Social Responsibility of Business

Inna V. Plotnikova[a], Ludmila A. Red'ko[a]*, Marina N. Yanushevskaya[a]

* Corresponding author: Ludmila A. Red'ko, la_redko@list.ru

[a]Tomsk Polytechnic University, 30 Lenin ave.,Tomsk, 634050, Russia, E-mail: tpu@tpu.ru,

Abstract

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The subject of the research is the social responsibility management system, its importance and impact on business. The object of the study is an integrated management system of an organization. The purpose of the study is to develop a system of social responsibility management in compliance with the requirements of MS SA 8000 in the organization. The methods and materials used to conduct the investigation were as follows: analysis of information sources, content analysis and design of the internal documentation, and staff interviewing. The expected results are: realization of the main stage when implementing the management system in the organization.

Keywords: Social responsibility, social responsibility standard SA 8000, social responsibility management system, integrated management system, social responsibility policy.

1.   Introduction

Corporate social responsibility goes back to the World Summit 1992 in Rio de Janeiro. Since 1992, it has become increasingly widespread in the West, according to which private companies should take an initiative on their own to play a significant role in achieving the "public purpose" under the banner of "corporate citizenship." Corporations should run business in the interests of various "stakeholders" to work together to achieve the goal of "sustainable development." Only in this way, companies are believed to meet the "expectations of society", which is a key factor in long-term strategies for success in the modern world (Becchetti, & Rocco Ciciretti, & Pierluigi Conzo, 2013). In Europe, social responsibility was formalized at the Lisbon European summit in March 2000, and at the time when the European Commission published the so-called "Green Book" (July 2001) (Kostin, 2005).

In the contemporary history of Russia, "social responsibility" extends back over about 10 years. Another 9–10 years ago, the phrase "social responsibility" would not have been understood by anyone in the business community, and the practice was limited to occasional statements on adherence to ethics principles and a single donation. However, large companies started to become increasingly interested in the development of sound policies of social responsibility and creation of a deliberate strategy to participate in society.

2. Relevance

Updating and priority of the problems of social responsibility of business are due to several reasons, and the main one is increasing importance of intangible factors of economic growth associated with the development of human potential. Today, the competitiveness of companies in the global market is largely determined by the factors of not the price, but the quality. The most significant factor is the ability to innovate and embrace the latest technological advances, which are based on the human, intellectual and social capital, i.e. the quality of the labor force and employee motivation.

Many businesses and companies do not think about the type of social investment which may be beneficial for their long-term success and, in the end, will bring economic benefits. They do not suspect that adherence to principles of corporate social responsibility creates a sustainable positive image of the company. It is often considered when negotiating contracts, obtaining credits, insurance, when collaborating with authorities of different levels. Capitalization and the market value of the shares are estimated mostly with regard to socially responsible behavior of the organization (Kiseleva, 2012).

Disrespect for human rights, violation of labor legislation may cause serious problems both for the company and its partners. Therefore, when concluding the contract, many organizations prefer to protect themselves from unpredictable situations and take a decision to implement the social responsibility management system.

The unequivocal commitment to comply with social and ethical principles and wellbeing of the employees makes the company a more attractive employer. As a result, employees can be expected to increase productivity and loyalty to the management (Social Accountability, 2015).

In global practice, different management systems of social responsibility are applied. Global Reporting Initiative, the UN initiative "International Covenant", standards of the social responsibility management system SA 8000 and others have become widespread.

Application of SA 8000 is widely spread throughout the world. In September 2014, 3,400 organizations in 74 countries around the world had certificates of compliance with the requirements of SA 8000, more than 1.9 million employees worked at certified companies (SAAS, 2015).

Russian society is now on its way to the status of a "conscious consumer", when not only price and quality of goods or services are considered to be essential, but also the company reputation (Steurer, Langer, Konrad, Martinuzzi, 2005). At the beginning of the 21st century, it was possible to say that Russia kept up with new trends in the field of social responsibility of business. However, currently, Russia is actively participating in the global dialogue on social responsibility and standardization of this process. The process of social responsibility standardization development suggests that in non-

financial reporting, corporations are beginning to reflect various spheres of their activities (International Institute for Sustainable Development, 2015).

