

Using a Strategic Sustainable Development Approach to Corporate Social Sustainability

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2010

Thesis submitted for completion of a Master's in Strategic Leadership
towards Sustainability

Abstract: The awareness of the unsustainable path we are heading and the pressing need to act has been growing for the last few decades. Organisations, in particular corporations, play an important role in the necessary changes and they are increasingly being obliged by a growing range of stakeholders to play a positive part in society as corporate citizens. This has led to the current proliferation of initiatives and standards on Corporate Social Responsibility (CSR) and has created confusion and misunderstanding about what is a strategic corporate responsibility approach. We found that current CSR lacks principles of sustainability and a universal ethical guideline. This paper argues that current CSR can be made strategic by considering a scientifically relevant whole systems approach of sustainability as its fundamental objective. We present some implementation guidelines for CSR based on principles of sustainability and on the universal ethical principle of non-harm. Analysis of selected organisations in Brazil and Malaysia using the proposed guidelines provided recommendations and insights on how these organisations can contribute towards a sustainable society.

Keywords: Strategic Sustainable Development, Corporate Social Responsibility, Ethical Principles, Promon, Malaysian Timber Council

Disclaimer Statement

The views expressed in this thesis are solely those of the authors and do not reflect the views of Blekinge Institute of Technology, our supervisors, nor our collaborators. Any errors, omissions or inconsistencies are solely the responsibility of the authors.

The scope of our work was limited to on-line communication and dialogue with Promon and MTC's representatives and analysis made during the research period in 2005. We hoped to have contributed to broaden the organisations' views and perceptions on the topic. The scope did not include a full analyses of all issues considered strategic to both organisations. The recommendations presented in this thesis do not represent any ideas, commitments, or support on behalf of these organisations.

Statement of Contribution

This thesis was written in a truly collaborative fashion with each member bringing their respective strengths and experiences to the process.

The main elements that distinguish the different roles played are noted below:

Team development. We each took turns running meetings and leading different tasks.

Literature Search. We each undertook research in different areas and shared our findings.

Interviews. Siti was responsible for MTC's contacts and Alvaro was responsible for Promon's contacts. The compiling of the interviews was done by both Alvaro and Siti.

Case studies. Siti applied the proposed guidelines to MTC and Alvaro applied the proposed guidelines to Promon.

Written report. We each took turns writing, editing and reviewing sections of the report with workloads equally spread. Siti was responsible for the final editing and Alvaro was responsible for the final formatting.

Finally, while not without challenges, we are unanimous in our conclusion that the experience of writing a group thesis yielded far stronger results than any attempt to do so individually might have.

Acknowledgements

This work would not exist without the efforts and goodwill of many people. Firstly, we would like to express our sincere thanks to our families for their love, understanding, encouragement and support.

Our sincere gratitude goes to all Swedes for their generosity, which through the Department of Mechanical Engineering, Blekinge Institute of Technology, Karlskrona, received us so warmly into this Master's Programme. Our utmost appreciation goes to Dr. Karl-Henrik Robèrt, Goran Broman, Henrik Ny and our supervisors, David Waldron, Sophie Byggeth and Tamara Connell for their competence, patience and inspiration.

We wish to extend our gratitude to all that have given us invaluable advices, encouragements and insights throughout our work, Tamas Mackray and Dr. Maharaj Muthoo. In particular to the colleagues who took their precious time to accommodate us in this work, Rodrigo Parreira (Promon), Aimi Lee Abdullah (MTC) and Rachael Wong (MTC).

Our special thanks to Promon, Malaysian Timber Council (MTC) and the International Tropical Timber Organisation (ITTO) for their financial support and trust in our potential.

Finally, we thank our friends and colleagues in the Strategic Leadership towards Sustainability Programme for the valuable discussions, co-learning and support, in particular to Scott Grierson for his editorial assistance.

Alvaro Pureza & Siti Syaliza Mustapha

Executive Summary

Introduction

The awareness on the need to address current environmental and societal concerns has been growing over the recent decades. Organisations and business corporations in particular, play an important role in the necessary changes and are increasingly being obliged by a growing range of stakeholders to take on this role as a responsible corporate citizen. Businesses seem to be responding to the call and more corporations are gradually adopting Corporate Social Responsibility (CSR) as common practice.

CSR is subject to criticism because the diverse methodologies and criteria to measure and guide their actions have created confusion and misunderstanding about Corporate Responsibility. Another key criticism is that CSR is simply a reformed version of the *status quo*.

Even though a concept such as that of sustainable development has had its use as a starting guide to many CSR initiatives, the time has come to introduce sustainability into CSR understanding. The notion that our natural system persists in a remarkable state of chemical and thermodynamic dynamic-equilibrium and is able, through a huge variety of process, to regulate the planetary environment so that optimal conditions for the evolution of life are maintained, would not suffice. It became more effective to define what is not sustainable. A rigorous scientific approach presents exactly this definition - four key concepts or system conditions by which society is undermining the functioning of the natural (ecological) and social systems (i.e. acting unsustainably):

1. having systematically increasing concentrations of substances extracted from the Earth's crust;
2. having systematically increasing concentrations of substances produced by society;
3. having systematically increasing degradation by physical means;
and
4. subjecting people to conditions that systematically undermine their capacity to meet their needs.

The science approach to ecological sustainability is important to understand how our natural system functions and its limits, establishing strong foundations upon which sought answers can be constructed. It is important but yet not sufficient to ensure the changes necessary to a prosperous, healthy and just society. Major changes are required in human conduct, in our relationships, in our view of the world and deep down in our own ethical personal system. Current CSR guidelines, particularly with respect to ethical conduct of organisations, are often based on the internationally accepted guideline of human rights. These guidelines, which sets the legal infrastructure for ethical conduct comprises three main items: the Universal Declaration of Human Rights; the Labour Standards embodied in the Fundamental Conventions of the International Labour Organisation; and the 1992 Rio Declaration on Environment and Development.

These international norms, while presenting a very broad and general rule for CSR, do not provide guidance on the means to achieve the goal of sustainable human conduct. The question is, would it be possible to find ethical principles based on values common to all human beings to guide us all towards a sustainable society independent of culture or religions?

Given the complexity of the task, the field of systems thinking seems to be the most appropriate approach. Encouragingly, some effort by systems thinking researchers has already started. For instance, the ‘Golden Rule’ or code of reciprocity based on the human value of empathy was used to identify four criteria (participation, transparency, accountability and honesty) that can assist decision-making processes.

We understand that these criteria are not only good corporate governance principles but can also be strategic guidelines to guide behaviour in CSR. We feel a need for a deeper understanding of the appropriateness and universality of such approach. We explored in this thesis other innate human characteristics that could be used to enhance decision making processes in CSR.

This thesis also examined how organisations could use CSR in a strategic way to bring those organisations to a position within their sectors and community of leadership towards a sustainable society. Attention was given to selected organisations in Brazil and Malaysia. In order to achieve these objectives, the following structure: (a) examines the concept of CSR, its use and shortcomings; (b) defines a strategic sustainable approach to CSR; (c)

uses two organisations Promon in Brazil and MTC in Malaysia as case studies; and (d) suggests concrete actions to those organisations to transition them towards a sustainable society.

Our research questions are:

1. Is there a universal principle of conduct based on innate human characteristics? And
2. Considering the aspects of CSR, Strategic Sustainable Development and the notion of a conduct guideline based on innate human characteristics, what practical recommendations can we make to MTC and Promon to move strategically towards sustainability?

Methods

To produce a meaningful dissertation, we firstly conducted a literature review on human conduct and collective ethics and secondly, we applied the concept of action research to engage people in the selected organisations with the research issues.

The research is structured within two main sections, CSR through the lenses of sustainable development and case studies. To help us to structure our understanding and see CSR through the lenses of sustainable development we used the generic Five Level Framework for strategic planning and its application to sustainability as the Framework for Strategic Sustainable Development (FSSD).

The guidelines of CSR that we are applying in our case studies includes a comprehensive set of scientific principles and universal values. The guidelines also use the Five Level Framework for strategic planning in complex systems and the known managing tool, the 'Deming cycle' (Plan - Do - Check - Analyze).

In order to engage the professionals in the selected organisations we have developed a questionnaire based on key elements of CSR. To establish an understanding of CSR through the lenses of strategic sustainable development, an online FSSD power-point was presented to the organisations' professionals involved, followed by a dialogue to gain feedback on the principles presented.

Results and Discussion

We learned through the literature review that during a determined period of our history the great philosophical principles and monotheist religions were established as fundamental guidelines for human behaviour, shaping our social system. From this period we could identify amongst the doctrinaires, some common ethical values founded on innate human characteristics, not only empathy but also solidarity and compassion.

The principle of non-harm seems to include most of these innate human characteristics and it seems to be universal and eternal, meaning that it appears in different forms across time and around the globe.

The universal ethical principle of non-harm

Aristotle	We should behave to our friends as we would wish our friends to behave to us.
Buddhism	Hurt not others in ways that you yourself would find hurtful. (Udana-Varg.a 5,1)
Christianity	All things whatsoever ye would that men should do to you, do ye so to them; for this is the law and the prophets. (Matthew 7:1)
Confucianism	Do not do to others what you would not like yourself. Then there will be no resentment against you, either in the family or in the state. (Analects 12:2)
Hinduism	This is the sum of duty; do naught onto others what you would not have them do unto you. (Mahabharata 5,1517)
Hippocrates	Make a habit of two things – to help, or at least, to do no harm.
Islam	No one of you is a believer until he desires for his brother that which he desires for himself. (Sunnah)
Judaism	What is hateful to you, do not do to your fellowman. This is the entire Law; all the rest is commentary. (Talmud, Shabbat 31d)
Taoism	Regard your neighbor's gain as your gain, and your neighbor's loss as your own loss. (Tai Shang Kan Yin P'ien)

In times of evolving moral values, the universal principles of non-harm can be of great assistance to our personal ethical decisions and serve as a guideline for human conduct towards a sustainable society.

The vision for a sustainable society, as described by the ethical and the sustainability principles could then be the overall guiding principles that frame the vision for an organisation. This implies that for a responsible organisation, sustainability should be embedded in the organisation's culture and it is central in planning and implementing its strategic business goals.

The representatives of the selected organisations in Brazil and Malaysia were aware of the linkage between CSR and sustainability. However without an in-depth understanding or a framework to guide planning and decision making, the respondents were not able to fully appreciate the connection between CSR, sustainability and strategic planning. As initially identified by the respondents, the main obstacles to contribute towards sustainability were mainly related to external constraints that could not be tackled by the organisations alone. The common perception to both organisations is that government regulations are essential to lead the way and set out conducive environment for CSR to thrive.

When we applied the guidelines it became clear that the compliance stand taken by both organisations was no longer sufficient to avoid risks in today's fast-moving society and volatile environment. Sudden changes in regulations by any government could affect business practices, both negatively and positively. It is better to be proactive and have systems in place to identify and manage risk, rather than to 'crisis-manage'. That way, opportunities and strategies can also be carefully identified to enhance value, create and attract new markets and customers and become the preferred business partner and employer of choice.

We showed that the participation of multiple stakeholders is essential to bring about an environment where CSR can thrive. Governmental policies and regulations can and do play an important role but the stakeholders are the ones that can determine the pace the changes in regulation will take. As an example, there are now minimum standards set down in law for environmental protection and health and safety, and enterprises are rightly compelled to comply with them, but society expectations are forcing changes at ever increasing pace. While the government plays an important role in encouraging the development of CSR in the corporate sector, changes in corporate behaviour cannot be legislated into being by acts of government alone.

Adopting a strategic sustainable development approach as a guideline to CSR also opens up and widens the opportunities and possibilities for MTC and Promon.

Recommendations

Recommendations presented to both organisations were largely in the areas of improved governance and organisational strategies through the adoption of sustainability principles, awareness creation and enhanced transparency and participation through engagement with various levels of stakeholders.

Conclusion

In a more interconnected and competitive world the way that environmental, social and corporate governance issues are managed will become part of companies' overall management quality to compete successfully. These issues can have a strong impact on reputation and brands, an increasingly important part of company value. By applying the proposed guidelines to both organisations showed that they can perform better and succeed by properly managing risks, anticipating regulatory action or accessing new markets, while at the same time contributing to the sustainable development of the societies within which they operate. By making significant contributions to the communities in which they operate - whether in the form of funds, skills training, employment or knowledge transfer they can contribute to equitable wealth redistribution. The organisations will be able to help to address the challenge of an economically just society where there is a fair and equitable distribution of wealth, with full partnership in economic progress within the limits of natural system.

We conclude that current CSR can be made strategic by considering a scientifically relevant whole systems approach of sustainability as a fundamental objective. The proposed guideline presents an alternative approach for CSR based on principles of sustainability and on the universal ethical principle of non-harm. The principle of non-harm must be suitable to the basic aspirations of the individuals (individual rights and ethics) as well as to common good of the society (collective rights and ethics).

