

# A Corporate Social Responsibility Audit within a Quality Management Framework

*Peter Kok  
Ton van der Wiele  
Richard McKenna  
Alan Brown*

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**ABSTRACT.** In this paper a corporate social responsibility audit is developed following the underlying methodology of the quality award/excellence models. Firstly the extent to which the quality awards already incorporate the development of social responsibility is examined by looking at the Malcolm Baldrige National Quality Award and the European Quality Award. It will be shown that the quality awards do not yet include ethical aspects in relation to social responsibility. Both a clear definition of social responsibility and an improved audit instrument are required. A definition and an audit instrument are developed which stimulate movement in that direction and help organisations to reflect on their position in relation to social responsibility.

**KEY WORDS:** audit, business ethics, self-assessment, social responsibility, total quality management

## **Introduction**

Business ethics and social responsibility are themes that are given considerable attention in companies as well as in academic journals (Weaver et al., 1999; Mackenzie, 1998; Nitkin and Brooks, 1998; Maurey et al., 1999; Taylor et al., 1999; Daisuke, 1999). Employees, customers, suppliers, competitors, and government are all placing increasing demands on management. Expectations of stakeholders not only relate to the direct transactions between parties, they now expect management to participate in the debate on societal problems (e.g. unemployment, poverty, infrastructure) and proactively think about the effects of the business on society at large.

This growing attention to ethics fits well in the evolution of thinking on quality, although

not yet incorporated into the current models as will be discussed later. Garvin (1988) describes how the ideas about the scope of quality have changed in management thinking during the last century. In the first stage of the evolution of quality thinking, quality has been related primarily to the products or services, and the performances of those products and services. In the second stage of the evolution the view on quality was broadened to the processes by which the products and services were manufactured. Thus the focus shifted from the end of the production line to the process. The third stage was again a broadening of the focus from process to system. It was recognised that not only the primary production process influences the performances of the end product; the supporting, supplying, and management processes also act on that primary process and contribute to the products and services. The focus became the quality of the system. The fourth stage can be defined as the Total Quality Management (TQM) stage, where quality has become a more strategic issue and the focus is broadened towards the quality of the organisation and the quality of the organisation's relationships with its environment (customers, suppliers, competitors, society at large).

The issue of business ethics and social responsibility is thus becoming a theme for organisations which are serious in their approach towards business excellence (Fisscher, 1994; Buban, 1995; Nakano, 1999). However, it will be shown in this paper that ethics and social responsibility are not incorporated in the excellence models which have been developed for the Malcolm Baldrige National Quality Award (MBNQA) and the European Quality Award (EQA). The focus of



this paper will be to define how business ethics and social responsibility can be included in the general self-audit/self-assessment approaches companies are using against one of the models of excellence.

### **Ethics bases to define what is right**

Ethics is defined by Stahl and Grigsby (1997) as doing the right thing right the first time. Some people are morally autonomous and always behave in a manner considered right by the wider society. Others obey a code of ethical conduct, or standard, because they believe it is the right thing to do or because they are required to. However, what is the right thing for one person or group, might not be the right thing for others. A quality management framework should require consistency in ethical behaviour throughout the organisation. Different ethics bases and different approaches can be used to evaluate what is right and what is wrong. Five legitimate ethics bases have been identified within the standards approach (McKenna, 1999; Shaw, 1996):

- **Eternal law:** This ethics base presumes that there is a common set of moral standards (e.g. Nature or Holy Scripture), which offer a set of general rules for everyone to follow (rule based ethics); The problem with this point of view, of course, is that the interpretation of the common set of standards, and its translation into rules, will apparently differ for many people;
- **Utilitarianism:** The utilitarian principle means that managers should act in ways to create the greatest benefits for the largest number of people; the focus is on the outcome, not on the intent, of management behaviour. Problems with this ethics base are related to defining which groups have to be involved, defining the largest number of people who benefit from decisions, and the ignoring of harm that may be done through the means used to achieve the ends;
- **Universalism (categorical imperative):** This ethics base finds the ethics of a decision depending on the motives or intentions of the

decision-maker, which can be related to the contractual arrangements and obligations of the decision-maker. Each moral person gives himself or herself the moral law based on reason, and it is the same moral law for all persons. The problem with this ethics base is that there is no clear indication of how we should choose between conflicting obligations or duties;

- **Distributive justice:** According to this idea, managers should act to ensure a more equitable distribution of benefits. Self-interest is tempered by individual concern for the disadvantaged. Problems with this approach are that it does not recognise that inequalities can be transmitted between generations and that it does not define the ratio to which things should be made more equal;
- **Personal liberty:** This view is based on the primacy of the single value of liberty; Managerial decisions should not violate the individual right to be free of coercion; The problem here is that it ignores environmental factors such as chaos and change which may favour some individuals and not others, thereby enabling some to receive a far greater share of benefits, or burdens.