The Agency for political and economic communications made a rating of social responsibility for Russian companies in March 2015 (Agency for political and economic communications, 2015). Based on these data, a number of representatives of the Russian business can be reasonably referred to the leaders in this sphere: Rosatom, Gazprom, and SOGAZ.

In March, in the rating of social responsibility of Russian companies, the leadership was maintained by the State Corporation Rosatom. The Corporation has proposed introduction of participatory budgeting in cities with direct participation of the population in budget spending as a new format for implementation of social projects. Citizens will be offered social, infrastructural and other projects to prioritize the deployment of funds. The 2nd place in ranking is steadily held by Gazprom. A range of activities at the regional level is being implemented under the auspices of the organization: construction of social facilities and infrastructure, conducting fundraising, and support of community initiatives. The SOGAZ Company continues to strengthen its position: at the end of the month, it obtained one point in the ranking and attained 3rd place.

The management of the company under consideration decided to develop and implement the social responsibility management system. The implementation of the system is due to several reasons. First, during the audit of the second party, more than ever consumers include items on social responsibility in the questionnaire, and consider the answers to assess the possibility of concluding contracts or pricing depending on the level of maturity of the corporate management of the company. Secondly, some companies, strategic partners to conclude contracts, put forward the company's commitment to the compliance with the requirements of the declaration and principles of sustainable development as a compulsory condition, social management being part of this. Thirdly, the requirement of the corporation, which includes the company, is the development of the management system and the level of the corporate maturity.

3. Purpose and methods of research

The object of the research is the integrated management system of the organization. The subject of the research is the social responsibility management system, its relevance and impact on business. The aim of the study is to develop a social responsibility management system in compliance with the requirements of SA 8000 MS in the organization, considering the requirements of the effective standards for management systems: quality, environment, and health. The methods and means used to perform the research are the analysis of information sources, content analysis and development of internal documentation, employee interviewing. The expected results are realization of the key stage when implementing the social responsibility management system and preparation of basic documents.

4. Results

4.1 SA 8000 Analysis

To officially confirm the fact that social responsibility is an important component in the company's activities, the organization has chosen the certification standard SA 8000. It involves certification

procedures by the external audit company, which, in turn, is to be accredited by Social Accountability International (SAI), the developer of SA 8000 (International Standard by Social Accountability International, 2014).

The goal of SA 8000 is improvement of working conditions and living standards of workers. The standard is not limited to any sector or geographic area and can be used in all industries, both in manufacturing and in services. It is designed to take into account national legislation and requirements ensuring the legality of the activities of suppliers. It allows manufacturers to establish minimum acceptable requirements and provides a definite starting point to evaluate suppliers.

The requirements of SA 8000:

- Child labour. Child labour shall not be used in the production process.

- Forced labour. The company shall not use forced or compulsory labour.

- Health and safety. The company provides safe workplace environment.

- Freedom of Association and rights to collective bargaining. Employees shall not be deprived of the right to conclude collective agreements protecting the rights of workers to form associations and trade unions.

- Discrimination. Any form of discrimination in the workplace is prohibited.

- Disciplinary practices. Corporal punishment, mental or physical coercion shall be banned.

- Working hours. Working hours shall be granted in compliance with the requirements of the legislation.

- Remuneration. Employees shall be paid salaries equal to the amount determined by the law or industry standards and sufficient to meet the basic needs of workers.

- Management system. Management system to ensure compliance with the requirements of SA8000 shall be implemented.

Great attention in SA 8000 is paid to the requirements for occupational health and safety. The organization must be provided with the appropriate documented measures to prevent accidents and damage to health of personnel to meet the specific conditions. The company is to ensure regular training of personnel in occupational health and safety, which is reflected in reporting. The standard recommends the use of special systems for monitoring and prevention of potential threats to health and safety of workers. The organization is to be provided with clean bathrooms, free access to potable water, sanitary conditions for food storage (if required by the activities of the personnel).