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1 Introduction

The awareness on the need to address current environmental and societal concerns has been growing over the recent decades. Organisations and business corporations in particular, play an important role in the necessary changes and are increasingly being obliged by a growing range of stakeholders to take on this role as a responsible corporate citizen (UN Rio Declaration 1992; UN Global Compact 2001). Businesses seem to be responding to the call and more corporations are gradually adopting Corporate Social Responsibility (CSR) as common practice.

Current CSR guidelines, particularly with respect to ethical conduct of organisations, are often based on the internationally accepted guideline of human rights. These guidelines, which sets the legal infrastructure for ethical conduct comprises three main items: the Universal Declaration of Human Rights; the Labour Standards embodied in the Fundamental Conventions of the International Labour Organisation; and the 1992 Rio Declaration on Environment and Development.

These international norms, while presenting a very broad and general rule for CSR, do not provide guidance on the means to achieve the goal of sustainable human conduct. The question is, would it be possible to find ethical principles based on values common to all human beings to guide us all towards a sustainable society independent of culture or religions?

This thesis will explore innate human characteristics that could be used to enhance decision making processes in CSR and examine how organisations can use CSR in a strategic way to bring those organisations to a position within their sectors and community of leadership towards a sustainable society. Attention will be given to CSR in Brazil and Malaysia. In order to achieve these objectives, the following structure:

1. examines the concept of CSR, its use and shortcomings;
2. defines a strategic sustainable approach to CSR;
3. uses two organisations in Brazil and Malaysia as case studies; and
4. suggests concrete actions to those organisations to transition them towards a sustainable society.

1.1 Corporate Social Responsibility

Organisations are active participants in society and serve the interests of individual or groups. These controlling interests shape the directions which organisations take, and this in turn can have an impact on the wider society (Hall 1996).

Traditionally, European and U.S. business cultures have been defined, in part, by how much influence outsiders wield over a company's operations. In the U.S., there is a strong shareholder ethic in which anyone, at least in theory, can gain influence by purchasing shares in public companies and increasingly in listed companies too. Because pension funds invest a large share of their money in stock and bond markets, even average Americans who do not own stocks directly, have a vested interest in the country's corporate health. And, companies usually raise capital through public measures, such as bond or stock issues, therefore there is in turn a sense of responsibility to the investing public. As a result, there has been a strong connection between the interests of U.S. business and the nation as a whole; and, the U.S. regulatory philosophy, though not always effective in practice, has developed along those lines (Korten 1995).

Whereas, European companies have traditionally raised capital through the continent's heavily insulated (and historically government-run) banking system or through retained earnings rather than from the public. Pensions are usually guaranteed by the state, which protects the average citizen from the rise and fall of the stock and bond markets, but also removes most incentives for citizens to care about what goes on in the corporate world. They provide fewer shareholder protections and less corporate information to the public. They also make it easier for banks and large companies to work together. Fundamentally, Europeans rely on a strong government hand in the economy, rather than a strongly regulated private sector, to control corporate responsibility (Korten 1995).

CSR in Brazil

The Brazilian business culture as many others Latin American businesses, on the other hand, was shaped through the strong presence of state companies in the market, result of central planning and nationalist policies. The economic crisis of the 80s left the government bankrupt and in mid-90 the State decided to leave its role as the economic and social developer to

assume a supporter and regulator role of this development. Thus, the State transferred to the private sector most of the responsibility to provide the social services to society and to find solutions to the “environmental and social impacts”. This transition has not finished yet and there are still great uncertainties of what the government and private roles are (Furtado 2007).

A comprehensive study gives a snapshot of how the Brazilian companies are in relation to CSR (Akatu and Ethos 2004). Among the findings, the survey reveals that 19% of the companies are just starting to discuss CSR issues and more exciting it identifies the areas where actions need to be addressed. The study suggests that it is necessary to promote actions in areas where it is possible to establish a greater connection between what the companies are doing and what the consumer and common citizen expect. The survey concludes: “The consumer does not see the corporation any longer as sole provider of goods and services, but expects the corporation to actively contribute to the good of society within which it operates” (Akatu and Ethos 2004). In addition, if it is true that a company will not stay healthy in a society that is ill, the consumer states clearly that the healthy corporations ought to contribute towards making society healthy too.

CSR in Malaysia

As for Malaysia, a country that stands out in Southeast Asia, there is a good regulatory framework and reasonable enforcement. However, apart from a handful of large companies, CSR reporting is not really on the agenda and corporate governance is still confined to laws and regulations rather than in the area beyond these. For instance, of the CSR reports produced globally, only 25% originate in Asia and Australasia with almost all of them from Australia, New Zealand and Japan (Frost 2005).

The Malaysian Government has been the main catalyst for corporate governance reform and has taken progressive steps to establish a foundation for CSR strategy and implementation with its Code on Corporate Governance. The Malaysian Code on Corporate Governance contains six specific responsibilities for Boards of Directors: reviewing and adopting strategic plans, overseeing company conduct, identifying principal risks, succession planning, developing investor relations programs, and reviewing the integrity of a company’s internal control systems (Malaysian Code on Corporate Governance 2005). The thrust of the Malaysian corporate governance reform agenda focuses on the following key areas:

- Fair treatment of all shareholders and protection of shareholder rights, with particular focus on the rights of minority shareholders;
- Transparency – through the timely disclosure of adequate, clear and comparable information concerning corporate financial performance, corporate governance and corporate ownership;
- Accountability and independence of the board of directors;
- Strengthening regulatory enforcement; and
- Promoting training and education at all levels to ensure that the framework for corporate governance is supported by the necessary human resource capital (Malaysian Code on Corporate Governance 2005).

The Code of Corporate Governance is aimed primarily at boards of listed companies. The approach adopted for the code represents a hybrid between the prescriptive and non-prescriptive approach. The former sets standards for desirable practices for disclosure of compliance, whilst the latter requires actual disclosure of corporate governance practices. The approach in Malaysia is designed to allow for a more constructive and flexible response to raise standards in corporate governance as opposed to the more black and white response engendered by statute or regulation.

CSR appears to be at a nascent stage in Malaysia in terms of voluntary adoption and compliance with international best practices and standards on CSR (Securities Commission 2005). For example, in 2004 only two companies signed up to the Global Compact compared to 17 from China, 90 from India and 135 from the Philippines (Securities Commission 2004). Nowadays this number has gone up from 2 in 2004 to 54 in 2009 but still a small number compared to other nations in the region (UN Global Compact 2001).

One study found that only one of all the Main Board companies has a vision or policy statement as part of its social reporting in its annual or stand-alone reports. Nevertheless, the number of public listed companies reporting environmental information increased from 25 in 1999 to 43 in 2002 and reached 60 in 2003. A total of 28 companies disclosed social performance in 2002 and the number grew to 49 in 2003 (ACCA Malaysia 2004). In another aspect of the survey, the research on 500 companies listed in the Small and Medium Industry (SMI) Business Directory showed none

having such a statement. Despite the strong encouragement from the government, the study somehow appears to show the lack of awareness of CSR potential amongst corporations in the country.

CSR as a Tool for Sustainable Development

At the same time CSR gained momentum worldwide it also evolved to encompass such concepts as that of sustainable development. The Brundtland Commission's definition of sustainable development being the one most widely accepted which is described as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (UN Brundtland Commission 1987). This in turn has led to the emergence of other concepts as the 'triple bottom line' (TBL), for instance. "In the simplest terms, the TBL agenda focuses corporations not just on the economic value that they add, but also on the environmental and social value that they add – or destroy" (Elkington 1994).

The increased interest in CSR has also been paralleled by substantial growth in the number of external standards produced for business by governmental, non-governmental, advocacy and other types of organisations. There are now more than twenty major CSR and socially responsible investing (SRI) standards in the marketplace, including such leaders as the Global Reporting Initiative (GRI), Dow Jones Sustainability Index (DJSI), Social Accountability 8000 (SA8000), and the Global Compact (GC). These various standards are designed to support, measure, assist in implementation, and enhance accountability for corporate performance on CSR issues. While many of the standards produced are single-issue e.g. focused on environmental performance or corporate governance, others address a range of CSR issues (see Appendix A for more details and some additional examples of CSR standards).

Various additional definitions of CSR offered by a diverse range of institutions from around the world appeared. See Table 1.1.

Table 1.1. Various definitions of CSR (BSR, UNCTAD, WBCSD, non-exhaustive)

Initiative	Definition
Business for Social Responsibility	Achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment and addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders.
European Commission (Green paper)essentially a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.
The United Nations Conference on Trade and Development (UNCTAD)	...concerns how business enterprises relate to, and impact upon, a society's needs and goals. All societal groups are expected to perform certain roles and functions that can change over time with a society's own evolution.
The World Business Council on Sustainable Development (WBCSD)	The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.
The International Organisation of Employers	Initiatives by companies voluntarily integrating social and environmental concerns in their business operations and in their interaction with their shareholders.
The Corporate Social Responsibility Newswire	The integration of business operations and values whereby the interests of all stakeholders including customers, employees, investors, and the environment are reflected in the company's policies and actions.

1.2 Corporate Social Responsibility Shortcomings

The principal idea behind CSR seems to be imbedded in the corporate cultures of large companies in a number of developed countries (Karake-Shalhoub 1999), but the issue of how CSR affects individual companies engaged in these activities is not well understood. CSR is subject to criticism because the diverse methodologies and criteria to measure and guide their actions have created confusion and misunderstanding about Corporate Responsibility (Korhonen 2003, 25). Another key criticism is that CSR is simply a reformed version of the *status quo* (Korhonen 2003 and Cerin 2004).

The majority of CSR-related standards produced in recent years ask companies to voluntarily develop and implement policies and practices and commit to specific performance standards on various CSR issues. More recently, a limited number of standards (e.g BSR and GRI) have been developed that, rather than providing guidance for implementation of specific CSR policies and practices, are designed to provide guidance for companies only seeking to report on their social, environmental, and economic performance. The pressure for sustainability reporting has come from a variety of external stakeholders, seeking information about how organisations affect the environment, the well-being of their employees, their suppliers, their customers and the communities in which they operate.

The creation of standards facilitates communication between all stakeholders and this is evident through the development of various certifiers of environmental management systems and products (e.g. according to ISO 14000-series), indexes for social responsible investment (e.g. Dow Jones Sustainability Index, FTSE4Good) and rating agencies for listed companies that rank the sustainability performance of companies.

However, as cited by Cerin, in 2004 studies found that the firms and sectors with the worst environmental pollution records were the ones that report the most on the environment (Cerin 2004). For example, Cerin and Dobers (2001) notice that companies with larger market capitalization values were better rated in sustainability indexes (such as Dow Jones'). However the average ratio of CO₂ emissions per turnover for companies on the OM Stockholm Exchange, indicated that the firms in the Dow Jones

Sustainability Index emitted about twice as much carbon dioxide per turnover compared to the firms that were not included (Cerin and Dobers 2001, 95). Recent study of 30 large global companies in three industries confirmed that the information reported by them is not material, not assured, not comparable and provides favorable, rather than balanced reporting (Hubbard 2009).

As seen above there are many rating agencies and standards measuring organisation's performance but the question we need to answer first is 'who is rating the raters?' The indexes genuinely well-intentioned still lack a whole-system approach raising doubts about disclosure. A clear scientific robust definition of sustainability could help enhance and standardize the indexes and consequently increase credibility to company's disclosure.

1.2.1 Definition of sustainability

The most common understanding of sustainability is based on the Brundtland Commission's definition of sustainable development. Commonly the terms sustainability, sustainable development and even CSR are used synonymously and in practice, they are oftentimes translated into other terms such as *environmentally-friendly* or *eco-efficiency*.

Eco-efficiency is achieved by the delivery of competitively-priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life-cycle to a level at least in line with the earth's estimated carrying capacity (Schmidheiny 1992).

The concept of *eco-efficiency* is created to deal with environmental and economic problems (Cerin 2004). This concept, apart from putting monetary value as a factor in assessing the actual value of the goods or services in sustainability terms, does not provide clarification of what sustainability is. Moreover, "reducing ecological impacts and resource intensity to the level of the estimated earth's carrying capacity" does not provide clarification or direction of the progress of the organisation in achieving sustainability. Not to forget the fact that some have argued that we are systematically declining nature's capacity to replenish itself and that society has already exceeded the earth's carrying capacity (Meadows 1992;

Rees and Wackernagel 1994). New environmentally friendly products that decrease one aspect of environmental degradation may also not be positive in other environmental and social areas. Korhonen's three main points of critique toward the current efforts to measure business community contributions to economic, social and ecological sustainability include (2003):

1. The concepts and notions of eco-efficiency and eco-efficacy are difficult in that their use often carries with it the assumption that human-manufactured capital can substitute for natural capital;
2. The focus of corporate environmental management instruments and concepts such as eco-efficiency is often on individual processes or individual firms, while the network approach to environmental management is somewhat neglected; and
3. The tendency to measure corporate contribution to sustainability in monetary terms can be important to raise awareness and communicate the importance of the issue to policy makers and company decision-makers, but it will always fail to reflect all scarcities in natural capital or disturbances in biodiversity.

