ISO 26000 on social responsibility supports solving the global socio-economic crisis

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Abstract: The current global socio-economic crisis differs from all of so far. It results from the neo-liberal economic model that has created, in one-sided economic statistics’ terms, very much, but it also ruined much, even much more. By abusing the free market concept it created too many monopolies and too little satisfaction of humans to be able to offer a new way out from this crisis globally: ‘growth at any price has a too high price’. Alternatives are still searched for. We see an option in the synergy of a combined application of findings in several books on best practices. Their common denominator lies in informal systemic, i.e. requisitely holistic, behavior that is backed by ethics of interdependence. This common denominator is expressed in ISO 26000 on social responsibility and supported by European Union’s 2011 action document on social responsibility.

Key words: innovation, neo-liberalism, requisite holism, social responsibility

The selected problem and viewpoint of consideration of it

The current global socio-economic crisis differs from all of so far:

(1) it came after a very long period without the usual crises of the market economy;
(2) practically nearly all countries of the entire world are about bankrupt after decades of spending beyond production;
(3) only 15% of humankind live on more than 6 (six) US dollars per day, providing more or less the only shopping capacity, but preferring in a high percentage greed over need;
(4) long decades of technological innovation replace humans in very many jobs and cause unemployment, while shorter working time is not found politically acceptable;
(5) many expensive social transfers are therefore needed, while the idea of the ‘general basic income’ is not found politically acceptable;
(6) after the phases in which competitiveness has been based on (6.1.) ownership of natural resources, (6.2.) investment to use these resources better, (6.3.) innovation to use these resource even better, now the (6.4) phase of affluence has come with supply very much bigger than demand, while ambitions to work hard in order to have hardly exist due to affluence;

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(7) after the phases of affluence (which is a personal perception with hardly any objective data), in history, destruction happened (the city of Rome lost population in a comparable phase - from a million to only ten thousand);
(8) natural resources are now over-exploited, natural environment is badly damaged, so many billions of humans have never existed – these three facts are not the main problems of the modern humankind’s civilization, but symptoms of the real problem, which is one-sidedness rather than requisite holism behavior of humans (made of watching, perception, thinking, evaluation, decision making, communication, and action);
(9) the neo-liberal economic theory made room for the concept of free market to be abused to the benefit of the monopolistic enterprises (only five hundred out of many millions of enterprises control 53% of the world market, only one single percent of Americans control 70% (seventy percent) of US wealth; the difference between an average manufacturing worker’s salary and the general manager’s income in a big US company has grown from 34 times in 1974 to 1.000 (one thousand) times in 2005 and fell a bit only afterwards; etc.);
(10) data about the dangerous destruction of humankind’s natural perconditions of survival are being collected in so many different ways that those who do not want innovation of the current practice have many chances to make it impossible.
(For details see: Mulej, Hrast, editors, 2010; Mulej, Dyck, editors, forthcoming).

Economic-development viewpoints of the transition to social responsibility

The affluence phase becomes a dead alley, once people lose ambition to work hard and create (so far they did so, in history). People therefore need:

- Either a prolonged innovation phase based on requisite holism (RH) of the invention-innovation-diffusion processes (IIDP) rather than one-sided processes, or
- A new phase, a 5th one; it includes, e.g.:
  - Creative happiness based on values-culture-ethics-norms (VCEN) based on practice of creative cooperation, especially the interdisciplinary one, and
  - Resulting ethics of interdependence and interdisciplinary creative co-operation as a permanent habit and practice,
  - With social responsibility (SR) replacing the content-empty phase of affluence;
  - For selfish reasons, people are less selfish, short-term thinking, and narrow-minded, and they apply more RH/SR, in order to survive.

In the current trends, innovation may not be reduced to IIDP of products and services; it must rather cover the non-technological issues, too, or even first of all (Ženko, et al, 2008; 2010; 2011; Ženko, 2001). Technology is an important tool, but only a tool of humans. See Table 1.