The company under consideration has been engaged in mining and processing of minerals for more than 60 years.

Today the company and its subsidiaries employ more than 6,000 workers, technicians and engineers capable of solving different problems.

Currently the company has a certificate of management system compliance with the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

The analysis of SA 8000, ISO 9001, ISO 14001 and OHSAS 18001 standards shows that the concepts and emphasis of these standards are largely similar, however, there are differences that must be considered when developing a socially-oriented quality system. Therefore, during integration the so-

called synergy zones and specific zones are formed in the management system. The synergy zones arise in cases when the integrated management system has similar composition and structure of standardization objects and an identical number of elements and requirements. Specific zones occur as a result of expansion of the management system scope due to specific management areas, facilities, integrated systems, and specified requirements the systems are to comply with.

SA 8000 was originally provided for joint application of ISO 9000 and ISO 14000. The general requirement of these standards was development of the management system focused on continuous improvement. These standards are interconnected and integrated. The 9th group of SA 8000 criteria can be easily integrated with ISO 9001.

Sections of SA 8000, ISO 9001, ISO 14001 and OHSAS 18001 were studied and analyzed, and a Responsibility Assignment Matrix of officials for implementation of the requirements of these standards was made. The matrix is provided in Annex A.

In the integrated management system, some of the requirements of SA 8000 have already been implemented (e.g., section 3 "Occupational health and safety"). The changes mainly concern the requirements in the field of the rights of the employee, relationship between the employer and the personnel, requirements of the enterprise for improvement of working conditions. The analysis showed that no opposition from the personnel can be observed when implementing the social responsibility management system as it does not require long adaptation of employees and deep processing of documented procedures. The opposition can be found from the top management that takes on certain obligations in this case.

Specific requirements of SA 8000:2008.

The standard contains detailed information on suppliers (clauses 9.7; 9.8; 9.9), health and safety of personnel (clauses 3.1; 3.2; 3.3; 3.4; 3.5; 3.6), and maintenance of social reporting (clause 9.14). In addition, SA 8000 contains specific sections and determines the liability of the company in the field of child labour, disciplinary measures and bonuses, nonuse of forced labour and discrimination, freedom of associations (sections 1; 2; 4; 5; 6; 7; 8).

However, SA 8000 does not contain requirements for purposes; the infrastructure is represented only by the workplace. The issues related to procurement are not covered.

The organization is to develop and implement policy in the field of social responsibility management which:

  a) meets the economic interests of the organization;

  b) is the basis for setting objectives in the area of social responsibility;

  c) includes a commitment that comply with all requirements of this standard;;

  d) contributes to the achievement of social peace, security and wellbeing of personnel and local population;

  e) is performed and updated;

  f) is accessible and understandable to personnel and other stakeholders;

  g) is documented.

The company's policy in the field of social responsibility management reflects its future behavior in line with expectations of stakeholders. In essence, the organization develops regulations and implement

is rules, i.e. performs the expected actions in order to inform and explain the initiatives in the field of social responsibility to all stakeholders.

The policy in the field of social responsibility management is a formal statement of intentions and activities in the field of social responsibility, formally expressed by the management (Visser, Matten, Pohl, Tolhurst, 2010).

The Policy in social responsibility management was made within the framework of the social management system implementation.

This document contains 5 sections: scope, general provisions, principles, intentions, concluding provisions. The policy in the field of social responsibility management considers the specificity of the activity in the organization, and reflects the requirements of SA 8000 MS.

Policy is a public document defining the principles, guidelines and priorities to manage the relationships between the organization and its personnel.

The key priorities of social policy are:

– High managerial competence and qualification of personnel.

– Efficient use of labor resources.

– Development of base remuneration and incentives, and personnel motivation.

– Improvement of the life quality of personnel, creation of favorable conditions for work and rest.

– Support and development of training, promotion and assessment of personnel.

