

PERFORMANCE EVALUATION OF CORPORATE SOCIAL RESPONSIBILITY ACCORDING TO THE LOGIC OF ISO 26000 (GUIDANCE ON SOCIAL RESPONSIBILITY) STANDARD

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ABSTRACT

Continuous measurement and evaluation of corporate performance is necessary; it can be the key to success. These days measuring and evaluating processes are promoted by different management tools and methods, which are known from the field of performance management. The situation is the same in the case of environmental performance; there are opportunities and solutions to evaluate environmental performance and to measure the results of environmental activity. It is important to mention that corporate social responsibility (CSR) can be rated to corporate performance, a fact supported by experts. There is a strong relation between CSR and financial performance. Additionally, CSR can help achieve competitiveness in the long-run. However there is some uncertainty regarding how the results of CSR activities appear in the measuring and evaluating processes, tools and methods that is, how CSR activity can be measured and evaluated. The aim of this paper is to examine the model of CSR, provide an introduction to its principles, the two fundamental practices, and the core subjects of social responsibility, according to ISO 26000 international standard (ISO 26000:2010(E) Guidance on Social Responsibility), which was finalised in 2010. After that introduction, this paper makes a proposal for performance evaluation in terms of corporate social responsibility, according to the logic of the ISO 26000 standard. It also examines the potential relationship between existing methods of performance evaluation, environmental performance evaluation, and CSR performance evaluation.

Keywords: Corporate Social Responsibility, ISO 26000

INTRODUCTION

Continuous measurement and evaluation of corporate performance is necessary, it can be the key of success. Results, success of achieved activities, processes and achieved targets, objectives – achieved by the available recourses – are defined, measured by the organization in the corporate performance. However it is not all the same what kind of recourses are mentioned when we are speaking about the corporate performance. The general corporate-economic and financial knowledge allow of defining the so-called general corporate performance. This is the difference between the benefits and costs in one defined period, so the financial efficiency of activities (in the balance sheet it is called profit and loss). Staying in this general level, with the accounting of all visible recourses (assets and liabilities), the general financial and accounting methods are able to count and define the amount of the performance, the efficiency.

However after the second part of 20th century, organizations can not staying in the general level of performance measurement. In the 20th century the intellectual, invisible capital became the key, success recourse of organizations, and it is proved that this recourse can not be valuable by the help of traditional, general methods of finance and accounting. This fact is proved by different international researches, for example Kaplan and Norton said that in the information-based competition corporations are able to adapt this competition, and parallel with this adaptation the ability of utilization of their immaterial values, capitals became more dominant than the ability of the management of other assets (*Kaplan and Norton, 2007*). Sveiby's invisible balance sheet also can be an evidence for this fact. This invisible balance sheet shows the traditional part of the balance sheet, but here it is completed with the intangible, invisible values of organizations also in the asset and liability side too (*Sveiby, 2001, 2007*). With parallel of the appearance of this new, key, success resource there is a need for the change the traditional methods of measurements. There is a need for new, up-to-date methods, which are able to measure and evaluate the resources, the performance form different aspects and not only from the financial aspect. The need for the availability and the usage of new, up-to-date evaluating methods is undoubted. Many of the researches improve this fact, because these can demonstrate that organizations can't measure and evaluate correctly the value of the intellectual capital, and they often measure, evaluate higher or lower value (*Juhász, 2005; Lev, 2004*). *Table 1* was created with the help of literature reviewing and shows the grouping of the new, up-to-date methods, which are able to measure and evaluate the intellectual capital too.

According to *Kapny* (2007) the organisation, the company is able to work on long run with success if ambient society and environment (like resources) also be on long run, so it means that the resources and the market (consumers) also have to be viable. Therefore the responsibility for the future generations is a part of the responsibility of owners. Concept of sustainable development – which meets the needs of the present without compromising the ability of future generations to meet their own needs – and the pillars – environmental, social and economic – confirm the importance of the environmental and social points in the competitiveness. Summarizing these, the environment and society also became the key, success values, resources of the organizations, which can influence the competitiveness and success of the organization. However if these are key, success resources, that it is necessary to examine their role in the corporate performance and to measure, evaluate and follow it.