Each of the five ethics bases can be identified as the right one, and at the same time there will be conflicts between them. Herein lies the problem for managers, which ethics bases to choose, or how to balance the different ethics bases that are all in the game? Each of these theories is goal oriented, implying that managers control the ethics of their organisations and employees. An alternative perspective (the virtues model) sees ethics as primarily an individual issue and requires managers to manage ethically (Brewer, 1997; MacIntyre, 1985; Preston 1996; Shaw, 1996; Singer, 1993), and to allow their employees scope for moral autonomy. Respect, honesty, fairness are seen as virtues; greed is not. While a virtue/moral autonomy approach may be satisfactory or preferred, the quality management framework inherently prefers a standards approach.

### Corporate social responsibility

It was Friedman (1962, p. 133) who started the discussion on the issue of social responsibility; should companies take responsibility for social issues? and are companies able to take on this responsibility? His point of view is quite clear. Let business people do what they have to do, and that is taking care of their business. According to Friedman there is only one type of social responsibility: using resources and engaging in activities designed to increase profits so long as it stays within the rules that have been defined. Here it seems that managers are required only to use economic and legal analysis, and not ethics analysis, in making decisions. Critics of this view argue that a business must consider the long-range social costs of its activities as well as its profits (Shaw and Barry, 1992, p. 213). The justification for the existence of any corporation is that it serves its purpose: to benefit society.

Mintzberg (1983) shows, with his horse shoe model, that there are many options to look at companies (e.g. *nationalise it, democratise it, regulate it, pressure it, trust it, ignore it, induce it, restore it*). Mintzberg's conclusion is that we start with the premise that managers will take at least some social responsibility into account by making decisions, because they are members of the society themselves. However, trusting managers is not always enough. Two power sources can be used to force managers to take more social responsibility into account. First, some pressure can be used, for example through pressure groups, actions and campaigns, to bring responsibilities under the attention of managers and to show the consequences of unethical behaviour. Second, the organisation can be democratised, by opening and involving various stakeholders, like customers, employees, suppliers, and people living around the organisation. Mintzberg (1983) sees the subject of social responsibility from the point of view of the society. How is society thinking about the role of the company in relation to social responsibility. This is a politics model. The institution of business is society's principle mechanism for producing and distributing economic goods. Therefore the purpose of a business organisation must be to deliver

economic and ethical performance to society (Sherwin, 1983, p. 185). How it should do this depends on its particular circumstances, the nature of the good, structure of the industry, location, and organisational specifics. We can look at these influences at two levels: the organisation itself, and the environment of its domain. The latter involves examination of an organisation's relationships with its various stakeholders.

Looking at social responsibility from the point of view of the company, there are at least three levels of corporate social responsibilities as defined by Stahl and Grigsby (1997). These positions are:

- Minimum legal compliance: Managers comply with the minimum social requirements of the law;
- Enlightened self-interest: Managers use social responsibility programs as a strategic weapon to communicate to the market that they are better than their competitors; The interest in social responsibility is expected to give long-term profitability;
- Proactive change: Managers uses its assets actively to improve society independent of a direct benefit to the firm; they are taking positions far beyond the requirements of the law.