Table 1: 40 basic types of inventions, suggestions, potential innovation and innovations

| Innovation is every (!) novelty, once its users (!) find it beneficial (!) in practice (!). |
|---|---|---|---|
| Three networked criteria of inventions, suggestions, potential innovations, and innovations | (2) Consequences of innovations | (3) On-job-duty to create inventions, suggestions, potential innovations, and innovations |
| (1) Content of inventions, suggestions, potential innovations, and innovations | 1. Radical | 2. Incremental | 1. Duty exists |
| 1. Business program items | 1.1. | 1.2. | 1.3. |
| 2. Technology (products, work processes) | 2.1. | 2.2. | 2.3. |
| | | | 2.4. |
3. Organization (process-based rather than subordination-based)

4. Managerial style (co-operative rather than one-way commanding)

5. Methods of leading, working and co-working (supportive of co-operation)

6. Business style (co-operation with business partners)

7. Governance & management process (supportive of co-operation)

8. VCEN (supportive of co-operation and reflecting interdependence)

9. Our habits (realizing contemporary VCEN in our practice)

10. Habits of others (realizing contemporary VCEN in their practice)

The 2008- crisis was not caused in 2008; it only surfaced then, as a consequence of the neo-liberal fictitious, rather than realistic, model of omnipotent market, causing also fictitious innovations by bank- and finance- people and the break of the fictitiously working real-estate market in USA). This crisis is obviously much deeper: the market cannot be relied upon, because the ‘limited competition’, i.e. monopolistic market, does not work as the market’s invisible hand predefined by A. Smith (Smith, 2010). It does not prevent abuse of those with less bargaining power. It does not make the three notions of the French revolution – freedom, equality, and brotherhood – survive. Neither can goverments be realiable, if they are biased and onesided due to one-sided monopolisation and outvoting by the winning parties rather than requisitely or even totally holistic approach of parliaments. Thus, they can hardly attain the requisite wholeness of their insights and other outcomes. See Figure 2.

Table 2: The selected level of holism and realism of consideration of the selected topic between the fictitious, requisite, and total holism and realism

<table>
<thead>
<tr>
<th>Fictitious holism/realism (inside a single (subjectively selected) viewpoint)</th>
<th>Requisite holism/realism (a dialectical system of all (subjectively selected) essential viewpoints)</th>
<th>Total = real holism/realism (a system of all (objective rather than selected) viewpoints)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural resources and cheap labor, providing for a rather poor life of majority for millennia</td>
<td>Growing differences, local competition, individualism, ambition to have more, be rich</td>
<td></td>
</tr>
<tr>
<td>Nation or region lives on its own progress and attains a better and better standard of living by international competitiveness</td>
<td>Growing differences and standard of living, global competition, ethic of interdependence, social responsibility, ambition to create</td>
<td></td>
</tr>
</tbody>
</table>

The above briefed process of the historic changes of the basis of competitiveness has caused equally historic changes in human VCEN and behavior. See Table 3.

Table 3: From scarcity via complacency to the danger of a new scarcity or a new, 5th phase

<table>
<thead>
<tr>
<th>PHASE</th>
<th>ECONOMIC BASIS FOR DEVELOPMENT</th>
<th>RELATED VCEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ownership of natural factors</td>
<td>Natural resources and cheap labor, providing for a rather poor life of majority for millennia</td>
<td>Scarcity and solidarity, collectivism, tradition rather than innovation</td>
</tr>
<tr>
<td>2. Investment in modern technology</td>
<td>Foreign investment into the area’s economic development; hardly/poor competitiveness in international markets</td>
<td>Growing differences, local competition, individualism, ambition to have more, be rich</td>
</tr>
<tr>
<td>3. Innovation based on local knowledge</td>
<td>Nation or region lives on its own progress and attains a better and better standard of living by international competitiveness</td>
<td>Growing differences and standard of living, global competition, ethic of interdependence, social responsibility, ambition to create</td>
</tr>
</tbody>
</table>
4. Affluence
People have finally become rich, which makes them happy in material well-being as a blind alley
Complacency, no more ambition, consumerism; what is quality, then?