Environmental performance evaluation (EPE) is a part of general corporate performance evaluation, but it is not too old. Even so is an essential tool for decision makers to support the decisions in issue of environment. It is necessary to use the EPE, because as was it mentioned and confirmed the environment is a critical, success factor for organizations. The EPE is the measurable result of the management in point of environmental aspects. It is an internal, continuous management process and tool, which uses environmental indicators to make a comparison between the present and past environmental performance (EP) and the criterions of the environmental performance. There are many tools and methods for EPE, but the main point is the use of indicators. These are the first, real

methods of the evaluation. Organizations have to define enough and measurable indicators, which should reflect the operation and the volume of the corporation, and complexion and intensity of the possible environmental impacts (Kósi and Valkó, 2006). The EPE also helps the recognition, implementation and check of the opportunities which have strategic importance.

Table 1

New, up-to-date methods of evaluation

Evaluation with Monetary Methods			Evaluation with Scorecards
Direct, Analytic Methods	Market Value Based Methods	Return on Asset Based Methods	Intangible Asset Monitor (Sveiby, 1997)
Intellectual Asset Valuation (Sullivan)	Stewart: intellectual capital=market value-value about the book	ROA (Return on Asset)	IC-Index (Roos, Dragonetti and Edvinsson, 1997)
TVC – Total Value Creation	Stanfield: value about the change	EVA: Economic Value Added	Intellectual Capital Navigator (Stewart, 1997)
The Value Explorer (KPMG)	Tobin: market value/costs	Lev: knowledge capital	IC-Rating (Intellectual Capital Sweden AB, 2002)
Accounting For The Future (Nash)			Wissensbilanz, 2001; 2004
			Intellectual Capital Statement (2000, 2003)
			Wissens-Scorecard (2004)
			Balanced ScoreCard (Kaplan and Norton, 1992)
			Human Capital Intelligence (Jac Fitz-Enz, 1994)
			Skandia Navigator (Edvinsson and Malone, 1997)
			Value Chain Scoreboard (Lev, 2002)

Source: According to Sveiby, 2001, 2007; Harangozó, 2007; Gyökér and Finna, 2007

As it was before mentioned according to Kapusy not just the environment can influence the long run success of the organization than the society also has an influence, namely that what kind of relationship be between the corporation and society, so organization what kind of corporate social responsibility (CSR) has, or

rather what kind of relationship be with the stakeholders (There is a new interpretation of the CSR where the stakeholder point of view should be focused (company stakeholder responsibility) instead of the social point of view (corporate social responsibility). In this concept the claims and interests of stakeholders should be in the centre of the strategy and of the processes of the company. This concept has come from Freeman et al., from 2006 (Szlávik et al., 2009). There is a question that why organizations should deal with the society and stakeholders, why they should thinking about CSR like a success factor. The answer is again the evidence from different researches. According to experts there is a strong relation between the corporate social responsibility (CSR) and the financial performance of the corporation, in addition CSR also can help to achieve the competitiveness for a long run. There is a symbiote where the corporation and social organizations help each other reciprocally to achieve their aims, goals. (Porter and Kramer, 2006 in: Szlávik et al., 2009; Chikán, 2008 in Szlávik et al., 2009)

However there is a question that how the results of CSR activities appear in the measuring and evaluating processes, tools and methods, so how the CSR activity can be measured and evaluated. According to this question the aim is to represent, introduce that what kind of tools, methods are available, which can help for organizations to measure, evaluate and monitor the social (stakeholder) responsibility. Reviewing the Hungarian and international literature – like a secondary research – Authors introduce existing methods and tools for evaluation of CSR. Much of the work is concentrated to one literature, which is the international standard, the ISO 26000, which was published in 2010. This standard is the guidance on corporate social responsibility. Aim is to examine and analyse the model of CSR with the introduction of the principles, the two fundamental practices and the core subjects of social responsibility, according to the standard, but the there will be introduce the elements of integration of CSR to organizations. The part of the standard about the performance evaluation will be dominant. At final will be summarized that how it is possible to combine the logic of the standard with the existing evaluating methods.