The definition we will use for corporate responsibility fits this latter proactive change position: *Corporate social responsibility is the obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large, and improving welfare of society at large independently of direct gains of the company*. The three positions identified for the social responsibility of a company parallel three forms of ethics evident in organisations (Brand, 1989):

- Transaction ethics: This type of ethics illustrates the lowest acceptable policy; aimed at reaching ones own goals and controlling conflicts for your own sake; sometimes there is cooperation with others, because that will benefit both parties; the focus is on your own rights; This type can easily be linked with an approach of the company in which the society at large is not taken into account;

- Recognition ethics: This type of ethics shows the balance between rights and obligations; aimed at serving general rights and the assurance of general welfare; The company will take society at large into account, however, is not aimed at improving the welfare of the society at large;
- Change ethics: This type can be seen as the upper limit of ethics policy; the norms and values of society at large form the core of the ethical approach and beliefs; it is not a matter of rights and duties, the values are accepted voluntarily; there is a participation in the development and innovation of the norms and values into new areas; The company takes society at large into account, and aims at improving welfare for the society at large.

It will be clear that the corporate social responsibility, according to our definition, needs this latter type of ethics to be used in corporate policy and decision making. In fact, organizational values must be subject to the external moral order (Golembiewski, 1965, p. 92) and not “the sole and final arbiter of behaviour” (Golembiewski, 1965, p. 73). It will also be clear that managers will have difficulties in going through all the ethics bases and evaluating norms and values for the society at large. One way to solve those difficulties would be to ensure through selection and training that all organisational members are morally autonomous (see below). Another way is by analysing the issues involved through an ethical discussion in a “public debate” (Brand, 1989). Every representative of the ethical bases outlined above, will have the opportunity to demonstrate its norms and values, and interpretations and translations into concrete themes, which will differ for the various groups, based on historical, religious, nationality backgrounds. The broadest “public debate” would be:

- open: nobody is excluded from the discussion;
- rational: there is no other power base in the discussion than the better argument;
- equal: everybody’s rights or concerns are taking into account in an equal way.

Brand (1989) is clear about the goals of the public debate. It is not the intention to discuss

ad hoc situations or incidents, but it should be a fundamental debate that has its focus on longer-term goals, defining the balances between the different perspectives coming from the various ethics bases, and coming from the various participants. The public debate will result in ethical codes, which are guidelines for managers in making future decisions. The broader and deeper the social responsibility, the more participants are invited to join the debate, and the more ethical subjects will be discussed. The public debate is something that can be formally organised and linked to the organisational systems and structures. The fundamental public debate is a concept that can be compared with the fourth generation evaluation of Guba and Lincoln (1989). In that fourth generation evaluation as many participants or parties as possible are invited to participate in the evaluation and decision making.

### **Quality awards, models of excellence and social responsibility**

Quality awards have been developed in many countries and regions. The oldest and most well known is the Deming Award, created in Japan in 1951. It took quite a long time before the West followed: Australian Quality Award (1986), Malcolm Baldrige National Quality Award in the U.S.A. (1987), European Quality Award (1992). In Europe there are also national quality awards in many countries. Additionally there are international and national standards covering various aspects of corporate performance (e.g. ISO 14000 for care of the environment).

All these awards have been developed in order to stimulate companies to pay more attention to quality management and to get quality management issues on the agenda of top management. This goal has certainly been reached. The awards are given to companies which score high on criteria which have been defined for the selection, and it is these criteria which have given a definition of what quality management means in management terms. The model of Excellence covering those criteria is different for the various awards, however, there is a general framework

underlying all the excellence models of the awards. In Figure 1 the Excellence model of the European Quality Award (EQA) is shown.

The model of the EQA was the first model, which explicitly shows that social responsibility is strongly related to the quality thinking. A separate category is defined towards this issue in the excellence model. The model consists of nine categories: Leadership, Policy & Strategy, People Management, Resource Management, Management of Processes, Employee Satisfaction, Customer Satisfaction, Impact on Society, and Business Results. Each of the nine categories covers a number of criteria (4–5 criteria in each category), and each criterion has subcriteria. Altogether the criteria define what quality management means for managing an organisation, in terms which are easily accepted by managers, because the overall model is a simple input – throughput – output model.

The fact that the excellence models give a comprehensive definition of the meaning of quality management, has stimulated the use of these models not only for applying for an award, but for internal self-assessments to monitor and guide the organisation in its quality management implementation. So, although the number of applicants for an award is very low, the importance of the excellence models is built on the widely accepted use of it as an internal device for self-assessment.