Even though the concept of sustainable development has had its use as a starting guide to many CSR initiatives, the time has come to introduce sustainability into CSR understanding. The notion that our natural system persists in a remarkable state of chemical and thermodynamic dynamic-equilibrium and is able, through a huge variety of process, to regulate the planetary environment so that optimal conditions for the evolution of life are maintained (Capra 2002), would not suffice. It became more effective to define what is not sustainable.

A rigorous scientific approach presents exactly this definition - four key mechanisms by which we (society) can destroy the ecological and social systems upon which we depend. These are by:

1. having systematically increasing concentrations of substances extracted from the Earth's crust;
2. having systematically increasing concentrations of substances produced by society;
3. having systematically increasing degradation by physical means; and

4. subjecting people to conditions that systematically undermine their capacity to meet their needs (Holmberg and Robèrt 2000; Ny et al. 2006).

To achieve the first three conditions for ecological sustainability seems quite straightforward as these aspects deal with physical and quantifiable matters. However, the achievement of these three ecological conditions depends on fulfillment of the fourth principle that is: “people are not subject to *conditions* that systematically undermine their capacity to meet their needs.” The *conditions* in this sense mean more than just the first three scientific ecological conditions as they also relate to the structures and laws that govern the human society.

The science approach to ecological sustainability is important to understand how our natural system functions and its limits, establishing strong foundations upon which sought answers can be constructed. It is important but yet not sufficient to ensure the changes necessary to a prosperous, healthy and just society. Major changes are required in human conduct, in our relationships, in our view of the world and deep down in our own ethical personal system. CSR still needs a fundamental guideline for human behaviour to help us all to make the right decisions. Next we will explore how organizations are dealing with these challenging changes in human conduct.

1.2.2 Ethical guidelines

Current CSR guidelines, particularly with respect to ethical conduct of organisations, are often based on the internationally-accepted guideline of human rights. This guideline, which sets the legal infrastructure for ethical conduct comprises three main items: the Universal Declaration of Human Rights (UN 1948); the Labour Standards embodied in the Fundamental Conventions of the International Labour Organisation (ILO 1930–1999); and, the 1992 Rio Declaration on Environment and Development (UN Rio Declaration 1992).

While these international norms can provide guidance on how an organisation shall operate, it may not necessarily apply to all cultures, beliefs and conditions. Moral values, religious beliefs and cultural

diversity are important aspects to be considered. Usually the official world of laws and norms never corresponds entirely to the non-official world of customs and collective ideas people have about life (Comparato 2006). For example, abolition of child labour in rural India where a child is the main provider for the family may be considered “ethical” in the context of international norms (Muthoo 2005). However, can it still be considered responsible if an organisation eliminates child employment but in so doing, takes away the main source of income for the family and thus deprives the capacity for the family to meet their basic needs? In this context, it may perhaps be more responsible if the organisation employs the child to provide the means to meet their basic needs. The organisation then will be in a better position to provide continuous education and training for capacity building than carrying out mere philanthropic programmes.

Therefore, these international norms, while presenting a very broad and general rule for CSR, do not provide guidance on the *means* to achieve the goal of creating conditions to meet human needs. Would it be possible to find ethical principles based on values common to all human beings to guide us all towards a sustainable society independent of culture or religion?

Given the complexity of the task, the field of systems thinking seems to be the most appropriate approach, but experts continue to grapple with the challenge of applying principles of success to social systems. Encouragingly, some effort by systems thinking researchers has already started. For instance, the ‘Golden Rule’ or code of reciprocity based on the human value of empathy was used to identify the following four criteria that can assist decision-making processes (Robèrt et al. 2004 and Benain et al. 2008):

- *Participation*: Is this decision based on enough participation from, and dialogue with, all affected parties?
- *Transparency*: Is this decision planned in a way that enabled people to gain access to information and monitor the process throughout?
- *Responsibility and accountability*: Has the responsibility for the decision been clearly communicated between all the people taking part in the planning process, including those who are affected even indirectly by it?

- *Honesty*: Would we be ashamed or would we maintain our dignity if all people suddenly gained access to our innermost thoughts and thus discovered exactly what was driving the decision?

We understand that these questions are not only good corporate governance principles but can also be strategic guidelines to guide behaviour in CSR. We feel a need for a deeper understanding of the appropriateness and universality of such approach. Are there any other innate human characteristics that could be used to enhance decision making processes in CSR?

1.3 Purpose, scope and limitations

The purpose of this study is to explore the concepts of CSR and strategic sustainable development to demonstrate a possible approach framed by guiding principles that enable organisations a strategic progress towards a sustainable society. As employees of two corporate bodies in Brazil and Malaysia, we are interested in deepening our understanding of the potential roles of our employers and challenges that these organisations may face in moving society towards sustainability.

We engaged people in the selected organisations with the research issues, and in this process aim to accomplish the following objectives:

- To produce a thesis report that is both relevant to professional and organisational learning;
- To establish a link between the research studies and the organisations to address real life problems; and
- To find out future research aspects relevant to the organisations.

We have tapped into the knowledge of many disciplines to understand the social system and its complexity in a more holistic way. This includes natural science such as physics, biology and chemistry that inform the laws of nature and the principles that drive life and society. Social science such as sociology and economics attempt to describe and explain human behaviour. And we looked at philosophy that critically questions human values and issues outside the scope of science.

Due to time constrain we did not explore some inbuilt flaws in our social system, such as:

- *Political system flaws*, including the ability of companies to financially influence politicians. When politicians must rely on funding from corporations to get elected, the government becomes primarily focused on serving short-term corporate ends. This results in corporate welfare, which is essentially a massive transfer of national wealth to the small group that owns most corporate assets (Ekins 1986); and
- *Limited liability corporate structure*. This structure is intended to facilitate corporate investment by not holding firms and their owners fully responsible for negative impacts on society. As a result, taxpayers often must pay to remedy environmental and social problems caused by firms. This process is grossly inefficient since remediation is virtually always far more expensive than prevention. When companies are not held fully responsible for their actions, they are not motivated to prevent problems. This flaw is amplified in developing countries where regulations are not yet as rigid as in developed countries (Ekins 1986).

The scope of our work is limited to two case studies of Promon in Brazil and MTC in Malaysia. Due to temporal and spatial limitations, our interactions with the organisations were limited. We acknowledge that a full comprehensive analysis of the guidelines with all the stages requires a longer timeframe and can only be achieved through engagement with other stakeholders.

1.4 Research questions

1. Is there an universal principle of conduct based on innate human characteristics?
2. Considering the aspects of CSR, Strategic Sustainable Development and the notion of a conduct guideline based on innate human characteristics, what practical recommendations can we make to MTC and Promon to move strategically towards sustainability?

2 Methods

To produce a meaningful dissertation, we firstly conducted a literature review on human conduct and collective ethics and secondly, we have applied the concept of action research¹ to engage people in the selected organisations with the research issues. The research is structured within two main sections, CSR through the lenses of sustainable development and case studies.

2.1 Corporate Social Responsibility through the lenses of sustainable development

To further inform CSR in addressing our research question we carried out a literature review of philosophical, ethical underpinnings of social system and in the areas of strategic business management and organisational learning; this includes literature on systems thinking² and sustainable development (Robèrt et al. 2002; Korhonen 2004; Robèrt et al. 2004; Collins and Porras 2002). To help us to structure our understanding and see CSR through the lenses of sustainable development we used the generic Five Level Framework for strategic planning and its application to sustainability as the Framework for Strategic Sustainable Development (FSSD) (Holmberg and Robèrt 2000; Ny et al 2006).

This Five Level Framework takes a whole-system perspective, facilitates intellectual analysis of the interrelated element of strategic planning and promotes a strategic approach. When System Level of the Five Level Framework is defined as ‘society in the biosphere’ and paired with a clear Success point of a Sustainable Society, the framework becomes a powerful tool for organisation planning. This Framework (FSSD) is structured in five different levels described as follows:

¹ Action research is one way of conducting research that can benefit both an organisation and the body of knowledge about which a thesis is written.

² *Systems thinking*. A science that deals with the organisation of logic and integration of disciplines for understanding patterns and relations of complex problems.

- *Level 1 – The system:* Here the system itself – society within the biosphere – is described. The system dynamics, the big and important flows and connections within that system that are essential in its functioning are identified. Including, thermodynamics and conservation laws, biogeochemical cycles, basic ecology, photosynthesis, social systems including institutions, networks, society’s interdependent pursuit of human needs and the importance of diversity to determine basic principles for success (Level 2)
- *Level 2 – Conditions for success in the system:* Knowing the fundamental requirements of how the system works means we can identify the conditions for success. The basic principles (‘Sustainability Principles’ or ‘System Conditions’) for global socio-ecological sustainability are: In a sustainable society, nature is not subject to systematically increasing (1) concentrations of substances extracted from the Earth’s crust, (2) concentrations of substances produced by society, (3) degradation by physical means and, in that society, (4) people are not subject to conditions that systematically undermine their capacity to meet their needs (Holmberg and Robèrt 2000; Ny et al. 2006)
- *Level 3 – Strategic guidelines:* We can set out some clear guidelines, common to all the decisions we might face, which if adopted will lead us to success. We can build a vision of how we would need to act in that system to be sustainable. Here we can use the planning concept of “Backcasting”, meaning: placing ourselves in the future and imagining that we have achieved success. Then we look backwards to the present and ask the question: “Which steps did we take to achieve this?”. It is the opposite to the familiar planning concept of forecasting where we place ourselves in the present, examine the current trends and look forward imaging how these trends will project themselves into the future. One characteristic feature of “Backcasting” is the emphasis on the need for alternative solutions when forecasts indicate that the targets that have been set up will not be attained (Holmberg and Robèrt 2000).
- *Level 4 – Actions:* The things we can actually do to make progress towards sustainability; actions that result in sustainable solutions;

actions that build our capacity and actions that help us to learn from and to evaluate our progress.

- *Level 5 – Tools:* Whatever the context or the purpose there are always tools that can help. We can learn from the actions of others and take advantage of the many techniques, models, procedures, and measuring tools that are available.

Throughout the paper we applied “Backcasting from socio-ecological principles for sustainability” and logical deduction from these principles as an overall guiding method (Robinson 1982; Holmberg and Robèrt 2000).

2.2 Case studies: MTC in Malaysia and Promon in Brazil

MTC in Malaysia and Promon in Brazil were selected as our case studies for the following reasons:

- They are the companies we are currently working for in our home countries; and
- It allows us to bring our personal, professional experience into a dialogue with our colleagues.

We conducted a brief literature review on the status of CSR development in both countries to illustrate the context of the organisation’s environment. A link between the research studies and the organisations was made to establish practical understanding of CSR.

The application of the framework in the following case studies was basically done to theoretically discover the CSR potential in the respective organisations. In order to engage the professionals in the selected organisations we have developed a questionnaire based on key elements of CSR as outlined in the introduction (see Appendix B). The questionnaires were answered and returned by MTC while Promon answered the questionnaires in some dialogues conducted through the telephone.

As the engagements with the organisations were very limited, only the initial steps – initiation and planning stages of the CSR framework were applied and discussed with the key persons in the organisations. To

establish an understanding of CSR through the lenses of strategic sustainable development, an online power point was presented to the professionals involved, followed by a dialogue to gain feedback on the principles presented. Our interactions with the organisations during this particular research were limited to e-mail and telephone conversations.

All the following results to the relevant questions were obtained through the interaction and participation of Promon and MTCs representatives, such as the CEO and Directors in charge of human resource, procurement, engineering department, health and safety, public and corporate affairs and finance and administration.

Analyses of the organisations' relationships with various stakeholders, obstacles, opportunities and propositions for strategic CSR were mainly conducted by us through our knowledge and experiences as employees of each organisation and from the interaction with the selected representatives.

3 Results

3.1 Systemic view of Corporate Social Responsibility

In order to structure our research we apply systems thinking and the generic Five Level Framework. Firstly, we look at the social system and its complex functioning, with all the characteristic patterns of self-organisation³, interdependence⁴ and diversity⁵. A system is here defined as an interconnected set of elements that is coherently organized around some purpose (Meadows 1999). Secondly, we look at the social system purpose and how it has been evolving throughout the times and cultures. Thirdly, we look at the underlying philosophies of those social purposes and identify some universal ethical values based on innate human characteristics that could be used to inform a basic guideline to guide behaviour for CSR. Fourthly, we focus on the responsibility organisations have within society in the biosphere. Finally, we paint a picture of what would an organisation look like in order to transition to a sustainable society.