PERFORMANCE EVALUATION ON SOCIAL RESPONSIBILITY

In connection with the evaluation on social responsibility there are more, existing methods in national and international literature. According to the Authors these methods are groupable like direct and indirect methods for evaluation on social responsibility. Direct methods which have only one aim: evaluating the CSR activity of the organizations. Indirect methods which's aim firstly to measure, evaluate and monitoring the organizational performance, and secondly they are able to measure, evaluate and monitoring the CSR too. Six methods will be introduced by the Authors which are able for evaluation of CSR performance. Two of these six can be grouped into the group of direct methods (CSR Self-assessment Handbook and the ISO 26000 standard) and four into the group of indirect methods (Sustainability Balanced ScoreCard, GRI - Sustainability Reporting Guidelines, Handbook for Validation of Sustainable Development - Új Széchenyi Terv, An accounting –

Environmental Management Accounting). Take into account the groups of direct and indirect methods, the mentioned six methods (short summary of these methods, results and efficiency of these methods) will be introduced using the “resource-performance evaluation” logic, which was mentioned in the introduction.

Usage of the traditional financial and accounting methods is possible in case of CSR, because the review of costs and benefits of CSR activities allows measuring the financial efficiency of these activities. According to Sprinkle and Maines “the heart of accounting is measurement”, however it is difficult to measure the costs and benefits of CSR activities. There are the same problems in this case than in the case of environmental management accounting: costs are hidden in the category of general costs and benefits are not emphasized. There are more problems in connection with reviewing in the work of Sprinkle and Maines, like that “other costs should be considered, but may be rather difficult to estimate” (*Sprinkle and Maines, 2010*).

In case of new, up-to-date evaluating methods in many cases it is possible to integrate the social point of view into the measurement, evaluation, because as it was emphasized one of the good characteristics of these methods that use more the one aspect, point of view (these can evaluate not only from financial point of view). It is really true in case of methods which based on indicators. One of the most known tools is Balanced Scorecard which was improved by Kaplan and Norton. The Balanced Scorecard (BSC) breaks down the strategy into exact objectives and indicators, and manage them, evaluating the performance according to four different perspectives: traditional financial perspective, perspectives of customers, internal business processes, learning and growth. The four perspectives represent that it is necessary to complete the financial evaluation, so organizations can check the financial results, performance (for example the profit and loss) and they can measure how they exploit the capabilities and reach the intellectual goods which are necessary for future improvement (*Kaplan and Norton, 2000*). BSC is a complex performance evaluating system, so it is able to join the different fields of corporate performance, in this way the BSC it is good to measure the environmental activities and activities in connection with social or stakeholder responsibility too. *Harangozó (2008)* suggests the implementation of environmental, social aspect to the scorecard system, and call it Sustainability Balanced Scorecard (SBSC).

There are also many methods between the methods of environmental performance evaluation, which take the social responsibility, social point of view in account. However it is possible to make a relation with the GRI Sustainability Reporting Guidelines and with the Handbook for Validation of Sustainable Development in case of applications in Project called Új Széchenyi Terv (in Hungary). “The GRI Reporting Framework is intended to serve a generally accepted framework for reporting on an organization’s economic, environmental, and social performance. It is designed for use by organizations of any size, sector, or location. It takes into account the practical considerations faced by a diverse range of organizations – from small enterprises to those with extensive and geographically dispersed operations.” (*GRI, 2011, 5. p.*) There is a suggestion in the system for the usage of Performance Indicators, which give comparable information on the economic, environmental, and social performance of the organization. There are

Social Performance indicators between the performance indicators. ”The social dimension of sustainability concerns the impacts an organization has on the social systems within which it operates. The GRI Social Performance Indicators identify key Performance Aspects surrounding labor practices, human rights, society, and product responsibility” (GRI, 2011, 31. p.). These indicators can be dominant in case of evaluation of CSR activities. There are different documents, protocols in the system which can help in a correct measurement and evaluation. In case of CSR activities the Indicator Protocol of Labor (LA); Human Rights (HR); Society (SO); Product Responsibility (PR) can be important (GRI, 2011).