The two excellence models which have been studied in more depth in relation to social

responsibility are the MBNQA and the EQA. Three questions are defined that are important for measuring the extent to which each of these awards pay attention and give direction to social responsibility issues (Brand, 1989). These three questions are:

1. Does the model demand a clear mission statement of the organisation?

The mission statement should give indications of the overall goal of the organisation in economic as well as in social terms, and how these are translated into strategies within the values and norms as defined by the organisation. Within this framework the organisation should be stimulated to recognise the needs of all stakeholder groups and to make clear what its position is in relation to social responsibility.

2. Does the model demand the organisation to be clear about the public debate?

Is the mission statement reviewed and evaluated regularly in a public debate, where all relevant participants can join and where all relevant issues can be discussed? Information on the public debate should give answers to questions like:

- are only the formal and legal issues treated as important (transaction ethics)?
- are only those people or parties involved with whom we can make deals that contribute directly to the business performance (recognition ethics)?

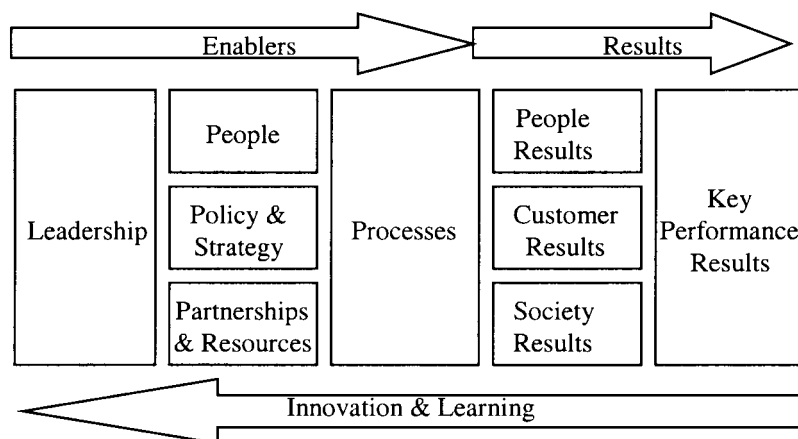


Figure 1. The EQA excellence model.

- are only that issues discussed which are of direct importance for the business performance (recognition ethics)?
  - is the public debate broad (open in participation and open in issues that are discussed) and does the organisation contribute through its resources to that debate (change ethics)?
3. Does the model demand ethical codes?  
 The outcome of the public debate should lead to either a statement of virtues and guidelines for living them or ethical codes, which are the more specific norms of behaviour, which will influence the strategies and the overall mission.

These three criteria will be used to analyse the role of social responsibility within the excellence models of the MBNQA (NIST, 1996) and the EQA (EFQM, 1999). Mission, Public Debate, and Ethical Codes together form a loop through which each of the three is continuously reviewed and improved.

Table I the two excellence models against the

three core issues: mission statement, public debate, and ethical codes. Although some of the categories and criteria of the models mention links with social responsibility and business ethics, the general conclusion must be that the ethics paradigm which is stimulated through the model and its criteria, is mainly related to compliance with legal demands (transaction ethics), and in some cases showing some tendencies towards enlightened self-interest (recognition ethics).

Based on the analysis of the criteria of the two models the EQA might be closer towards recognition ethics, while the MBNQA is closer towards transaction ethics. The MBNQA criteria are mainly related to transaction ethics, where in a very restricted way also the customer needs are taken into account. The EQA criteria are focused on the needs of all stakeholders, however, only as far as there is a direct relation with the economic responsibility of the organisation. The models do not stimulate or demand a position that is more in line with change ethics and proactive change in relation to social responsibility.

TABLE I  
 Comparison of EQA and MBNQA models in relation to social responsibility