3.1.1 Understanding the Social system

Like any complex system with its structure, elements and functioning, people and society also comprise a system. People are the elements in society and through their relationships constitute social capital. We as individuals, stand alone and fragile because our capacity for survival is limited. In a group we can specialize and have functions which collectively benefit the group and the individual (Capra 1997). Comparato (2006) has identified two kinds of characteristics that make up the structure of the

³ Ecological systems rely upon the self-organizing capacity of their individual parts to meet their needs. Bees and ants are unable to survive in isolation, but in great numbers, they act almost like the cells of a complex organism with a collective intelligence and capabilities for adaptation far superior to those of its individual members.

⁴ Most relationships between living organisms are essentially cooperative ones, characterized by coexistence and interdependence, and symbiotic in various degrees.

⁵ The important system resilience comes from its ability to accommodate and promote diversity and from the greater adaptive capacity that diversity provides.

social system: what he called determinant characteristics that drive the social life and limiting ones that condition evolution.

The determinant characteristics are:

- Collective values and perceptions;
- Social beliefs and religions;
- Customs;
- Power institutions; and
- Laws.

The limiting characteristics are:

- Natural systems;
- Genetic patrimony; and
- Technology.

Looking into the determinant characteristics we notice that collective values and perceptions of society members form a system with life of its own that affect and is affected by the others characteristics. The collective values passed from generation to generation create cultural customs that on their turn are quite different to the laws. The former refers to the private life in general and is born within society whereas the latter derives from the higher instance of power and is imposed on people from top down. Possibly, one explanation to why the official world never quite matches the non-official world of customs and collective ideas people have about life. In general, the ethical justification or political validation of the social order and its laws is done by the ruling groups or their power institutions (Weber 1922).

Objectively, power shows up in many different forms, such as:

- Possession and use of physical or mind coercion tools;
- Majority approval of social group;
- Property or ownership of economics wealth; and
- Scientific knowledge and technologic know-how

All these different forms of power constitute a system too, affecting each other reciprocally and affecting other determinant characteristics.

Power like energy, must be regarded as continually passing from anyone of its form into any other and it should be the business of social science to seek the laws of such transformations. The attempt to isolate any one form of power, more especially, in our day, the economic form, has been, and still is, a source of errors of great practical importance (Russell 1938).

Looking into the limiting characteristics of the social structure we see humanity since the birth of mankind dependent and limited to genetic and natural systems conditions (Diamond 1997). Important to remember that we human beings creators of our own social system, are part of the ecosystem, we have evolved and adapted so well to the environment in such a symbiotic way that it is impossible to imagine our existence anywhere else in the universe (Maturana and Varela 1987). But this symbiotic evolution started to fade with the advent of the first instruments mankind started to use to transform the natural systems. Today the symbiotic evolution is questioned, technology and scientific knowledge have enabled us to interfere in the balance of the natural systems and in the genetic patrimony including our own, for better or for worse (Comparato 2006). Some consider this genetic interference as the main ethical dilemma of our time. Clearly, the decisions society makes today will determine the future for next generations and us. The prevailing collective ethical system exerts the task of organizing society towards a general purpose. So, what is the social system purpose?

3.1.2 The Social system purpose

If we look at our history we will see that in the beginning of our existence one of the main purposes of social gathering was to increase the chances of survival and reproduction. As evolution took place, we developed other purposes and requirements that need to be satisfied for us to remain healthy physically, mentally and socially.

Sociobiology gives us evidence that genetic and cultural evolution together played a great role in determining what are today's requirements needed to be satisfied, as proposed by Wilson (1998) in the "gene-culture co-evolution".

For most of the evolutionary history of *Homo sapiens*, cultural evolution was slow enough to remain tightly coupled to genetic evolution. For tens of thousands of years the evolution of artifacts remained nearly static, and presumably so did the basic social organisation of the hunter-gatherer bands using them. There was time enough, as one millennium passed into another, for the genes and epigenetic rules⁶ to evolve in concert with culture. By upper Paleolithic times, however, from about 40,000 to 10,000 years ago, the tempo of cultural evolution quickened and during the ensuing Neolithic agricultural advance, the pace accelerated dramatically. According to the theory of population genetics, most of the cultural change was far too fast to be tracked closely by genetic evolution (Wilson 1998). The purpose becoming more dependent on human needs and wants: choices and power decisions taken as a result of the current social values, and also as a result of specific interests that could come from those in a position of power or of a common interest to all members of a social group (Weber 1922).

Nowadays, as seen in the introduction, the Brundtland Commission's definition of sustainable development explicitly refers to human needs: "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (UN Brundtland Commission 1987).

Here it becomes important to explore what are people's needs. As the literature in this area demonstrates, there are many criteria that can be used to classify human needs (Goldstein 1940). Abraham Maslow (1962) has created the most well-known classification. He noticed while working with monkeys that some needs take precedence over others. For example, if you are hungry and thirsty, you will tend to try to take care of the thirst first. Because you can do without food for weeks, but you can only do without water for a couple of days. Thirst is a stronger need than hunger. Likewise, the need to breathe is stronger than to drink. Maslow took this idea and created his hierarchy of needs. Beyond the details of air, water, food, and reproductive need, he laid out five broader layers: the physiological needs, the needs for safety and security, the needs for love and belonging, the needs for esteem, and the need to actualize the self, in that order (Maslow 1962). See Figure 3.1.

⁶ Are innate operations in the sensory system and brain. They are rules of thumb that allow organisms to find rapid solutions to problems encountered in the environment.

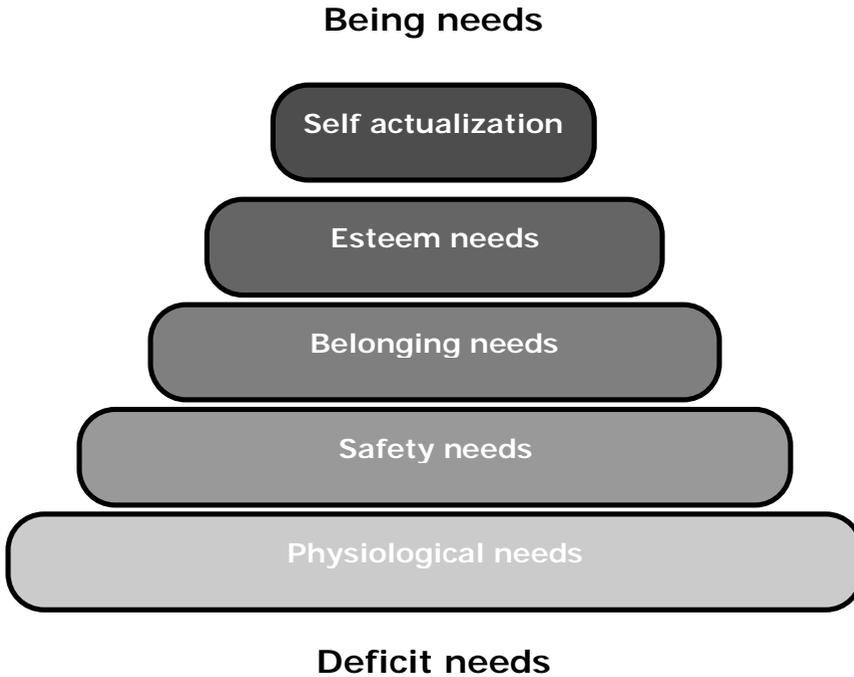


Figure 3.1. Maslow Human Needs Hierarchy (Maslow 1962)

Maslow states lower needs to be fulfilled first before moving to the next level of needs. However recent studies have question his hierarchical approach (Max-Neef 1992).

Chilean economist Manfred Max-Neef has developed a systematic definition of distinct human needs that are interrelated and interactive. With the sole exception of the need of subsistence, that is, to satisfy basic requirements for survival such as air, water and food, no hierarchies exist within the system. On the contrary, simultaneities, complementarities and trade-offs are characteristics of the process of needs satisfaction. See Figure 3.2.

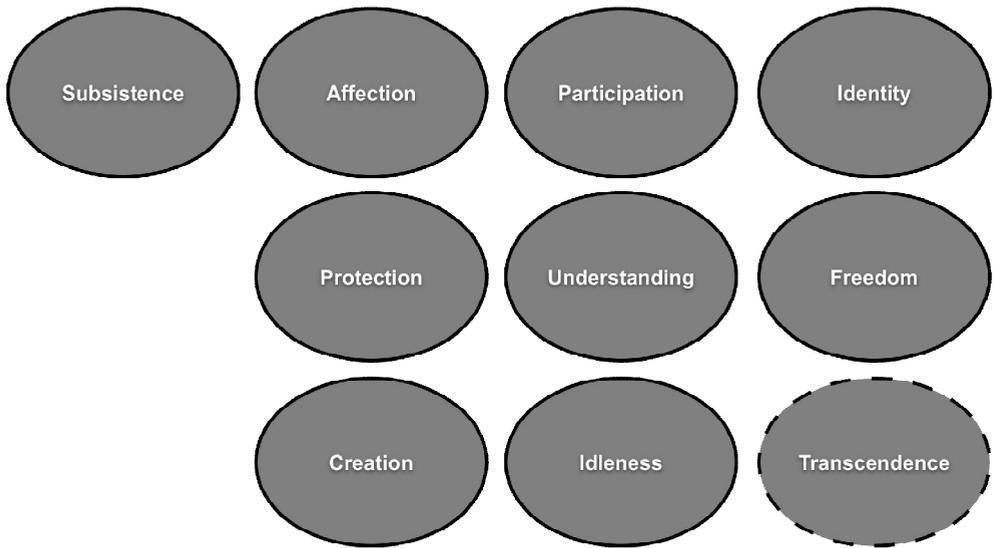


Figure 3.2. Max-Neef systemic view of Human Needs (1992)

Fundamental human needs are finite and classifiable, and they seem to change with the pace of evolution. The needs such as subsistence, protection, affection, understanding, participation, creation and idleness have existed since the origins of Homo sapiens. At a later stage of evolution the need for identity appeared and later, the need for freedom. It is likely that the need for transcendence will soon become universal as the others. (Max-Neef 1992)

Max-Neef (1992) goes as far as to say that one of the aspects that define a culture is its choice of satisfiers. In short, what are culturally determined are not fundamental human needs, but the satisfiers for those needs. Cultural change is, among other things, the consequence of abandoning traditional satisfiers for the purpose of adopting new ones. Objects or goods which make it possible to increase or decrease the efficiency of a satisfier have become determinant characteristic within industrial civilizations. He observes, when the form of production and consumption of goods makes goods an end in themselves, then life is placed at service of goods, rather than goods at the service of life.

Power institutions and those in condition of power generally have great influence in determining the satisfiers in their culture and therefore holding great responsibility for changes and outcomes (Weber 1922). We believe that power in itself is a potential for the common good, it should be used to empower others and to create the opportunities for people to meet their needs. What determines the outcome in the exercise of this power is human conduct, following our personal and society moral values and philosophies. Again, the prevailing ethical system with its underlying philosophies exerts the task of organizing society, an important aspect we will explore next.

3.1.3 Underlying philosophies of social systems

As it has been shown, in our quest for equity, society has developed a series of “social contracts,” such as our laws and codes of conduct. These social contracts have been changing to adapt to new understanding of reality and higher moral values (Comparato 2006). Examples of recent changes are the commitment to end apartheid and slavery. Societies live also from myths, believes, opinions and prejudices as much as from rational derived and experimentally proven ideas (Durkheim 1978). The problem arises when the prevailing social contracts and ethical systems no longer correspond to reality or to our evolving moral values. During the transitioning of such changes the individual is confronted with conflicting signals from the existing social contracts and the personal ethical system. In our personal ethical system, no matter what is the specific issue, the struggle is to identify and occupy the moral high ground, to do the right thing and be able to explain to anyone especially ourselves why we made the choice we did (Marinoff 2001).

In order to help us identify the underlying philosophies dictating human behaviour throughout time and the means to goodness, we conducted a literature review looking back at the birth of philosophy and of the great monotheist religions. In ancient times, between 600 and 480 BC, there coexisted in different parts of the world some of the most influential doctrinaires: Zatatustra in Persia, Buddha in India, Lao-Tse and Confucius in China, Aristotle and Plato in Greece, and Deutero-Isaias in Israel. All of them, each one in their own way, were responsible for the introduction of different visions of the world. This period, starting in the century VIII BC and ending in 632 AC the year of the prophet Muhammad’s death, has been

described as the axial period (Achsenzeit), the humanity historical axle (Jasper 1949, 19). It was during this period that the great philosophical principles and monotheist religions were established as fundamental guidelines for human behaviour, shaping our social system ever since (Toynbee 1976; Ahmad 1997). From this period we can identify amongst the doctrinaires, some common ethical values founded on innate human characteristics such as solidarity, compassion and empathy.