5. RH creation and social responsibility (SR)
Material wealth suffices; effort aimed at spiritual wealth, healthy natural and social environment as requisite holistic well-being
Ethic of interdependence and SR, ambition to create, diminish social differences to those caused by creation, including innovation

The economic development process was extremely accelerated after WWII: Table 4.

Table 4: Socio-economic development after the 2nd World War: from supplying to socially responsible enterprise (N.B.: X = synergy)

<table>
<thead>
<tr>
<th>Decade</th>
<th>Market &amp; Social Requirements</th>
<th>Enterprise’s Ways To Meet Requirements</th>
<th>Type of Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945-</td>
<td>Covering of post-war conditions of scarcity, rebuilding, etc.</td>
<td>Supply of anything; supply does not yet exceed demand</td>
<td>Supplying Enterprise</td>
</tr>
<tr>
<td>1960-</td>
<td>Suitable price (as judged by customers)</td>
<td>Internal efficiency, i.e. cost management</td>
<td>Efficient Enterprise</td>
</tr>
<tr>
<td>1970-</td>
<td>Add: X quality (as judged by customers)</td>
<td>Add: X technical &amp; commercial quality management</td>
<td>Quality Enterprise</td>
</tr>
<tr>
<td>1980-</td>
<td>Add: X range (as judged by customers)</td>
<td>Add: X flexibility management</td>
<td>Flexible Enterprise</td>
</tr>
<tr>
<td>1990-</td>
<td>Add: X uniqueness (as judged by customers)</td>
<td>Add: X innovativeness management</td>
<td>Innovative Enterprise</td>
</tr>
<tr>
<td>2000-</td>
<td>Add: X contribution to SD (as judged by customers)</td>
<td>Add: X sustainable development</td>
<td>Sustainable Enterprise</td>
</tr>
<tr>
<td>2010-</td>
<td>Add: X social responsibility</td>
<td>Add: X honesty reaching requisite holism and wholeness beyond legal demands</td>
<td>SR/RH enterprise</td>
</tr>
</tbody>
</table>

Progressive persons, including progressive entrepreneurs of the world-top companies (but not sufficiently many) started perceiving the blind alley decades ago. This resulted in 1992 Rio de Janeiro United Nations Summit and several later world-wide conferences and documents aimed at sustainable rather then one-sided and short-term oriented development. In 1998 progressive companies, and later on UN and European Union proclaimed that the neo-liberal economic theory and practice had been wrong, when they prohibited business-people’s social responsibility (by saying that ‘business of business is business for profit of company owners only’). The UN, EU and other documents of about a decade ago were completed up in November 2010 by ISO 26000 on social responsibility (ISO – International Standard Organization has +160 countries members; professionals, politicians, and trade unionists from 90 countries and +40 other organizations worked on ISO 9000 for several years). Now, the new concept is here, but it needs time and action to become the prevailing VCEN and practice. In October 2011 European Union added a new action document (EU, 2011).

Social responsibility: invention that must become innovation by the invention-innovation-diffusion process

A brief summary of the essence of social responsibility (SR) as a contemporary VCEN reads:
- The lack of SR that has destroyed the slaves-owning and feudal societies and has created room for democracy and free-market economy – is surviving, called financial,
neoliberal or feudal capitalism. Legal names are different, not much else. This is why SR is so much needed and discussed today.

- The ‘Bubble Economy’ of neoliberalism cannot last. SR must replace it.
- But the content of SR is differently understood.

- The simplest version of SR is charity, but it might only be a mask for real one-sidedness rather than RH of behavior of influential persons and their organizations.