	MBNQA criteria	EQA criteria
Mission:	<ul style="list-style-type: none"> <li>• focus on key-stakeholders</li> <li>• focus on quality principles and economic values</li> <li>• only very few attention to social responsibility and ethical values</li> <li>• no attention to codes of behaviour</li> </ul>	<ul style="list-style-type: none"> <li>• focus on key-stakeholders</li> <li>• strongly focused on economic goals</li> <li>• business results strongly financial oriented</li> </ul>
Public debate:	<ul style="list-style-type: none"> <li>• restricted to key-stakeholders</li> <li>• only issues in relation to quality values</li> <li>• only very few attention to ethical values</li> <li>• business results strongly focussed on financial results</li> </ul>	<ul style="list-style-type: none"> <li>• strong focus on participants which have direct influence on business results</li> <li>• subjects should have a direct link with bottom line of organisation</li> </ul>
Ethical codes:	<ul style="list-style-type: none"> <li>• no explicit attention to codes of behaviour and ethical codes</li> </ul>	<ul style="list-style-type: none"> <li>• no explicit attention to codes of behaviour and ethical codes</li> </ul>
Ethics type:	<ul style="list-style-type: none"> <li>• transaction ethics with tendency towards recognition ethics</li> </ul>	<ul style="list-style-type: none"> <li>• recognition ethics with tendency towards transaction ethics</li> </ul>
Responsibility:	<ul style="list-style-type: none"> <li>• minimum legal compliance position with tendency towards self-interest position</li> </ul>	<ul style="list-style-type: none"> <li>• enlightened self-interest position with tendency towards minimum legal compliance position</li> </ul>

### **Assessment of social responsibility**

An assessment might be defined in the same way as an audit. However, in the area of quality management these are seen as two different themes. An audit is quite often related to standards with which the organisation has to be in compliance. You have to comply with the minimal norm that is defined by the standard, and have to take care that the organisation stays at that level. An assessment is quite often related to a review of the strengths and weaknesses of the organisation and aimed at defining opportunities for improvement. The assessment instrument might give an ideal model or level to aim at, giving direction for further change.

For the social audit the definition of an assessment would fit much best. The social audits are according to Poe (1994) “reportcards on the company’s social consciousness”, or as Vinten (1990) suggests “a review to ensure that an organisation gives due consideration to its wider and social responsibilities to those both directly and indirectly affected by its decisions, and that a balance is achieved in its corporate planning between these aspects and the more traditional business related objectives”. The reasons to use a social audit can be summarised in the following ways (Humble, 1975):

1. As part of the strategic and operational planning process, to review the existing practices with regard to social responsibility, internal and external.
2. To define strengths and weaknesses in strategy and in practices.
3. In relation to the development of an improvement plan.
4. To measure progress in relation to the efforts undertaken to the implementation of social responsibility in the organisation
5. To obtain the participation of people who are able to contribute to developing social responsibility.

Humble (1975) and Certo (1993) define the issues which are important in relation to social responsibility, although both do not give explicit attention to ethics in the context of training and communication or in relationships with suppliers.

However, building a healthy ethical climate through training and communication are the most important change processes. That is the reason two additional aspects (Supplier relations, and Ethics awareness) have been added. Relations with suppliers is an important aspect of quality control and often there is an ethical aspect to the relationships. This is best understood through the asymmetry of power evident in Porter’s (1980) model of competitive strategy. Where supplier power is relatively weak there is a responsibility for the buying organisation to apply ethical principles when negotiating matters such as price, continuity of supply, design, changes in specifications and so on. Awareness of the need to avoid abuse of a weaker partner is just one aspect of a more general ethical awareness that can be achieved through selection and training of personnel. Ethical awareness of individual organisational members is an aspect of the organisation’s ethical climate. Ethical awareness requires organisational members who are morally autonomous or morally heteronomous and an ethical climate and/or strong codes of conduct. Moral autonomy is the capacity individuals possess to own their moral values and apply them in decision making with ethical implications, while heteronomy occurs when the moral laws are taken from sources other than the self (Tsahuridu and McKenna, 2000) – in this case from a code of conduct or the ethical climate of the organisation. The fourteen aspects give practical meaning to the concept of social responsibility. These aspects are summarised in Table II.

For each of the fourteen aspects of social responsibility a measure of how well each of the aspects is developed in the organisation can be made. The scoring of the social responsibility aspects, which is defined, follows in general term the EQA scoring methodology. The scoring of the aspects in the social responsibility audit instrument has four levels:

- Level 1 is related to ad hoc policy:  
In fact there is no policy. Social issues are neglected by management, except when the costs of neglecting these social issues become a problem. Also legal action might force the