- *Empathy*. Our ability to understand and share the feelings of another, appears in many religions and is behind our sense of justice, equity and reciprocity. As mention in the introduction, the ‘Golden Rule’ so familiar to Christianity comes from this innate human characteristic.
- *Compassion*. Our ability to feel concerned about the suffering of others, is another innate human characteristic behind our sense of duty and many of our collective values such as responsibility. This sense of duty is strongly present in Hinduism, “ This is the sum of duty; do naught onto others what you would not have them do unto you” (Mahabharata 5,1517). Hindu philosophy recognizes the connectedness of all things, which is why Hindus do not limit the application of their doctrine to fellow humans. Believing that there is one is a powerful motivation for following The principle of non-harm. They have a very simple measure of conduct. How good you are is inversely proportional to how much harm you do to sentient beings.
- *Solidarity*. Our ability to feel mutual support amongst ourselves, is an innate human characteristic behind our sense of belonging and some of our collective values such as fraternity. Hippocrates in ancient times already stated “ make a habit of two things - to help, or at least, to do no harm”.

In our search to answer our first research question we arrived at the principle of non-harm, it seems to include most of these innate human characteristics and it seems to be universal and eternal, meaning that it appears in different forms across time and around the globe. (See Table 3.1)

Table 3.1. The universal ethical principle of non-harm

Aristotle	We should behave to our friends as we would wish our friends to behave to us.
Buddhism	Hurt not others in ways that you yourself would find hurtful. (Udana-Varg.a 5,1)
Christianity	All things whatsoever ye would that men should do to you, do ye so to them; for this is the law and the prophets. (Matthew 7:1)
Confucianism	Do not do to others what you would not like yourself. Then there will be no resentment against you, either in the family or in the state. (Analects 12:2)
Hinduism	This is the sum of duty; do naught onto others what you would not have them do unto you. (Mahabharata 5,1517)
Hippocrates	Make a habit of two things – to help, or at least, to do no harm.
Islam	No one of you is a believer until he desires for his brother that which he desires for himself. (Sunnah)
Judaism	What is hateful to you, do not do to your fellowman. This is the entire Law; all the rest is commentary. (Talmud, Shabbat 31d)
Taoism	Regard your neighbor's gain as your gain, and your neighbor's loss as your own loss. (Tai Shang Kan Yin P'ien)

In times of evolving moral values, the universal principle of non-harm can be of great assistance to our personal ethical decisions. Dion (1996, 329) states that the world itself cannot be managed and transformed without a set of norms for human behaviour and norms must be suitable to the basic aspirations of the individuals (individual rights and ethics) as well as to common good of the society (collective rights and ethics). “The norms that meet the internal needs of the individuals and external requirements of a social welfare are those that can permanently survive” (Dion 1996).

3.1.4 The organisation within society and the biosphere

An organisation is inherently part of larger social and environmental systems – connected to other organisations, society-at-large and the biosphere through a complex web of relationships. Due to this complexity, it has always been unclear the definition of scope and boundaries of an organisation’s social responsibilities, as described previously in the introduction. It is important to first of all establish an understanding of an organisation’s position within society and the biosphere, or the systems level of the Five Level Framework, as illustrated in Figure 3.3.

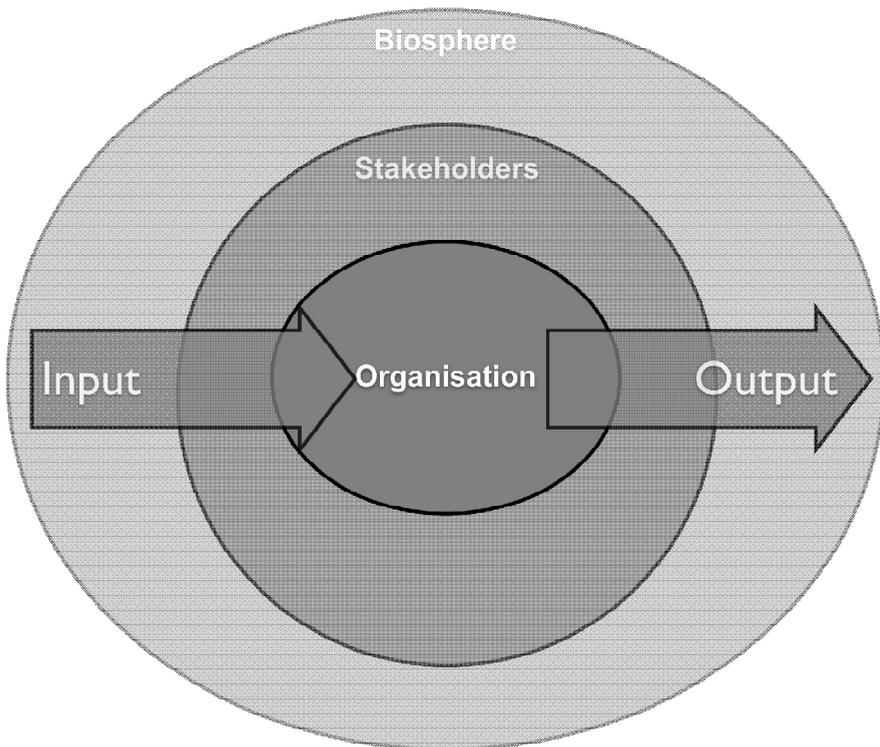


Figure 3.3. Organisation system and sphere of influence

Organisations have always had a contract with society. Part of this contract is formalized in laws and regulations, and part is semiformal defined by stakeholders' implicit expectations. Violations of the former have obvious legal ramifications while violations of the latter can seriously harm an organisation's reputation as well as consumer demand for its product. As explained in 3.1.1 this social contract is by nature a fluid one. They have been changing to adapt to new understanding of reality and higher moral values (Max-Neef 1992). Some semiformal expectation issues may become legislated while some aspects of the formal contract are sometimes deregulated. More challenging are the frontier issues that have not yet entered the formal or semiformal contracts but could, over time, become social expectations. For instance, the debate around tobacco industry shifted the responsibility from individuals to an industry perceived to be aggressively marketing addictive products (Saloojee and Dagli 2000). The rising tide of expectations means that organisations must anticipate and understand those expectations, to take into account the reaction of competitors, shifts in consumer patterns, and the possibility of litigation and regulation.

While organisations, they are not legally responsible to address issues that are not directly connected to the organisation's core operations, but they should see to whatever they could within their ability to influence the supply chain and anticipate trends as a smart business strategy.

An organisation is said to be mainly responsible toward those that it affects and has direct connection with, such as the employees, suppliers, customers, communities and authorities, its stakeholders. But to evaluate what is really at stake, organisations must scan the whole value chain, looking for energy and material flows, and at the way they make and sell their products and services. Mapping the landscape of different stakeholders in the value chain through the sustainability principles and collective ethics lenses is strategic and essential for understanding from a systemic perspective the place of the organisation within society and biosphere. Once understood the place of the organisation within society and biosphere we can look at what are the characteristics of successful organisation in a sustainable society.

3.1.5 Organisation vision and conditions for success

It almost requires no argument that on a basic level, an organisation can only exist if it receives demand for, and is able to produce, its products or services regularly. In today's fierce competition to fulfill demands of both society and of shareholders, an organisation needs to be strategic to remain competitive and become successful. As highlighted in many recent publications on strategic management for businesses and organisations, one of the key characteristics of successful organisations, that have lasted more than 50 years, is that they have a shared vision of how the organisation will look in the future once it has succeeded, and a shared strategy for getting there (Collins and Porras 2002). And the key step in building the vision is to recognize its core values⁷ and purpose,⁸ as well as its clear and compelling goals (Collins and Porras 2002). We know that organisational norms or values affect all aspects of organisational culture and life. They define what products will be manufactured, how workers should be treated and what kind of information should be taken into account by the decision-making processes.

However, as argued previously, in a highly interconnected world, an organisation can only be truly successful in the long term if it operates toward and ultimately within a sustainable society. Therefore, the first element that a socially responsible organisation should hold is the vision of a sustainable and successful future, both for the organisation as well as for society.

The vision for a sustainable society, as described by the ethical and the sustainability principles could then be the overall guiding principles that frame the vision for the organisation. This implies that for a responsible organisation, sustainability should be embedded in the organisation's culture and it is central in planning and implementing its strategic business goals.

Therefore the generic sustainability principles for any organisation are to:

⁷ The organisation's essential and enduring tenets – a small set of general guiding principles; not to be confused with specific cultural or operational practices; not to be compromised for financial gain or for short-term expediency.

⁸ The organisation's fundamental reasons for existence beyond just making money; not to be confused with specific goals or business strategies.

1. Eliminate its contribution to systematic increases in concentrations of substances from the Earth's crust;
2. Eliminate its contribution to systematic increases in concentration of substances produced by society;
3. Eliminate its contribution to systematic physical degradation of nature; and
4. Eliminate its contribution to subjecting people to conditions that systematically undermine their capacity to meet their needs. (Holmberg and Robert 2000; Ny et al. 2006)

As a pre-condition for success, an organisation has to translate these generic principles into its own corresponding priority areas by identifying relevant aspects of production, products and services, also known as the organisation's second order principles or vision. By Backcasting from these principles, any organisation can draw its own conclusion and realize its full scope of current activities, identify upcoming risks and begin planning for improvement. Analysis of current reality from the vision provides knowledge about aspects in the exterior world and in relevant operations that may have significant impact on the possibilities for the organisation reaching its vision. This brings us to our case studies, what practical recommendations can we make to MTC and Promon to move strategically towards sustainability?

3.2 The CSR Strategic Guideline

The CSR Strategic Guidelines that we are applying in our case studies includes a comprehensive set of scientific principles and universal values, which can be integrated in business operations through management policies and practices and decision-making processes. It is generic and shall enable any organisation to observe and carry out responsible practices in its own terms and pace, regardless of culture or nationality.

The CSR Strategic Guidelines use the Five level model for planning in complex systems described in 2.1. and the known managing tool, the 'Deming cycle'. The Deming strategic management requires continuous improvement in organisational operations accomplished through the Cycle:

plan-do-check-analyse (Deming 1986). This concept is behind most of today's management standards such as ISO 9000 and management guidelines such as the Project Management Institute (PMI) guide. These standards are process-based, meaning they describe work being accomplished by processes. Generally, in any given project there are five process groups: initiating, planning, executing, monitoring and closing (Cooke-Davis 2002).

The CSR Strategic Guidelines we are proposing suggest only 4 stages of implementation: initiate, plan, do-control-adjust, and close. For each stage we applied the Five level model for planning in complex systems, meaning that each stage has its own objective (Level 1), principles involved (Level 2), strategy (Level 3), tools and techniques (Level 5), and a set of relevant questions (to inform Level 4). The learning cycles of the strategic guidelines stages for CSR are illustrated in Figure 3.4 below:

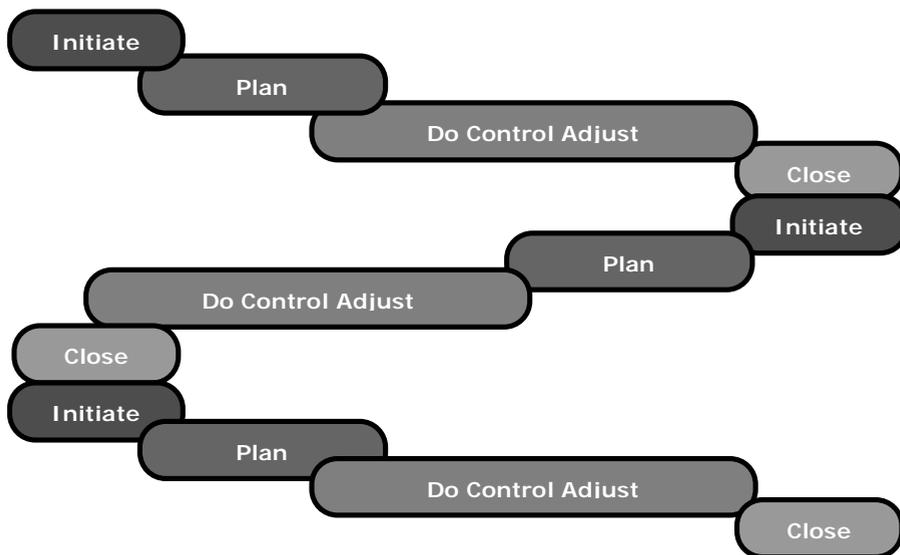


Figure 3.4. Strategic guidelines stages for Corporate Social Responsibility

The way organisations arrive and carry out their processes can be improved by embedding in the organisation's culture the principles of sustainability

and fundamental guidelines for human behaviour. A detailed description of each stage for CSR Strategic Guidelines follows.

The Initiate stage

Objective: To understand the organisation within the biosphere, identifying the organisation impacts and externalities.

Principles: Ecological principles of conservation laws, laws of thermodynamics, biogeochemical cycles; social principles of human needs, self-organisation, diversity and interdependence; and sustainability principles⁹

Strategy: To use the innate human characteristics of empathy, compassion, solidarity, and human needs, together with the natural system limiting conditions to map out the organisation socio-ecological boundaries identifying the impacts and responsibility to a sustainable society.

Tools and techniques available: stakeholder analysis, SWOT analysis, life-cycle-analysis in the value chain, and current legislation and trends.