- European Union (EU, 2001) mentions officially four contents of SR (of enterprises): the point is in a free-will-based acceptance of the end of abuse of employees, other business partners, broader society, and natural preconditions of humankind’s survival, beyond law. In 2011 EU launched a shorter definition: ‘social responsibility is responsibility of organization for their impacts over society’ (EU, 2011).

- In literature on business excellence one requires more – upgrading of its measures with SR (For overview see: Gorenak, Mulej, 2010).

- In further literature one sees connection between systemic thinking and SR (Cordoba, Campbell, 2008).

- A fourth group of references links SR with world peace (Crowther, Caliyurt, 2004).

- ISO 26000 (ISO, 2010) requires a holistic approach (based on interdependence) and includes seven content areas: (1) organization, management and governance, (2) human rights, (3) labor practices, (4) environment, (5) fair operating practices, (6) consumer issues, and (7) community involvement and development. As you see in Figure 1, the essential new features are the two interlinking concepts: (1) interdependence, and (2) holistic approach. Thus, it is visible, that the neo-liberalistic concept that wrongly understands A. Smith’s invisible hand as everybody’s right to be one-sided and feel independent is deadly dangerous for humankind.

  European Union reminds that the corporate SR is not its lonely initiative any longer neither is this initiative self-sufficient, but obviously a tool for solving of critical socio-economic problems (EU, 2011). This is very much in line with the fact that ISO 26000 is introducing explicitly (1) interdependence and (2) holistic approach, which means a broader view rather than a one-sided one, making room for more thinking about preconditions for sense-making entrepreneurship and economic growth rather than the destructive ones of so far: humankind’s prosperity is what makes sense.

  European Foundation for Business Excellence also speaks in the same direction: it links social responsibility and business excellence directly (SFPO, EFQM (2010).

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Due to the lack of systemic/cybernetic behavior the practical decision making has a one-sided and therefore misinforming basis. This has lasted for the entire industrial and information society periods. The dangerous climate change, over-population, lack of natural resources, and destruction of nature, including waste - all result from this absence, or lack, of requisite holism. The recent decade has seen official awareness of this dangerous absence of holism: United Nations and European Union launched documents supportive of social responsibility. This is why we say that in 2010 the ISO 26000 went a crucial step further: it calls (1) holistic approach and (2) interdependence the two common denominators of social responsibility.

Thus, these documents are asking for innovation of VCEN and resulting habits for humankind to overcome its dangerous economic theory of so far – the neo-liberalistic abuse of Adam Smith’s liberalism.
Social responsibility is offering a replacement for neo-liberalism of so far in socio-economic relations, although only organizations, but no governments and individuals, are mentioned explicitly.

ISO 26000 is not meant for certification, but for self-assessment and self-innovation reaching beyond technology to crucial non-technological topics.

The economic viewpoint of social responsibility reads:

(1) SR is VCEN and strategy of requisite holism (RH) based on interdependence, not (in)dependence reduces/eliminates troubles/costs caused by lack of satisfaction causing 'opportunity cost', which are difficult to see in accountancy, e.g. by:

-- strikes & poor work, hence lost production and other work;
-- lost markets, hence the need for costly effort to find and persuade new consumers;
-- lost suppliers, hence the need for costly effort to find new reliable suppliers of work, material, investment, and capital;
-- lost partners, hence the need for costly recovering of cooperation and reliability;
-- lost good image/trust, hence the need for costly building up the image again3;
-- riots, terrorism, which ruin the normal life and its infrastructure;
-- eco-remediation, because natural preconditions must exist for humans to live and be healthy, which are very costly to renew and maintain after periods of one-sided destruction;
-- medication, which requires a costly health service to exist and be developed; etc.

All these troubles, problems, and cost are caused by one-sidedness and abuse of power.

(2) SR supports (in wording in ISO 26000):

- competitive advantage;
- reputation;
- ability to attract and retain workers or members, customers, clients or users;
- maintenance of employees' morale, commitment and productivity;
- view of investors, owners, donors, sponsors and the financial community; and
- relationship with companies, governments, media, suppliers, peers, customers and the community in which it operates.