TABLE II  
Aspects of social responsibility

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*External environment:*

- |   |   |
|---|---|
| 1. Social responsibility and new opportunities:                               | Contributing to solving or reducing social problems   |
| 2. Community relations:   | Extent of openness and support to people around the organisation and to (local or national) government, stakeholder groups, action groups, churches, educational institutes, health care institutes, and others.            |
| 3. Consumer relations:  | Extent of openness towards consumers; recognition of rights of consumers: safety, information, free choice, and to be listened.   |
| 4. Supplier relations:  | Extent of openness towards suppliers; recognition of rights of suppliers: information, participation in design.   |
| 5. Natural environment (e.g. pollution and packaging) and future generations: | Execution of legal requirements, research into current and future technical and environmental developments, environmental issues regarding packaging (recycling). Respect for biodiversity and needs of future generations. |
| 6. Shareholders relations:  | Extent of openness regarding social effects of the activities of the organisation (especially with regard to investment decisions).   |

*Internal environment:*

- |  |  |
|--|--|
| 7. Physical environment:                           | Safety, health, ergonomic aspects, structure and culture.  |
| 8. Working conditions:                             | Demands in relation to recruitment, selection, promotion, part-time work, working on Sundays, medical aspects, retirement aspects.   |
| 9. Minorities/diversity:                           | Extent to which attention is given to minorities, diversity, multiculturalism.   |
| 10. Organisational structure and management style: | Empowerment, involvement.  |
| 11. Communication and transparency:                | Top down and bottom up communication, use of information technology, review of information flows: relevance, timeliness, detail, accuracy.   |
| 12. Industrial relations:                          | Extent to which communication takes place about expectations, needs, values and norms in society.  |
| 13. Education and training:                        | Needs of employees, current and future knowledge and skills, review of training budget, personal development, quality assurance of training process, evaluation of training results. |

*Internally and externally:*

- |                       |  |
|-----------------------|--|
| 14. Ethics awareness: | Attention within development and training and communication for ethical subjects and aspects in relation to work and the business; involvement of employees in developing codes of behaviour, values, ethical codes, and the way employees are addressed to those aspects; stimulation of broad ethical discussion with all parties. |
|-----------------------|--|
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- |  |   |
|--|---|
| <p>organisation to pay attention to social issues. At this level there is no ethics awareness at all.</p> <p>– Level 2 is related to a standard policy:<br/>The organisation follows the law regarding social issues. Only social issues that are made</p> | <p>compulsory through law are integrated into the policies of the organisation.</p> <p>– Level 3 is related to planned policy:<br/>Not only is the law followed by the company, also attention is given to other needs from</p> |
|--|---|



society. There is no deep understanding and development of the company's own social responsibility with participation of all parties involved. Only those parties which have social claims that directly relate to the business performance are involved in the discussion.

- Level 4 is related to an evaluated and reviewed policy:

There is a broad and ongoing reflection on the activities and effects of the organisation on society at large. All parties are involved in decision making on social responsibility issues. Priorities are defined, integrated into policies, and reviewed. The organisation uses its resources in relation to societal problems, without the need for a direct relationship with business performances. The organisation's ethical view is 'the legal and moral justification for the existence of any corporation is that it benefits society' (Ostapski and Isaacs, 1993). At this level much attention is given towards the ethics awareness aspect, there is a structured approach in relation to developing an ethical climate through training and communication in the organisation.

Figure 2 illustrates the links between the issues discussed above and the four levels of scoring the extent to which the corporate social responsibility aspects are developed in the organisation. The levels follow the same scoring methodology as is used in assessing organisations against the excellence models of the quality awards. At the highest level there is a policy or plan, soundly based on all relevant inputs; the plan is implemented throughout the organisation; measure-

ments are taking place in order to monitor the implementation of the plan and the effects of it; and finally there is a regular review of the policy, in order to assess its strengths and weaknesses and to define opportunities for improvement.

A combination of the fourteen aspects of social responsibility and the four levels of scoring the extent to which the social responsibility policy has been developed in the organisation gives the audit instrument, in which for each of the aspects not only the current situation (the "ist" situation), but also the future, more ideal, "soll" situation can be defined. Table III covers the social responsibility audit instrument.

**The role of corporate social responsibility in practice: Shell case**

Although Shell never applied for a quality award, it is clear that it integrates many of the key principles of the quality management philosophy into its policies and operations: customer focus, top management involvement and commitment to aim for excellence, continuous improvement, managing by facts and people involvement. It has also been evident in recent history that Shell at least has to pay attention to its social responsibility. So with this company it should be possible to pilot the corporate social responsibility audit instrument.