Relevant questions:

- In what ways is the organisation relationship to its stakeholder contributing to the violations of the principle of non-harm? i.e. would the organisation like to be treated the same way as it is treating all the stakeholders? Is the organisation doing all within its reach and possibilities to help its stakeholders?
- In what ways is the organisation products and services contributing to the violations of the sustainability principles? i.e. is the organisation contributing to systematic increases in concentrations of substances from the Earth's crust, produced by society or contributing to systematic physical degradation of nature?

⁹ The Four Sustainability Principles (developed by Robèrt, KH, Holmberg, J, Broman G, and a network of scientists), through a process of scientific consensus, provide four principles under the Brundtland definition, shaped as basic principles for societal design.

- In what ways is the organisation products and services subjecting people to conditions that systematically undermine their capacity to meet their needs?

The Plan stage

Objective: To set strategic organisation goals to contribute to a sustainable society.

Principle: Governance principles of transparency, equity, accountability and responsibility, and social-ecological system principles of interdependency, self-organization and diversity.

Strategy: To introduce the universal ethical and sustainability principles into the organisation shared vision. To introduce the proposed nine fundamental human needs into the organisation shared values. To define second order principles or vision specific to the challenges of the organisation sector. To bring the shared vision and values into the organisation strategic planning process defining the action plans. To Backcast from vision to identify upcoming risks and innovating opportunities. To prioritize actions considering return on investment, the right direction towards sustainability and flexible platform.

Tools and techniques available: Backcasting, governance code of practice, Balance Scorecards, SWOT analysis etc.

Relevant questions:

- Are the universal ethical and sustainability principles expressed in the organisation's vision?
- By Backcasting from the organisation's vision, what are the upcoming risks and innovating opportunities?
- Are the proposed nine fundamental human needs expressed in the organisation's values?

- Are the nine fundamental human needs considered in the organisation relationship to all stakeholders and in the strategic plan?
- In what ways can the organisation values be transmitted to and influence its stakeholders in the value chain?
- Are the principles of good governance being used in the process of strategic planning?
- Have all the proposed actions prioritized by analyses of return on investment, right direction towards sustainability and if the proposed action is a flexible platform?

The Do-Control-Adjust stage

Objective: To convert strategic planning into actions and changing processes.

Principle: Management principles of participatory, cooperative and result oriented processes.

Strategy: To form a sustainability committee and working groups to lead the action plans. To introduce control and adjust mechanisms to follow up the action plans. To create communication channels to ensure transparency, stakeholder engagement and recognition. To establish known local and global indicator to report on.

Tools and techniques available: EMAS, ISO 10006, PMI - PMBOK guide, FNQ - MEG, Global Compact, GRI and Ethos indicator.

Relevant questions:

- Are the principles of good project management in place and well understood by all involved?
- Have all the necessary conditions been created to ensure the participation and communication of all stakeholders?
- Are all the action plans with goals, time, cost and responsible person defined?

- Have local and global indicators been set and mechanisms of measuring them created?
- Are the follow up meetings enough to control and adjust action plans and others mid-course corrections?
- Is all the information readily available to all areas of the organisation and other stakeholders taking part in the action plans?

The Close stage

Objective: To capture all learned lessons from the finishing action plans, prepare for the next evolution cycle and to communicate on progress been made.

Principle: Moral communication principles of integrity, honesty and transparency.

Strategy: To use communication channels to capture learned lessons from all stakeholder. To report on known local and global indicator.

Tools and techniques available: Global Compact, DJSI, GRI and Ethos indicator.

Relevant questions:

- Are the principles of moral communication been used on disclosure?
- Are all the stakeholders able to voice their opinion and feelings about the action plans and the results?
- Were conditions created to capture information of all necessary indicators for disclosure efficient?
- Have local and global indicators been reported?
- Have all positive and negatives impacts considered?
- Are the learned lessons informing the next evolution cycle?

3.3 Case Study: Promon

Analyses of Promon relationships with various stakeholders, obstacles, opportunities and propositions for strategic corporate responsibility were conducted by us. Through our experiences as employees of each organisation we were able to compare the current understanding from organisations' representatives with the understanding brought out by the CSR Strategic Guidelines. The answers from all the organisation's representatives were merged in the questionnaires shown in Appendix B. The applicability and universality of the proposed CSR Strategic Guidelines detailed in section 3.2 were verified in this section.

3.3.1 Promon: Background

Promon, a privately held Brazilian engineering firm founded in 1960, designs, integrates and implements complex infrastructure solutions for key sectors such as power, oil and gas, process industries, mining, metallurgy, civil works, telecommunications, and information technology. Back in 1970 guiding principles were established by the Board of Promon known as "*Campos do Jordão Charter*":

- "Promon is a professional organisation engaged in technical and consultancy services in the fields of engineering and architecture. It performs studies and research, and conducts scientific and technological development activities.
- Promon's permanent objective is to provide its clients with services of a high technical standard, with strict observance of the principles of professional ethics.
- Promon is the expression of the merit of its professionals; it is the result of the cooperative efforts of individuals with related vocations with the purpose of creating conditions for their professional and personal fulfillment.
- Professional and personal fulfillment will be assured through:

- a. Stimulating creativity and respecting the dignity of the individual;
 - b. Providing opportunities for the development and advancement of all, according to the qualifications and merit of each;
 - c. Membership in a cohesive, stable working community;
 - d. Fair compensation.
- Participation in the community implies the willingness to waive individual interests for the sake of the group.
 - Individual participation in the management of the company is to be encouraged. The search for consensus shall be present in the decision-making process and in the exercise of authority.
 - All Promon's professionals and they alone, shall have access to ownership of the company's equity capital. As an independent organisation, Promon shall enter into no commitments that might detract from its impartiality in the examination of technical and economic matters with which it is entrusted.
 - While constituting an indispensable prerequisite for the stability and development of the company, profit is nevertheless not one of its basic objectives. It is, rather, a means for the achievement of its ends" (Promon 2001).

More recent in 2001, Promon revised its Vision, Values and Mission statement, posted on their website as:

Vision – Knowledge shall be a tool of achievement for both individuals and the society, provided it is used in a conscious and shared manner.

Values – Integrity, respect, trust, dignity, equity, justice, independency and good humor.

Mission – Develop business and provide infrastructure solutions with the knowing and innovative use of technology, by means of a dynamic community of professionals creating value for its clients and acting as an agent in the process of transforming society (Promon 2001).

3.3.2 Applying the proposed CSR Strategic Guidelines

All the following results to the relevant questions were obtained through the interaction and participation of many Promon's representatives, such as the Human Resource director, the Procurement director, the Engineering director, the Health and Safety director and the CEO.

The Initiate stage

Objective: To understand the organisation within the biosphere, identifying the organisation impacts.

Principle: Ethical principle of non-harm and sustainability principles

Strategy: To use the innate human characteristics of empathy, solidarity and compassion, the human needs, and the natural system limiting conditions to map out the organisation socio-ecological boundaries identifying the impacts and responsibility to a sustainable society.

Relevant questions:

- In what ways is the organisation relationship to its stakeholder contributing to the violations of the principle of non-harm? i.e. would the organisation like to be treated the same way as it is treating all the stakeholders?
 - The company recognizes the importance of a good supplier relationship and have requirements on contracts of quality assurance and deliver time penalty but no recognition and demand of good practices on social and environmental responsibility;
 - Negotiations with suppliers are quite often pushed to a minimum possible price disregarding the financial conditions the suppliers might be facing at that particular moment;
 - Supplier's payments are still being delayed due to internal procedures faults;

- Philanthropic projects are implemented in the communities where Promon is arriving to work but no continuity to the projects are planned once Promon leaves the communities; and
 - Financial disclosure is an annual practice but social and environment reporting is still considered irrelevant.
- In what ways is the organisation products and services contributing to the violations of the sustainability principles? i.e. is the organisation contributing to systematic increases in concentrations of substances from the Earth's crust, produced by society or contributing to systematic physical degradation of nature?
- The company is part of some current unsustainable value chains, such as: Oil and Gas, Petro-Chemical, Mining and Fertilizers sectors;
 - Promon's main products: engineering, procurement, construction and management do not consider yet sustainability principles;
 - Generation of great quantities of residues at construction sites and e-waste at the offices;
 - Use of fossil fuel and emissions of toxic substance from equipments at the sites and harmful substances at the offices; and
 - High water usage and lack of effluent treatment prior to discharge.
- And submitting people to conditions that systematically undermine their capacity to meet their fundamental human needs?
- No knowledge and concern about suppliers working conditions violations and employee abuse;
 - The company has clients in the energy and steel sector value chains where child and slave type labour still exists;
 - There are differences in benefits and treatment between regular and temporary employees; and

- A few clients mainly in the public sector offer a risk of being involved in corruption scandals.

The Plan stage

Objective: To set strategic organisation goals to contribute to a sustainable society.

Principle: Governance principles of transparency, equity, accountability and responsibility, and natural system principles of interdependency, self-organization and diversity.

Strategy: To introduce the universal ethical and sustainability principles into the organisation shared vision. To introduce the proposed nine fundamental human needs into the organisation shared values. To define second order principles or vision specific to the challenges of the organisation sector. To bring the shared vision and values into the organisation strategic planning process defining the action plans. To Backcast from the organization vision to identify upcoming risks and innovating opportunities. To prioritize actions considering return on investment, the right direction towards sustainability and flexible platform.

Relevant questions:

- Are the universal ethical and sustainability principles expressed in the organisation's vision?
 - The vision statement recognizes the importance of one fundamental human need - Understanding. But does not state where and how the company sees itself in the future sustainable society; and
 - Most employees do not know the current company's vision.
- In what ways is the organisation and its sector contributing to the violations of the sustainability principles? By Backcasting from the organisational visions, what are the challenges to avoid upcoming risks and what innovating opportunities exist?

The main challenges for Promon to avoid upcoming risks are:

- To adjust energy consumption to clean renewable sources;

- To manage responsibly all residues at sites and offices;
- To eliminate all its harmful and toxic emissions;
- To manage responsibly water usage and effluent discharge;
- To ensure all suppliers in the value chain are working under the law and dignifying conditions; and
- To inform and engage its engineering sector on communicating the organisation vision and the responsibility of the whole value chain has towards the construction of a sustainable society.

Leading by example Promon has the opportunity to bring into its projects innovating sustainable development concepts, such as:

- Industrial ecology;
 - Life cycle analysis;
 - Product development - Cradle to Cradle;
 - Biomimicry; and
 - LEED – Leadership in Energy and Environmental Design.
- Are the proposed nine fundamental human needs present in the organisation's values?
- The organisation's values express most of the fundamental human needs and there are room for improvement to include participation, creation and idleness.
- Are the nine fundamental human needs considered in the organisation relationship to all stakeholders and in the strategic plan?
- The fundamental human needs can be introduced in the strategic plan as a check list to make sure no barriers prevent clients and suppliers in the value chain from meeting their needs.
- In what ways can the organisation values be transmitted to and influence its stakeholders in the value chain ?
- The organisation can take the lead at the sector association transmitting the knowledge about the sustainability principles;

- The organisation can work closely to its suppliers informing them about the sustainable path the company is heading and coordinating their necessary adjustment; and
 - The organisation can join global and national social and corporate movements to influence all its stakeholders.
- Are the principles of good governance being used in the process of strategic planning?
- The governance principles of equity, accountability and responsibility are well rooted in the company's culture and the transparency principle needs improvement through disclosure of environmental and social aspects as well as the legally financial ones.
- Have all the proposed actions prioritized by analyses of return on investment, right direction towards sustainability and if the proposed action is a flexible platform?
- Yes. The prioritized actions proposed for Promon are presented in the next section, recommendations for Promon.

3.3.3 Recommendations for Promon

An analysis of Promon's current practices and policies reveals how ahead of their time the professional's visions were a decade ago. It becomes apparent through Promon's vision, mission and values the characteristics of a successful organisation, justifying in part the reason why Promon is considered one of the best¹⁰ companies to work in Brazil. By applying the guidelines a new understanding of Promon's responsibility and vision was possible, identifying impacts of its own processes and services as well as in its value chain.

The rising tide of Brazilian society expectations means that organisations must anticipate and understand those expectations, to take into account the reaction of competitors, shifts in consumer patterns, and the possibility of

¹⁰ It is present in every edition of the *Exame* Guide to the Best Places to Work in Brazil

litigation and regulation. Despite the fact that Promon's clients are not yet demanding projects that consider sustainable construction, internal training should start as soon as possible to anticipate changes and position itself strategically at the forefront of innovation and sustainable engineering. It is better to be proactive and have systems in place to identify opportunities and manage risk, rather than to 'crisis-manage', while at the same time contributing to the sustainable development of society within which Promon operates.

By applying the proposed guidelines to Promon showed that significant contributions exist to the Promon's stakeholders, whether in communities in the form of funds, skills training, employment or knowledge transfer, whether influencing public policies in government. Promon can help address the challenge of an economically just society where there is a fair and equitable distribution of wealth, with full partnership in economic progress within the limits of natural system.