ISO 26000 defines also the holistic approach and interdependence (lines 896 – 900 in ISO 26000): »An organization should look at the core subjects holistically, that is, it should consider all core subjects and issues, and their interdependence, rather than concentrating on a single issue. Organizations should be aware that efforts to address one issue may involve a trade-off with other issues. Particular improvements targeted at a specific issue should not affect other issues adversely or create adverse impacts on the life cycle of its products or services, on its stakeholders or on the value chain.«

Indirectly ISO 26000 addresses holistic approach and interdependence often with concepts such as:

3 Two telling anecdotes: (a) when you want to say something about somebody, think (1) are you sure that the to-be-said message is totally true, (2) is it bringing benefit, if you say the message, (3) is it a good rather than a bad information about the tackled person; (b) a person about who such a message was launched, asked the person who had launched this message, to visit him at home and to cut a pillow full of feathers for the wind to carry feathers everywhere; then he asked that person to recollect feathers; when the person found this action impossible, the tackled/attacked person's response was: 'So is my reputation of an honest person.'
• stakeholders, rather than shareholders,
• accountability, rather than irresponsibility,
• transparency, rather than hiding the data and information,
• ethical behavior, honesty, no abuse, no discrimination, no exploitation, rather than dishonesty and abuse of power and influence,
• respect for rule of law and other rules, rather than illegal activities,
• human rights, rather than mis-treatment of coworkers and other partners,
• dialogue, rather than one-way commanding and resulting one-sidedness and failures,
• wider impact, rather than consideration of the very direct consequences only,
• healthy environment, rather than spoiling the natural preconditions of human life,
• etc.

In summary, this means that interdependence is considered and hence the requisite holism is attainable by their interaction. This brings informal systems/cybernetics thinking/behavior in action, which is what might be the crucial novelty, after decades of specialists' opposing to systems theory and cybernetics as theories and practices of the requisitely holistic behavior.

References on good practices to be put in synergy

There is no real need to invent practical references anew or in theory. Practical examples are published. One must only put them in a new synergy. They include:
- Collins (first with Porras, then alone) found with their teams of empirical practice researchers that “visionary companies” have been best off over an entire century, and grew from good to great based on their socially responsible governance and management practices (Collins, Porras, 1997; Collins, 2001).
- US Air Force General Wilbur. L. Creech showed, after 47 years of experience that he had stayed alive during thousands of flights by cooperating with rather than one-sidedly commanding his teams, which means use of ethics of interdependence for more holism (Creech, 1994).
- Mondragon is an exemplary community in the Basque region of Spain, which during the past good seven decades has successfully applied co-operative ownership and management to its industrial production, schools, housing, banking, etc. R. Dyck, M. Mulej and coauthors (1998) include this and 30 other case studies.
- Richard Florida's The Rise of Creative Class (2002) shows that the US regions with the highest 3T levels (tolerance, talents, technology) attract the most productive people and enjoy the highest standard of living.
- Jeffrey Sachs' crucial new book The Price of Civilization (2011) contains data and analysis showing why the US is in deep crisis, and also why SR is the solution.
- Along with these models we suggest use of the voluntary international standard, ISO 26000 (2010), Guidance for Social Responsibility.
- We could add N. Roubini’s remark, in “Gordon Gekk Wakes up,” in the Slovenian daily Finance (18 August 2010:10) that managers' pay needs a longer-term basis.
- To persuade people one might use data summarized from five other books in Mulej’s review (2010).
- Action for promotion of social responsibility as the alternative to the obsolete neo-liberalism could be based on the new European Union’s document on social responsibility (EU, 2011).
- The process of making social responsibility a prevailing management and governance practice should be considered a complex non-technological invention-innovation-diffusion process applying the (dialectical) systems theory (Mulej et al., forthcoming in 2012).
- Governments can support the process by requiring all suppliers to any organization in the public sector to prove to be the best in social responsibility, business excellence, innovation and sustainability (Mulej, 2007).
- Cassiers (2011) points out another crucial view: crisis is multi-dimensional; the cases of Belgium, USA, Japan, France and Denmark showed no serious growth of prosperity in the period of the very rapid growth of GDP 1955-2010. Data also show that +5 decades of economic growth has neither increased life satisfaction in the West nor swept away world’s misery. Hence, well-being is a crucial criterion, too (Šarotar Žižek, 2012).