The information that is gathered in relation to the social responsibility audit is based on documents (Shell, 1998) and on an interview with the manager of public affairs of Shell The Netherlands BV. The manager public affairs

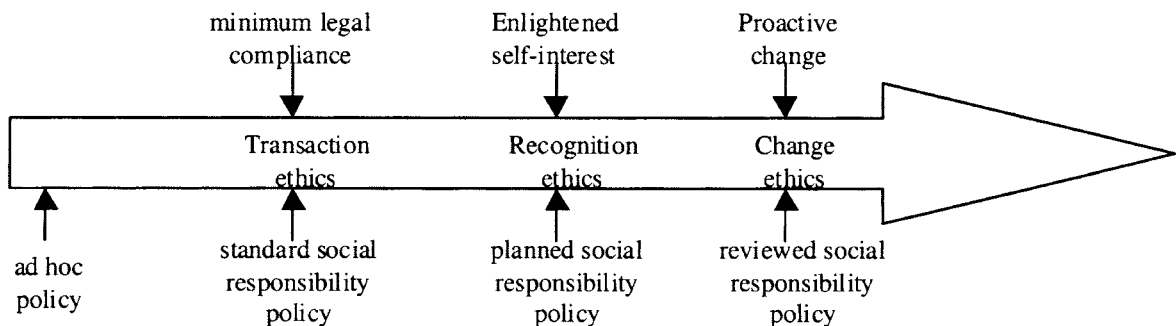


Figure 2. Ethics and policies.

TABLE III  
A corporate social responsibility audit instrument

Extent of structuring:	<b>Ad hoc policy</b>	<b>Standard policy</b>	<b>Planned policy</b>	<b>Reviewed policy</b>
<ul style="list-style-type: none"> <li>- costs</li> <li>- governmental pressure</li> </ul>	<ul style="list-style-type: none"> <li>- costs</li> <li>- governmental pressure</li> </ul>	<ul style="list-style-type: none"> <li>- costs</li> <li>- following law</li> <li>- no structured ethics approach</li> </ul>	<ul style="list-style-type: none"> <li>- costs</li> <li>- following law</li> <li>- take in account needs of society as far as influencing business results</li> <li>- some structure in ethics approach</li> </ul>	<ul style="list-style-type: none"> <li>- following law</li> <li>- take in account needs of society, independent of influence on business results</li> <li>- structured approach: review and integration of social responsibility aspects</li> <li>- clear norms and values</li> <li>- attention to development ethical climate</li> <li>- developing ethical codes</li> <li>- attention to organisational deployment</li> </ul>
Aspects of social responsibility:				
<i>External environment:</i>				
1. Social responsibility and new opportunities <ul style="list-style-type: none"> <li>- "soll" situation:</li> <li>- "ist" situation:</li> </ul>				
2. Community relations <ul style="list-style-type: none"> <li>- "soll" situation:</li> <li>- "ist" situation:</li> </ul>				
3-12. . . .				
13. Education and training <ul style="list-style-type: none"> <li>- "soll" situation:</li> <li>- "ist" situation:</li> </ul>				
<i>Internal and external:</i>				
14. Ethics awareness <ul style="list-style-type: none"> <li>- "soll" situation:</li> <li>- "ist" situation:</li> </ul>				

reports directly to the CEO of Shell The Netherlands, and advises top management of Shell companies in The Netherlands on social issues which might have an effect on the business results. To do that, he has contacts with various non-governmental organisations and pressure groups.

Shell recognises the conflicts that might occur between economic and social goals. Shell's overall message is: "we hope, through this report and by our future actions, to show that the basic interests of business and society are entirely compatible – that there does not have to be a choice between profits and principles" (Shell, 1998, p. 3). However, it is also stated that: "answers are not always easy to find, but managers who run a business in this uncertain world have no choice but to make difficult decisions in the face of complex dilemma's" (Shell, 1998, p. 2). Because of the uncertainties and the bounded rationality there is a belief that Shell has to stimulate a broader debate around many issues. Even if you think you are right, that is not the same as getting it right. The examples of the execution of Ken Sro-Wiwa in Nigeria and the problems around the Brentspar-platform have pushed Shell to a position of transformation, in which nothing is sacrosanct and fundamentals (e.g. way the business is done, quality of leadership, relationship with people, own vision of the future) can be questioned. As a follow up of this transformation, discussions have started worldwide to explore its reputation, image and overall standing and the stakeholder concept has been redefined (Hummels, 1998). It all lead to redefining the Statement of General Business Principles, which had been in place and never changed for about 25 years (Herkstroter, 1998).