– Development of a dynamic corporate culture to allow personnel to effectively communicate with each other.

– Loyalty of personnel, stable and positive social environment.

4.2 Analysis of processes in the organization

The analysis of differences in documents proved the necessity of "Human Resource Management" amendment since SA 8000 provides the requirements related to nonuse of child labor, forced and compulsory labor, discrimination, disciplinary practices, working hours and remuneration.

The requirements of SA 8000 are to be considered when developing the following processes: marketing, personnel management, procurement management. The list of obligatory documented procedures must be supplemented by the documented procedure "Evaluation and selection of suppliers/sub-contractors."

4.3 Changes in the organizational structure of the organization to meet the requirements of SA 8000

According to clause 9.2 of SA 8000 "The organization must appoint a representative of senior management to ensure compliance with the requirements of this standard irrespective of other responsibilities"; clause 9.3 "The organization should recognize that the dialogue in the workplace is a key component of social responsibility and ensure that all workers are entitled to be represented in order to facilitate communication with senior management on the issues related to SA 8000. The recognized trade unions are entitled to represent the workers. In other cases, workers are allowed to

freely elect their own representatives. Under no circumstances the representative of workers should be considered as a substitute for trade unions."

With due regard to these requirements, the director of personnel and social affairs will be appointed as the management representative responsible for the social responsibility management system.

The management representative should develop "Regulation on the management representative responsible for the social responsibility management system" which contains duties, responsibilities and authorities of the management representative responsible for the social responsibility management system to ensure compliance with the requirements related to social responsibility.

The trade union committee of the considered organization is authorized to represent workers' interests in the scope of social responsibility.

4.4 Documentation structure of the organization in the field of social responsibility

Documentation of social responsibility management system should involve:

– Guidance on social responsibility.

– Social responsibility policy.

– Code of conduct, objectives, targets and programs.

– Documented procedures and records.

– Documents, including records, specified by the organization to ensure effective planning, operation and control of its activities.

The documented procedures to be amended in the field of social responsibility include: control of documentation and records; control of nonconformities, corrective and preventive actions; internal audit.

When developing social responsibility management system in the organization, the plan to implement social responsibility management system was developed, and the requirements related to social responsibility were integrated into "Management System Manual" (according to SA 8000 MS).

The international standard ISO 9001 is the basis for "Management System Manual" in the organization. Therefore, the Manual may include the requirements of the following standards: ISO 14001, OHSAS 18001.

The requirements and provisions of MS SA 8000 should be logically and consistently included into the existing organization Manual, which consists of three systems.

As a result, some clauses of the organization Manual on management system were amended: introduction; general provisions; scope; management system; requirements for documentation; management responsibility; resource management; product development; measurement, analysis and improvement.

Conclusion

The social responsibility management system complies with SA 8000 and is a complement to the quality management system ISO 9001. The system forms a socially-oriented quality management system to increase competitiveness of the organization and reduce risks.

The development of the principles of social responsibility management system provides the company with the following advantages:

- the opportunity to be always aware of market requirements and rapidly respond by improving products and services;
- improved relationship with local communities and authorities;
- possibility of collaboration with external partners, which are the part of civilized business;
- compliance with the requirements of the social responsibility management system undoubtedly makes employees aware of their involvement in the company's goals, and, as a consequence, their involvement in the activities of the company;
- increased confidence in the company and image perfection;
- anchoring moral standards, enhancing morality in society.

As a result, the following tasks have been fulfilled:

1. The analysis of compliance of requirements of SA 8000 MS with the requirements of MS ISO 9001 was conducted. The clauses of SA 8000 were included in the matrix of distribution of official's responsibilities for implementing the standards.

2. The Policy in the field of social responsibility management was developed.

3. The existing management system manual was revised and updated.

4. The basis for implementation of social responsibility management system was developed.

At the next stage, a unified organization Policy is to be developed. It includes policy in the field of quality, environment, health and labor, and social responsibility management. The existing documented procedures and job descriptions need to be updated, and the requirements for social responsibility are to be included.

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