According to the ruling of European Commission and Hungarian Government every project has to be achieved so that these can help the sustainable development, the protection of the environment and the improvement of status of the environment. Aim of the “Handbook for Validation of Sustainable Development in case of applications in Project called Új Széchenyi Terv” to introduce the meaning and aspects of sustainable development for the applicant and to help validating the sustainable aspect during the implementation of the project (NFÜ, 2011). The applicant has to choose between different sustainable aspects and has to implement and prove the implementation of that. There are examinations of 60 aspects, which like indicators are in the handbook. There are some examples for the indicators which can be relation with the CSR activities: Education – learning environmental consciousness and sustainability with stakeholders; Number of environmental sponsorship activities; Expansion of average wages (NFÜ, 2011). According to the Authors these indicators are able to measure, evaluate and review the CSR activities, so this handbook can be indirect methods for evaluation of CSR.

CSR Self-assessment Handbook (improved by the UNDP) for companies is categorized like a direct method for evaluation of CSR according to the Authors. The aim of this handbook to give practical help for organizations, because according to the EU, the promotion of CSR reflects the need to defend common values and increase the sense of solidarity and cohesion in Europe (UNDP, 2010). The handbook is developed as a result of the project “Enhancing Transparency and Credibility of CSR Practices through Establishment of CSR Performance Assessment and Monitoring Systems in New EU Member States”, that aims to enhance the transparency and credibility of CSR practices and lay a basis for country level CSR measurement and monitoring systems in selected EU member states: Bulgaria, Hungary, Lithuania, Poland and Slovak Republic” (UNDP, 2010, 5. p.). “This handbook contains the self-assessment CSR performance tool for companies that aim at measuring the performance of individual companies, small and large. It may be a mechanism for companies to measure and compare their own performance over time and against peers” (UNDP, 2010, 5. p.). For evaluation and measurement the handbook uses 25 questions in the questionnaire. The questions are grouped under five overall categories: Governance, Environment, Labour, Community Relations, and Business Environment.

“The structure of the self assessment toolkit is as follows:

1. The indicator question and scoring
2. Definition of the indicator

3. Criteria – based on what decision on scoring should be made
4. Documentation – where the information could be found
5. Methodology or suggested steps for improvement of CSR performance on certain indicator
6. Relevance – practical value and importance of indicator
7. Use guide –elaborated based on tool testing experience” (UNDP, 2010, 9. p.).

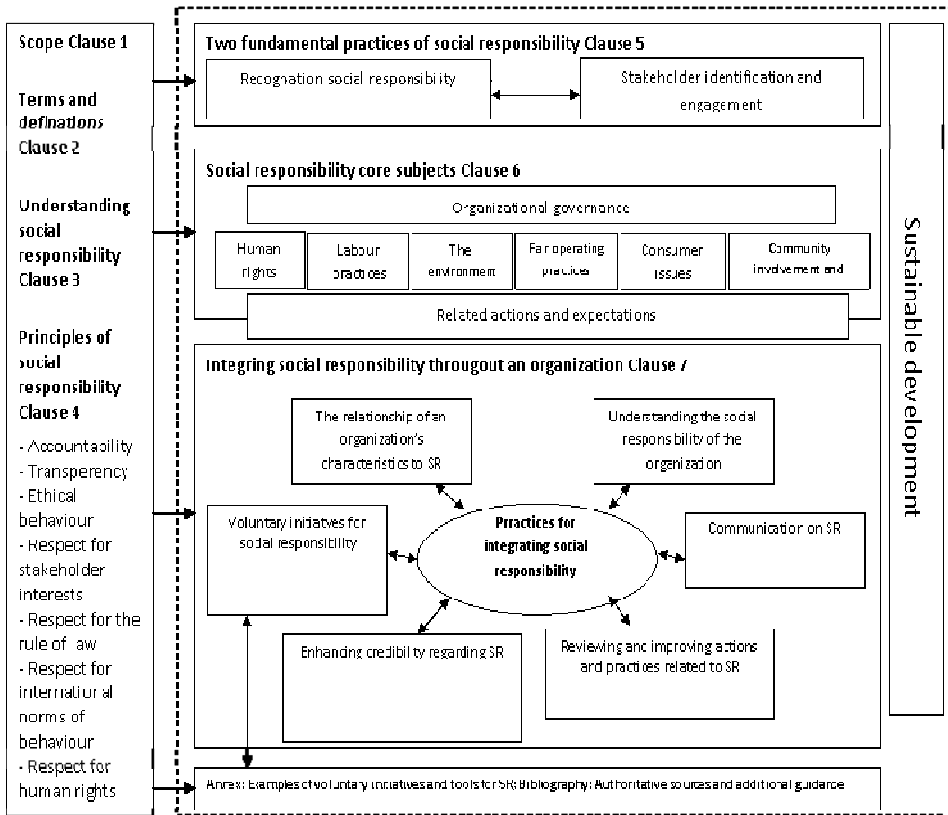
This method uses questions for preparing indicators, which questions should be scored, and at final it can be evaluated that how many points has for CSR performance from the total 100 points.