By backcasting from the organizational vision, the prioritized practical recommendations for Promon were:

- To create awareness for Promon's employees e.g. through a series of presentations about sustainability and experts presentations about Promon's impacts and responsibilities, participation of employees in thematic forums and workshops on sustainable construction;
- To introduce social and environmental objectives into Promon's annual strategic planning;
- To create a sustainability committee with representatives of all departments to coordinate all actions;
- To build capacity on sustainability through MBA and other graduate courses offered to interested professionals in key areas;
- To create a new business strategic area on environmental projects and a new engineering discipline on Industrial Ecology and Green Building;
- To create conditions to engage the employees on specific action plans e.g. create a sustainability blog, create a software in the intranet to receive innovation suggestions from any employee and

- create a voluntary program for existing education projects in local communities;
- To adjust all offices and sites to apply the 3Rs program and adopt recycle paper on all official documents;
 - To introduce sustainability indicators proposed by The International Finance Corporation into Promon's risk analyses processes;
 - To ensure all suppliers in the value chain are working under the law and dignifying conditions e.g. introduce corporate responsibility policy on suppliers selection and evaluation processes, include in all suppliers contracts SA 8000 guidelines on working conditions and create a complaint hotline for suppliers;
 - To inform and engage its engineering sector on communicating the organisation vision and the responsibility of the whole value chain has towards the construction of a sustainable society e.g. create events where all major suppliers are invited to learn about Promon's challenges and vision, create seminars where all clients are invited to learn about major changes in the sector necessary to shift to a green economy and society;
 - To sign the UN Global Compact and promote its ten principles internally and externally;
 - To report on social and environmental performance using Global Reporting Initiative guidelines; and
 - To have representatives participating on social local movement such as Sao Paulo Sustentavel, that can influence public policies.

3.4 Case Study: Malaysian Timber Council

The applicability and universality of the proposed CSR Strategic Guidelines were verified in this section. Analyses of the Malaysian Timber Council (MTC) relationships with various stakeholders, obstacles, opportunities and propositions for strategic corporate responsibility were conducted by us. Through our experiences as employees of each organisation we were able

to compared the current understanding from organisations' representatives with the understanding brought out by the CSR Strategic Guidelines. The answers from the questionnaires are included in Appendix B.

3.4.1 MTC: Background

MTC is a not-for-profit organisation, incorporated as a company limited under guarantee under the Companies Act 1965. It was established through the industry and government collaboration to promote the development of the timber-based industry in Malaysia and the marketing of timber products. Formed on the initiative of the timber industry, MTC is governed by a Board of Trustees appointed by the Minister of Plantation Industries and Commodities, with members representing timber associations and government agencies (Malaysian Timber Council, n.d.). According to MTC respondent, it also serves to “unite the varying interests of the local timber industry and to provide a collective voice” (Lee, 2005).

The Council's policy directions are determined by the Chairman and ten members of the Council. The founding members are Malaysian Wood Industries Association (MWIA), Timber Exporters' Association of Malaysia (TEAM), Malaysian Panel-Products Manufacturers' Association (MPMA), Malaysian Wood Moulding And Joinery Council (MWMJC) and Malaysian Furniture Industry Council (MFIC). The other members comprise representatives from the Ministry of Plantation Industries & Commodities (MPIC), the Malaysian Timber Industry Board (MTIB), Forestry Department Peninsular Malaysia (FDPM), Association of Malaysian Bumiputra Timber and Furniture Entrepreneurs (PEKA), and an independent member from the timber industry (MTC, n.d.).

With the mission to ensure the sustainability of the Malaysian timber industry, MTC's objectives are to:

- Promote the timber trade and develop the market for timber products;
- Promote the development of the timber industry through the provision of training facilities, technical services and other activities;

- Augment the supply of raw materials for the timber processing industries; and
- Provide information services to the timber trade and industry (MTC, n.d.).

Led by the Chief Executive Officer who oversees the overall management of the Council, the employees are comprised of diverse cultures and religions.

3.4.2 Applying the proposed CSR Strategic Guidelines

The following results were obtained through dialogue and interaction with key personalities at MTC; the CEO, Director of Public and Corporate Affairs and Director of Finance and Administrative Division (who jointly with the CEO's office, also looks over matters on human resource), as well as the author's personal interaction with a number of the organisation's employees and her own observations as an employee of the organisation.

The Initiate stage

Objective: To understand the organisation within the biosphere, identifying the organisation impacts.

Principle: Ethical principle of non-harm and sustainability principles

Strategy: To use the innate human characteristics of empathy, solidarity and the human needs, and the natural system limiting conditions to map out the organisation socio-ecological boundaries identifying the impacts and responsibility to a sustainable society.

Relevant questions:

- In what ways is the organisation relationship to its stakeholder contributing to the violations of the principle of non-harm? i.e. would the organisation like to be treated the same way as it is treating all the stakeholders?

- The company recognises the importance of an ethical relationship to its stakeholders and places strict requirements on contracts of quality assurance and legal compliance and sees itself as part of the bigger system in society and acknowledges its wider responsibilities. It maintains close relationship and engagement with the primary external stakeholders i.e. government, members of its board and forestry and timber related organisations and strives to periodically engage and communicate with the secondary external stakeholder such as the media, non-governmental organisations and general public through seminars, lecture series and dissemination of brochures and periodicals.
 - Since it is a non-profit organisation, it reduces its operation costs by striving to obtain the lowest price for any products or services that it requires, while matters on employees remuneration are regarded private and confidential.
- In what ways is the organisation products and services contributing to the violations of the sustainability principles? i.e. is the organisation contributing to systematic increases in concentrations of substances from the Earth's crust, produced by society or contributing to systematic physical degradation of nature?
- As it is a service-based company, its main activities include organisation of events (e.g. conferences, trade visits and 'road shows'), participation in various events locally and internationally (e.g. meetings, exhibitions and trade missions) and production of communication material (e.g. publications, brochures, posters and flyers).
 - The obvious violation identified was the significant use of fossil fuel through electricity consumption at office premises as well as road and air travel by employees and stakeholders to organise and participate in the various events and to transport its communication and promotional material; no clear policy to encourage minimisation of travel or electricity wastage.
 - Extensive use of paper and other material for publication of promotional books, brochures, other periodicals etc, with limited consideration on how a material was produced or procured, and how

it could be transported or disposed off with minimal impact to the environment.

- In a broader sense, the organisation contributes to the development of the timber industry in the country. Taking a look at the timber industry supply chain, the industry activities include harvesting of wood material that can potentially cause degradation to nature due to logging-road construction or over-harvesting; and processing of wood into finished products that may involve utilisation of hazardous man-made substances and chemicals. For example, the use of chemical substances for wood treatment or the use of adhesive that releases chemical fumes over time in certain type of wood products used in building construction such as wood panels or wooden furniture. For example, formaldehyde emission from adhesive used in wooden products is commonly regarded as the cause of 'sick-building syndrome,' affecting the health of the building inhabitants. The whole supply chain also requires a substantial need for transportation and thus increases the amount of fossil fuel use within the industry.
 - The organisation seeks for or creates new markets for Malaysian timber and promotes increased trade in wood products. It basically encourages higher consumption, consequently, putting pressure for higher production which will result in increased demand for the limited supply of raw material from the forests. This may increase the risk of indiscriminate, if not illegal logging and forest degradation.
 - The organization also provides import assistance to the industry in the procurement of raw material, however there is no clear and transparent guideline on the 'sustainability statuses' of the material imported.
- In what ways is the organisation submitting people to conditions that systematically undermine their capacity to meet their fundamental human needs?
- In addition to the above paragraph regarding the use and emission of hazardous substances in the production and utilisation phases of wood products, there are also possible risks, for certain groups of

stakeholders along the supply chain to be directly affected by the industry's activities. For example, the impact of logging activities may be directly felt by the indigenous and local communities living in or surrounding a forest area where their safety or lifestyle may be affected by limiting access to or a lower yield of forest resources for subsistence, leading to eventual conflicts. The granting of rights, in lieu of a transparent process in certain cases, by the relevant authorities to contractors to carry out timber harvesting also carries the risks of creating opportunities for corruption and thus depriving others of their rights to fair and equitable competition. The above instances however are atypical and not representative of the common practices but they demonstrated the possibilities where people's capacity to meet their fundamental needs could be undermined.

- With regard to the organisation's employees, sufficient social safeguards are provided however, limited attention is placed on transparency and inclusiveness in its decision making process and relationship with the employees, compared to the focus and importance it places in its working relationship with the primary external stakeholders. For example, in contrast to board meetings, seminars and dialogues frequently held with and for external stakeholders, staff meeting with the management is only held annually and there appears to be no clear policy or guideline instituted to actively encourage individual growth or open and supportive interpersonal interaction amongst the staff. While the above practices and policy, or lack of, may not necessarily violate the principle of non-harm on the basic human needs level, the flaccid practices in encouraging openness and participation seems to have created a sense of mistrust between and amongst the staff and management. This in the long run may create a working environment that is functioning on the surface level but lacks creativity and rigour, which to a degree, violates the sustainability principle.

The Plan stage

Objective: To set strategic organisation goals to contribute to a sustainable society.

Principle: Governance principles of transparency, equity, accountability and responsibility, and natural system principles of interdependency, self-organization and diversity.

Strategy: To introduce the universal ethical and sustainability principles into the organisation shared vision. To introduce the proposed nine fundamental human needs into the organisation shared values. To define second order principles or vision specific to the challenges of the organisation sector. To bring the shared vision and values into the organisation strategic planning process defining the action plans. To Backcast from organisational vision to identify upcoming risks and innovating opportunities. To prioritize actions considering return on investment, the right direction towards sustainability and flexible platform.

Relevant questions:

- Are the universal ethical and sustainability principles expressed in the organisation's vision?
 - The organisation strives to engage with a wide range of stakeholder but has a restricted understanding of CSR neither does it have a written policy on sustainability. While it promotes the development of a timber industry that is based on sustainable forest management, the current organisation's vision does not express sustainability principles.
- By Backcasting from the organizational vision, what are the challenges to avoid upcoming risks and what innovating opportunities exist?

The main challenges for MTC (non-exhaustive):

- To reduce energy-intensive transportation and other operational requirements;
- To communicate and conduct promotions effectively with lesser impact to the environment;
- To ensure all stakeholders, internal and external, are treated with equal respect and dignity;

- To reduce stress for production of timber from natural forest area and mitigate impacts on forested lands and communities globally; and
- To inform and engage its sector in subscribing to the principles of sustainability.

Innovating opportunities in bringing the new organizational vision to existing MTC's objectives, such as:

- Adoption of a low energy practices through the enhancement of the use of information technology such as teleconferencing or internet based networking to reduce travel and the need to physically meet potential buyers or other stakeholders. Introduce a no-waste policy to encourage efficient use of electricity and other resources in its operations.
- Ensuring designs of information and promotional material are produced with reduced impacts to the environment such as maximising the space usage in the layout pages of publication and brochures thus require minimal material use, opting for printing design and technology that uses less ink and solvents, and choosing lighter types of paper to reduce transportation burden. Encourage the utilisation of information technology for communication purposes.
- Adoption of a code of conduct for the industry that encourages sustainable forest management and timber certification, or a comparable self-governance and verification system throughout the industry to mitigate impacts to the forests, surrounding communities and other stakeholders. Extend the same values for procurement of raw material from other countries.
- Re-alignment of the focus of its market development activities by concentrating on high value markets, which are usually more advanced in terms of the requirements for sustainability or environmental and social credentials. Instead of developing new and additional markets, create niche markets for sustainable timber products. Explore and develop profitable domestic and localised market to reduce transportation needs.

- Provision of incentives and promotion to encourage re-planting or new planting by activating idle land areas with fast-growing crops; zero-waste policy for optimum utilisation of wood material e.g. engineered wood to fully utilise small cuts and reduce wood wastage; and utilisation of alternative sources of raw materials from agricultural waste such as oil palm trunks to supplement demand for wood and natural fibre from the forest. Explore the possibility of supporting a cradle-to-cradle supply chain or industry by promoting the utilisation of salvaged or reclaimed wood material.
 - Continuation of education to policy makers, architects, engineers, specifiers and other consumers on the correct and effective use and maintenance of timber species and products in various applications to reduce wastage and ensure a prolonged product lifespan.
 - Explore alternatives to substitute hazardous, man-made substances currently used in wood treatment and production of wood products.
- Are the proposed nine fundamental human needs present in the organisation's values?
- The organisation's values are not made explicit but present and demonstrated by the organisation's working culture and relationship with its employees. It respects and values diversity and attempts to maintain a balanced mix of culture and religion and provides enabling facilities for the different religious needs and practices. However, the organisation's culture, as previously explained, does not wholly encompass all nine fundamental human needs as it overlooks the need for openness and mutual understanding in the execution of its business objectives and strategies.
- Are the nine fundamental human needs considered in the organisation relationship to all stakeholders and in the strategic plan?
- The fundamental human needs can be introduced in the strategic plan as a check list, taking into account the needs of all stakeholders.
- In what ways can the organisation values be transmitted to and influence its stakeholders in the value chain ?

