision were the directors’ belief that the use of systems already familiar to staff and customers would greatly ease the adoption process. Likewise, the use of existing systems and working practices would help incorporate identified CSR issues into organisational practices and culture quicker than if a completely ‘new’ operational system was devised. Also a new operational system would add cost and additional bureaucracy. Therefore, OLC’s aim was to integrate CSR into its existing processes and procedures. The potential benefit of this approach was clear: it would deliver a single system that satisfied the requirements of both ISO 9001:2000 and OLC’s CSR agenda. Consequently, OLC decided that the simplest approach to CSR adoption was to follow ISO 9000 principles and:

- Create CSR objectives and targets based on stakeholder evaluation,
- Deliver CSR objectives and targets by appropriately developed processes,
- Measure and review the effectiveness of processes regularly and
- Make improvements as a result of regular measurement and review.

In practical terms this approach meant that OLC moved its focus away from simply evaluating the expressly stated needs of its customers and markets towards taking into account a broader consideration of all of the business’s stakeholders’ needs. This meant that OLC had to redesign its existing processes so that they became wider in scope to incorporate issues identified by the CSR agenda. As a result OLC developed a key process called “Market and Stakeholders’ Needs” which is an integral part of the OLC business system and is shown in Figure 3, which highlights that ongoing business development now fully considers stakeholders’ expectations and needs. Within Figure 3 the numbered black boxes link to other OLC procedures and documentation, however for brevity they cannot be explained in this paper. The full OLC business system can be seen, and downloaded, at www.olceurope.com.

This evaluation of expectations and needs is then used to develop the strategic plans that guide the future direction and growth of the business. The strategic plans are then translated into detailed operational plans (quarterly) which are subsequently cascaded throughout the organisation to become specific tasks assigned to specific individuals. This process based approach to stakeholder needs analysis maps onto existing management systems and was seen by staff as a natural progression of the existing management system. Likewise, this approach provided the transparency needed for all staff to recognise the relationship between the minutia of their specific tasks and their direct contribution to the ongoing satisfaction of the business’s stakeholders’ needs.

In common with many other UK SMEs, OLC shared many of the concerns discussed earlier in this paper and identified by Castka et al (2004). For example, OLC had to strike an appropriate balance between entrepreneurship and ethical practice. The balancing point for OLC was its decision to adopt only those CSR practices that would further enhance the business rather than applying the complete CSR agenda. Whilst OLC is committed to the CSR agenda it has only a finite asset and resource base with which to address it. Therefore, OLC decided to prioritise its approach to make the best
use of available resources thereby minimising any negative impact that CSR adoption might have had upon the business.

Figure 3: OLCs “Market and Stakeholders’ Needs” Process

OLC have now fully integrated some practices within their business, via the business system, which are measured and improved via the use of key process performance indicators. These practices are:

- Human capital management
- Working environment and health & safety
- Quality of management
- Adoption to change and innovation
- Managing finances
- Stakeholder relations (business partners, consumers, suppliers, community, etc.)

OLC found that two of the external dimensions of the CSR agenda indirectly affected their processes, which were:

- Corporate governance structure
- Human rights

OLC felt that they had little impact on some aspects of the CSR agenda, and thus did not directly address within their process based approach to CSR, which were:

- Managing environmental impacts and natural resources
- Global environmental concerns
By achieving the right balance of CSR aspects, OLC managed to combine its ethical CSR stance with the ongoing improvement of its business processes and practices. The full consideration of stakeholders’ needs during business planning implemented through CSR adoption delivered improvements in resource management. This move is perceived by staff to represent the next level of maturity of the business. Similarly, even though OLC is a micro SME, it realised tangible benefit from adopting the CSR agenda; OLC’s decision to appoint an independent non-executive director has been directly prompted by its CSR agenda but this new position will be fundamental in OLC finding new markets and growth opportunities. While the appointment has yet to be made it is an integral part of the current 10 year strategic plan that would never have happened had it not been for the organisation’s CSR adoption.