There was a claim for an international standard in connection with corporate social responsibility in 2001. Reaching this claim the process started with commission works, multi-stakeholder conferences and stakeholder involvement. In 2005 was formed the work-group, to work out the international standard, which introduces the main guidelines of social responsibility and which is usable for non-experts too. 2010 was the publishing date of the standard, which is the ISO 26000:2010(E) Guidance on social responsibility. This standard is useful to all types of organizations in private, public and non-profit sectors, whether large or small, and whether operating in developed or developing countries. It is providing guidance does not contain requirements but may contain recommendations and it is not a management system standard, so it can't be certified. It defines the principles of social responsibility, the two fundamental practices of social responsibility, the core subjects, the way of integration throughout on organization and examples of voluntary initiatives and tools. (ISO 26000, 2010) The logic and the synthesis of the standard can be visual in *Figure 1*.

About the performance of CSR and about the evaluation there is some information in the standard, in the Clause 7, which is the Guidance on integrating social responsibility throughout an organization. The Chapter 7.7 examines the activities which reviewing and improving an organization's actions and practices related to social responsibility. This chapter introduces the necessity of the reviewing and monitoring activities: “it is important to monitor ongoing performance on the activities related to core subjects and relevant issues”(ISO 26000, 2010, 80. p.). There is also information about the usable tools, because the standard said that there are “many different methods for monitoring performance on social responsibility: reviews at appropriate intervals; benchmarking; obtaining feedback from stakeholders; comparing; indicators” (ISO 26000, 2010, 80-81. p.). The standard offers the use of indicators, because with these the measurement and evaluation is easy. However there is a comment that indicators “relatively straightforward to use, they may not be sufficient for all aspects of social responsibility” because we can't measure it in simple way. “As social responsibility is based on values, application of principles of social responsibility and attitudes, monitoring can involve more subjective approaches such as interviewing, observing and other techniques for evaluating behavior and commitments” (ISO 26000, 2010, 81. p.) After the measurement and evaluation there is a part in connection with the improvement of the evaluation, because “should consider ways in which it could improve its performance on social responsibility” (ISO 26000, 2010, 82. p.).

Figure 1

The synthesis of ISO 26000



Source: ISO 26000, 2010

LOGIC OF ISO 26000 AND THE EXISTING METHODS OF EVALUATION

However the ISO 26000 is a direct tool of evaluation, there is no exact method for the measurement, evaluation and reviewing, in the standard, so the users of the standard have need for other methods, for example for the existing, before mentioned methods. There is a question that which method should be chosen. According to the Authors the solution is the integrated evaluation, so the use of a model which follow the logic of the standard and implement the existing methods into the logic of the ISO 26000. There is evidence that why this integrated evaluation is possible, which is the use of the indicators. The use of indicators is a common characteristic in all case of the mentioned methods. The Figure 2 summarizes the results of the examination: there is the relationship between the main two fundamental practices of social responsibility, the social responsibility core subjects and the mentioned, existing methods. This table also shows that which methods can produce, offer indicators for the relevant parts of the standard, so these methods can be called 'indicatoralising' methods.