Within the General Business Principles five responsibilities are defined: towards shareholders, to customers, to employees, to those with whom they do business (including suppliers), and to society. The responsibility towards society is described as: "to conduct business as responsible corporate members of society, to observe the laws of the countries in which they operate, to express support for fundamental human rights in line with the legitimate role of business and to give proper regard to health, safety and the environ-

ment consistent with their commitment to contribute to sustainable development" (Shell, 1998).

The General Business Principles, which can be compared to the ethical codes, cover all fourteen aspects of social responsibility as defined in the audit instrument. The general policy of Shell is to contribute to social and material progress of countries in which they operate through performing their basic activities as effectively as possible, and in addition to that by taking a constructive interest in societal matters which may not be directly related to business (Shell, 1998). So, it can be summarised that there is a serious policy about corporate social responsibility. First of all the law has to be followed, but above that Shell wants to take into account the demands of society in a broader sense. A direct link with business results is not a necessary condition to the company's involvement in social responsibility areas. However, there will of course always be the conflict between business results and following the General Business Principles.

The implementation and integration of the General Business Principles is not yet complete. Shell is searching for roadmaps to implement corporate social responsibility into its policies in a structured way. It has to become part of the Shell culture. Therefore, virtues must be defined and lived by top management and cascaded down to all employees, and standards and indicators have to be developed in order to monitor the social dimension of running the business. Relevant standards and performance measures are mature in the financial area, are becoming established in the area of health, safety and environment, however, are very fragmented and still inadequate in other social dimensions.

This brief case of Shell shows very clearly that the organisation is focusing on social responsibility issues in a very structured way, it is well planned and defined in the General Business Principles and in ethics codes, and considerable attention is given to review its policies and operations within a broad discussion with many parties. So, an assessment of the approach of Shell on corporate social responsibility would show a level four on all fourteen social responsibility aspects of the audit instrument. The information so far is not enough to assess the extent to

which the content of its social responsibilities are at the level of the "soll" situation. However, the approach is in place and the deployment is on its way, so results should become visible in the near future.

## Conclusions

In this paper a corporate social responsibility audit is developed along the lines of the methodology that is used in assessing a company against one of the models of excellence which have been developed for the quality awards. So far the excellence models do not give much direction for developing a more structured policy on social responsibility. The instrument developed covers a broad spectrum of social responsibility aspects and each aspect can be assessed against the level of structure in the policy that is in place. The extent of structure of the approach is measured from ad hoc, standard, planned, towards reviewed and evaluated. At the fourth level there should be a clear policy on the social responsibility aspects, based on broad discussions with all parties involved and about many social aspects. The policy is translated into ethics codes, implemented throughout the organisation, and evaluated and discussed, again in a broad public debate, leading to adjustments in the policy and ethics codes.

The audit instrument should be used as a self-assessment instrument, to assist a company to reflect on its position in relation to its social responsibilities. The instrument focuses on the process and not on the content. However, through defining the aspects of social responsibility, which should be covered, it also provides some normative comment on the content.

The idea is to have the social responsibility audit integrated as much as possible into the self-assessment process against a model of excellence, which is used already in many companies. According to Power (1997) it should then be possible to avoid "a multitude of unnecessary and confusingly overlapping audits, which will less than optimally fulfil the needs of the various stakeholders for whom the audits are intended".

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Ton van der Wiele  
Erasmus University Rotterdam,  
Room H15-02,  
P.O. Box 1738,  
3000 DR Rotterdam, The Netherlands,  
E-mail: vanderwiele@few.eur.nl.

Peter Kok  
Erasmus University, Rotterdam,  
The Netherlands.

Richard McKenna and Alan Brown  
Edith Cowan University, Perth,  
Western Australia.