There is one more poorly addressed issue: new jobs and profits cannot be generated in the absence of consumer demand; greed is no longer sufficient to operationalize an economy, since 95% of people around the world live on less than six US dollars a day. Shorter working hours may also be required to generate better distribution of employment. (See for some details: Mulej, 2010 and 2011).

Hence, non-technological innovation under the umbrella of social responsibility (covering systemic/holistic behavior by fostering interdependence) might be able to innovate the governance and management style toward a more holistic usage of macro-economics.

**Five basic lines of measures/efforts for social responsibility to replace the dangerous one-sided and short-term neo-liberalism**

Five basic lines of measures to be undertaken are suggested:
1. Individuals: to understand and practice, as consumers, to prefer real need over greed, and to prefer suppliers having a well-grounded image of social responsibility. Both has started happening in USA before the 2008 crisis (Senge et al., 2008; Gerzema, 2010; Zgonik, 2011).
2. Organizations, both enterprises of all sizes and other: to understand and practice social responsibility as a human attribute and business strategy that prevents or diminishes, at least, cost resulting from dissatisfaction of people (e.g. in the form of visible and white strikes, cancelling and unreliability concerning contracts and resulting expensive search for new suppliers and customers, social riots all way to international terrorism, wars, etc.) and from unhealthy natural environment (e.g. in the need for eco-remediation and medication of humans and other nature; etc.).
3. Country/government: to understand and practice that the public sector, as a whole, is the biggest customer and can therefore include in its procurement preconditions the demand and unavoidable precondition, which says that any organization from the public sector (from kindergarten to government offices and army, etc.) may be supplied only by suppliers that can prove to be the very top in the combination of (1) social responsibility, (2) innovation visible in the top business excellence and total quality of its supplies and its
internal and external business practice, all way to its ‘systemic quality’ as a systemic synergy of suitable prices, pay-role, development funds, technical and commercial quality, innovativeness all way to uniqueness of its supplies, suitable range offered, sustainable care for its natural environment and other contents of social responsibility, (3) attainment of the same attributes with its own suppliers and their care for the same attributes of their suppliers.

4. International community: understand and practice efforts to add to the international law, which is not obligatory and can therefore not be enforced except by agreement, especially concerning the multinational corporations, world peace, and the basic human rights, while only these three topics may be the role of the world-democracy including the world government made of very honest and socially responsible persons with no abuse of their influence.

5. Scientist and educators (including public media): produce and teach VCEN and methods supportive of social responsibility as human attributes and organizational vision, politics, strategy, tactics and daily practice, not limited to enterprises.

Among other consequences, the economic and social theory should stop seeing the only dilemma in either market or central planning, and the engineering and natural sciences should stop seeing the only important factor in the technological innovation.

A related problem of how to make all these novelties become innovations in practice concerns the informational basis for behavior, especially decisions and actions. It reaches beyond room in this contribution.

Conclusions

Given the published references about neo-liberalism and its destructive consequences, including political statements and public press, an alternative must be found for human civilization to survive (Ećimović et al, 2012). Social responsibility exposes replacement of one-sidedness (called independence and meaning dependence, including most persons’ right of irresponsibility and poor work) for ethics of interdependence and resulting requisite holism as the way out from the blind-alley of neo-liberalism. References on how to make the new way happen exist. The open problem lies in the political will of the current power-holders to allow for the alternative and to adapt the economic and legal policy measures.

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