Figure 2

Relationship between ISO 26000 and evaluating methods

Part of ISO 26000			"Indicatorising" Methods (Examined methods by the Authors)						
Cluses	Practice/ Subject	Meaning/Comments from the ISO 26000, 2010	GRI	CSR Self-assessment Handbook	Handbook for Validation of Sustainable Development - Új Széchenyi Terv	Balanced Score Card	Costs and benefits - Accounting		
Two fundamental practices of social responsibility	Recognising social responsibility	How the organization is able to addressing its social responsibility: became familiar with the seven core subjects. (Every core subjects, but not each issues, has some relevance for every organization.)	X	X	X		It depends on that what kind of indicators are defined in the BSC or we have to mention that in other up-to-date methods of performance evaluation. Indicators depend on the method, the activity and the organization	It depends on that what kind of data can be collected for evaluation - what kind of costs and benefits are available in a trustable value.	
	Stakeholder identification and engagement	It is central to addressing an organization's social responsibility	There is a part for identification of stakeholders.	X	X				
Social responsibility core subjects	Organizational governance	"Is a system by which an organization makes and implements decisions in our suit of its objectives" (p.21) "is a most crucial factor in enabling an organization to take responsibility for the impacts of its decision and activities and to integrate social responsibility throughout the organization and its relationships" (p.21)	X	Governance: 5 questions like indicators	There are many questions (which are indicators) about environmental management tools and methods.				
	Human rights	"Are the basic rights to which all human beings are entitled" (p.23) "Are inherent, inalienable, universal and interdependent" (p.24)	Human Rights Performance Indicators: HR1-HR9	X	X				
	Labour practices	"Encompass all policies and practices relating to work performed within, by or on behalf of the organization, including subcontracted work" (p.33)	Labour Practices and Decent Work Performance Indicators: LA1-LA14		Labour: 5 questions like indicators	Questions (which are indicators) about education, wages.			
	The environment	Organizations have an impact on the environment. "To reduce their environmental impacts, organizations should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities." (p.41)	Environmental performance Indicators: EN1-EN30 (but these are not in the examined group of Social Performance Indicators)		Environment: 5 questions like indicators	There are many questions about the environmental status.			
	Fair operating practices	"concern ethical conduct in an organization's dealings with other organizations" (p.48)	Social Performance Indicators: S02-S08		Business Environment: 5 questions like indicators	X			
	Consumer issues	"Organizations that provide products and services to consumers, as well as other customers, have responsibilities to those consumers and customers." (p.51)	Product responsibility Performance Indicators: PR1-PR9		X	X			
	Community involvement and development	"either individually or through associations seeking to enhance the public good - helps to strengthen civil society" (p.60)	Social Performance Indicator: S01		Community relations: 5 questions like indicators	Questions (which are indicators) about partner relations.			
			These methods, indicators are yet defined and fixed. Using these indicators organizations can be comparable.			These methods and indicators are flexible. These are not internationally accepted guidelines for evaluation. Using these there is no opportunity making comparison.			

CSR evaluation has to be a part of corporate performance evaluation in practice too. As the use of indicators was a common characteristic, a suitable set of indicators can help for organizations evaluating and monitoring, reviewing CSR. All of the mentioned methods are available for different type of organizations – as was it mentioned before for example in case of ISO 26000 – and all of these are existing methods, so the integration of these methods is also usable for different types of organizations in practice.

CONCLUSION

It is necessary to measure, evaluate and review the performance, even if is about an invisible, intangible capital or the environment or the society or social responsibility. The evaluation is incomplete in the micro and macro level too, so there is a need for solutions, methods. But as the Authors think, there is a need for integrated solutions, which can be guidelines for the evaluation. There is a theoretical model which shows that how existing evaluating methods can help for organizations in the evaluation go after the logic, main parts of ISO 26000 international standard on social responsibility. The integrated theoretical model can be viable in practice too, because the parts of the model are already existing methods and there is a common characteristic of these, which is the use of indicators.

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