Discussion
Overall, the CSR agenda adoption improved OLC’s competitive advantage. The strategic planning process was improved as was resource planning and deployment. OLC also believe that its CSR adoption has helped it to achieve its financial targets over the last 12 months. OLC’s experiences are similar to other SMEs reported in the literature of Taylor (2003), Cassidy (2003) and McWilliams and Siegel (2001) as striking a balance between entrepreneurship and ethical practice. More importantly OLC now believe that they will easily be able to comply with the requirements of proposed CSR legislation (e.g. CORE Bill, 2002) and in the future OLC can use Global Reporting Initiative (GRI) guidelines to report on their triple bottom line performance (economic, environmental and social).

OLC’s approach demonstrates that an existing process based management system can be the basis for CSR implementation. It does not matter what the existing system is based upon as Wilson and Stuart (2003) refer to ISO 9001:2000 and ISO 14001:1996 whilst Garvare & Isaksson (2001) and Kok et al (2001) refer to the EFQM Business Excellence Framework. What is important is that the CSR agenda can be integrated within existing organisational systems, and through this, organisational culture. The case study has demonstrated that OLC achieved this. The creation of an integrated management system, that simultaneously delivers business and CSR objectives, is widely supported within current literature (Burke and Logsdon, 1996, Ledgard and Taylor, 2002, Robbins and Smith, 2000 and ICAEW, 1999). It appears that, based upon OLCs experiences, this approach is capable of overcoming the suspicion and perceived unrealism of the CSR agenda within SMEs.

The case study findings suggest that if an SME can integrate its CSR agenda within its existing business systems then a lot of the bureaucracy can be avoided. Such an approach will ensure low adoption costs and may not lead to increased bureaucracy as reported by the DTI (2002b). As mentioned OLC found that this approach also greatly improved the effectiveness of their strategic planning process and resource management. OLC found that these improvements ultimately combined to deliver improved bottom-line results and OLC’s experiences appear to refute the argument that SMEs focus predominantly on internal issues (DTI, 2002b; Luken and Stares, 2003). Integral to OLC’s CSR adoption was their consideration of both internal and external stakeholders (e.g. customers and business partners).
Overall, the case study findings highlight that many of the generic SME concerns reported within DTI (2002b) were also relevant to OLC. However, the case study findings have highlighted how these concerns can be addressed and overcome. Doing so requires an SME to develop a CSR framework that will visibly contribute to the ongoing success of the organisation and which can be quickly and easily deployed. For this to be the case though, an SME must already possess a robust process based management system. Without an existing system it is doubtful whether the approach adopted by OLC could successfully be used by other SMEs.

This case study at OLC gave an in-depth understanding of the CSR implementation process within a UK SME and the research findings might not be generalisable to all UK SMEs although as Yin (1989) points out it provides a theoretical basis for the other cases to be examined. Further research is also required into generic business system models for use by SMEs wishing to incorporate CSR and also to identify CSR “best practices” for use by SMEs.

Conclusions
This paper has reported the findings of case study action research conducted within a UK based SME that integrated its Corporate Social Responsibility (CSR) agenda within its existing process based management system. In doing so the paper has provided both SME business practitioners and researchers with a contextual analysis of the implementation process. This research has shown that SMEs can greatly benefit from CSR by improving their business practices in order to develop competitive advantage. The research has also shown how existing process based business management frameworks (and specifically ISO 9001:2000) can serve as the basis with which to implement a CSR agenda.

The authors of this paper have also considered the debate that currently exists as exactly how to define the CSR agenda. The authors maintain that CSR is best defined as a concept with which to run organisations profitably yet in a socially and environmentally responsible way in order to achieve business sustainability and stakeholder satisfaction. This definition is advocated for promoting the CSR agenda amongst SMEs in the future. Finally and significantly, this paper introduced the notion of Corporate Quality Management (CQM): a paradigm for quality management practitioners to consider when attempting to incorporate and develop a more socially responsible approach to business excellence. CQM is underpinned by business excellence concepts such as process based management and ISO 9001: 2000 but goes beyond them to include the CSR agenda.

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