- The organisation is recognised as a leader in the promotion and marketing of Malaysian wood products and provides assistance to companies seeking to market their products or in search of a better technology. It can influence the industry by communicating its principles and values and give preference to the companies that subscribe to the same values.
 - In developing a sustainable timber industry and building the timber industry capacity, its strategies include reaching out to educational and training institutions and provide inputs to and engage with the academic sector for development of skills that would match the requirements of the industry. Sustainability principles and the organisation's values can be introduced and established early on at the learning stage.
 - The organisation can also influence its suppliers by prescribing sustainability conditionalities in the selection of contractors for its projects.
- Are the principles of good governance being used in the process of strategic planning?
- The good governance principles of equity, accountability and responsibility are well established in the company's culture and the transparency principle needs improvement through disclosure of environmental and social aspects in addition to the legally required financial ones.
- Have all the proposed actions prioritized by analyses of return on investment, right direction towards sustainability and if the proposed action is a flexible platform?
- Yes. The prioritized actions proposed for MTC are presented in the next section, recommendations for MTC.

3.4.3 Recommendations for MTC

While MTC does not directly participate in the timber supply chain, apart from providing limited assistance in the procurement of timber, it

acknowledges the importance of understanding and responding to various sustainability issues in order to effectively support the promotion and development of a sustainable timber industry. Applying the guidelines for MTC provided ample opportunity for advancement. As a start, the role of the organisation as a socially responsible organisation is understood. Having clear and comprehensive internal policies and measures towards sustainability will not only improve the organisation's governance and reputation, but also reflect its responsiveness and enthusiasm for better awareness and understanding of its responsibility.

In addition to that, as its core objective pertains to supporting international trade, one of the biggest challenges faced by MTC is in terms of playing "catch-up" with trade regulations, particularly in relation to health and environmental concerns in advanced European nations. While the issues that drive the changes in the EU legislation may be different from the issues faced in Malaysia, the differences may be made level by understanding the common underlying challenge – to achieve global sustainability.

Putting forward CSR as a sustainable business strategy will also result in increased transparency and accountability, which seems to be the current trend to ensure competitive advantage in the global business arena. The recognition received by the Malaysian timber, being at the forefront as one of the main players in international trade of tropical timber is possibly due to the same reasons – transparency and accountability of the industry. Therefore, by using a strategic sustainable development approach to CSR, more resources can be wisely and strategically allocated to better improve processes, products and services than to face continuous uphill struggle to uphold status quo when new trade rules and regulations are inevitable.

By backcasting from the organisation vision the prioritized practical recommendations for MTC are:

Short-term:

- Instill open and inclusive communication culture in the organization through periodic engagement activities.
- Adopt low energy practices through the enhancement of the use of information technology such as teleconferencing or internet based

networking to reduce travel and the need to physically meet potential buyers or other stakeholders.

- Introduce a no-waste policy to encourage efficient use of electricity and other resources in its premises and operations. Encourage the use of public transportation by providing incentives or subsidies, similar to the personal vehicle parking subsidies already enjoyed by the employees.
- Ensure designs of information and promotional material are produced with reduced impacts to the environment such as maximising the space usage in the layout pages of publication and brochures thus require minimal material use, opting for printing design and technology that uses less ink and solvents, and choosing lighter types of paper to reduce transportation burden. Encourage the utilisation of information technology for communication purposes.

Medium/ Long-term:

- To adopt a code of conduct for the industry that encourages sustainable forest management and timber certification, or a comparable self-governance and verification system throughout the industry to mitigate impacts to the forests, surrounding communities and other stakeholders. Extend the same values for procurement of raw material from other countries.
- To re-align the focus of its market development activities by concentrating on niche or high value markets, which are usually more advanced in terms of the requirements for sustainability or environmental and social credentials. Instead of developing new and additional markets, create niche markets for sustainable timber products. Explore and develop profitable domestic and localised market to reduce transportation needs.
- To provide incentives and promotion to encourage forest re-planting or new plantation by activating idle land areas with fast-growing crops; zero-waste policy for optimum utilisation of wood material e.g. engineered wood to fully utilise small cuts and reduce wood wastage; and utilisation of alternative sources of raw materials from

agricultural waste such as oil palm trunks to supplement demand for wood and natural fibre from the forest. Explore the possibility of supporting a cradle-to-cradle supply chain or industry by promoting the utilisation of salvaged or reclaimed wood material.

- To continue education to policy makers, architects, engineers, specifiers and other consumers on the correct and effective use and maintenance of timber species and products in various applications to reduce wastage and ensure a prolonged product lifespan.
- To explore alternatives to substitute hazardous, man-made substances currently used in wood treatment and production of wood products.

The above prioritised list addresses only certain aspects of the organisation's operations and activities which have direct implications on social and ecological sustainability. Even though further analysis needs to be conducted to establish the economic viability of the organisation, innovative policies and strategies based on the principles of sustainability will ensure that the organisation and its services remain significant and relevant.

4 Discussion

4.1 Implications of results

When we applied the guidelines it becomes clear that the compliance stand taken by both organisations is no longer sufficient to avoid risks in today's fast-moving society and volatile environment. Sudden changes in regulations by any government could affect business practices, both negatively and positively. It is better to be proactive and have systems in place to identify and manage risk, rather than to 'crisis-manage'. That way, opportunities and strategies can also be carefully identified to enhance value, create and attract new markets and customers and become the preferred business partner and employer of choice.

The main obstacles as identified by the representatives of the selected organisations in Brazil and Malaysia to contribute towards sustainability were related to external constraints that could not be tackled by the organisations alone. The common perception to both organisations is that government regulations are essential to lead the way and set out conducive environment for CSR to thrive (see Appendix B – Questionnaires).

We showed that the participation of multiple stakeholders is essential to bringing about an environment where CSR can thrive. Governmental policies and regulations can and do play an important role. As an example, there are minimum standards set down in law for environmental protection and health and safety, and enterprises are rightly compelled to comply with them. But while the government plays an important role in encouraging the development of CSR in the corporate sector, changes in corporate behaviour cannot be legislated into being by acts of government.

Adopting a strategic sustainable development approach as a guideline to CSR also opens up and widens the opportunities and possibilities for MTC and Promon. For example, while there are no clear incentives from the government (as "developing nations") for companies to become leaders in responding to climate change issues, company policies and incentives on choice of transportation for travel such as monthly passes for public transportation or company's own transportation for its employees instead of subsidies on parking charges for private vehicles could be the first step towards further reaching effects of CSR. As this can in turn be an incentive

for improvements of the public transportation sector, consequently reduce traffic congestion and possibly traffic-related stress and pollution, amongst others. These might seem irrelevant or too small contribution if looked isolated but can form indirect contributions to the overall improvement of the country's socio-environment and economy if looked as an example of positive action to be followed. While increasing the company's own reputation, it may also send a message to other business counterparts that the organisation is serious about sustainability issues, not only issues that are directly connected to its business practice.

Considering the special position MTC and Promon have in terms of its relationship with businesses, governments and other organisations, this conception can then be extrapolated into other business practices to influence the whole sector and supply chain. With sustainability principles guiding the progress, step-wise improvements can be made with clear direction.

The results provide a scientific understanding of CSR and an ethical corporate guidance within the context of Strategic Sustainable Development, a perspective that appeared to be lacking in even the most known and recent standards and guidelines on CSR. While the the prioritised lists from the result addressed a limited aspects of the organisations' operations and activities, innovative policies and strategies based on the principles of sustainability would ensure that the organisation and its services remain significant and relevant.

4.2 Validity of the findings

In terms of validity of findings, we were limited to the organisations we work for and the analyses were conducted within the possibilities. We acknowledge that a full comprehensive analysis of the organisations using the guidelines with all the stages requires a longer timeframe and can only be achieved through comprehensive engagement with other relevant stakeholders.

The representatives of the selected organisations in Brazil and Malaysia were aware of the linkage between CSR and sustainability. However without an in depth understanding or a framework to guide planning and

decision making, the respondents were not able to fully appreciate the connection between CSR, sustainability and strategic planning.

The strengths of the results are that they provide a thorough review of current CSR and a system approach to the understanding of the social system. The scientifically relevant definition of sustainability provides an excellent direction for the change efforts and additionally social philosophies provide guidance on how the changes are performed.

The principle of non-harm with its innate human characteristics of empathy, compassion and solidarity can be applied in earnest in decision making and in awareness building through participation of stakeholders, transparency, responsibility and honesty in conducts. The universal values behind the principle of non-harm helped our conversations with the organisations' representatives and facilitated their understanding about CSR through the lenses of sustainable development.

5 Conclusion

We believe that current CSR can be made strategic by considering a scientifically relevant whole systems approach of sustainability as a fundamental objective. The proposed guidelines presents an alternative approach for CSR based on principles of sustainability and on the universal ethical principle of non-harm.

That is, in the sustainable society, nature is not subject to systematically increasing:

1. concentrations of substances extracted from the Earth's crust;
2. concentrations of substances produced by society;
3. degradation by physical means;

and, in that society...

4. people are not subject to conditions that systematically undermine their capacity to meet their needs.

The principle of non-harm must be suitable to guide behaviour to the basic aspirations of the individuals (individual rights and ethics) as well as to common good of the society (collective rights and ethics) (Dion, 1996).

From these principles, we concluded that the organisations studied should approach CSR as a comprehensive set of values and principles, which are integrated in business operations through management policies and practices, and decision-making processes.

In a more interconnected and competitive world the way that environmental, social and corporate governance issues are managed will become part of companies' overall management quality to compete successfully. These issues can have a strong impact on reputation and brands, an increasingly important part of company value. By applying the proposed guidelines to both organisations we studied, showed that they can perform better and succeed by properly managing risks, anticipating regulatory action or accessing new markets, while at the same time contributing to the sustainable development of the societies within which they operate. By making significant contributions to the communities in which they operate - whether in the form of funds, skills training,

employment or knowledge transfer they can contribute to equitable wealth redistribution. The organisations will be able to help to address the challenge of an economically just society where there is a fair and equitable distribution of wealth, with full partnership in economic progress within the limits of natural system.

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Appendix A: Examples of existing standards

Name of Standard /Initiative: **Global Compact**

<i>Sponsoring organisation</i>	United Nations
<i>Description</i>	Responsible corporate citizenship as part of solution to global problems
<i>Principles</i>	<p>Businesses should support & respect the protection of internationally proclaimed human rights</p> <ul style="list-style-type: none"> ➤ Make sure that they are not complicit to human rights abuses <p>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <ul style="list-style-type: none"> ➤ The elimination of all forms of forced and compulsory labour ➤ The effective abolition of child labour ➤ The elimination of discrimination in respect of employment and occupation <p>Businesses should support a precautionary approach to environmental challenges</p> <ul style="list-style-type: none"> ➤ Undertake initiatives to promote greater environmental responsibility ➤ Encourage the development and diffusion of environmentally friendly technologies <p>Businesses should work against all forms of corruption including extortion and bribery</p>

Name of Standard /Initiative: **The CERES Principles**

<i>Sponsoring organisation</i>	Coalition for Environmentally Responsible Economies (CERES)
<i>Description</i>	Code of corporate environment conduct
<i>Principles</i>	<ul style="list-style-type: none"> ➤ Protection of the biosphere ➤ Sustainable use of natural resources ➤ Reduction and disposal of wastes ➤ Energy conservation ➤ Risk reduction ➤ Safe products and services ➤ Environmental restoration

- Informing the public
- Management commitment
- Audits and reports

Name of Standard /Initiative: **SA8000**

<i>Sponsoring organisation</i>	Social Accountability International
<i>Description</i>	Based on international workplace norms in the ILO conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child
<i>Principles</i>	<ul style="list-style-type: none"> ➤ Protection of the biosphere ➤ Sustainable use of natural resources ➤ Reduction and disposal of wastes ➤ Energy conservation ➤ Risk reduction ➤ Safe products and services ➤ Environmental restoration ➤ Informing the public ➤ Management commitment ➤ Audits and reports ➤ Child labour ➤ Forced labour ➤ Health and safety ➤ Freedom of association and right to collective bargaining ➤ Discrimination ➤ Discipline ➤ Working hours ➤ Compensation ➤ Management systems

Name of Standard /Initiative: **CRT Principles for Business**

<i>Sponsoring organisation</i>	Caux Round Table (CRT)
<i>Description</i>	“Moral capitalism” for sustainable and socially responsible businesses
<i>Principles</i>	<ul style="list-style-type: none"> ➤ The responsibilities of businesses: Beyond shareholders toward stakeholders ➤ The economic and social impact of business: Toward innovation, justice and world community

- Business behaviour: Beyond the letter of law toward a spirit of trust
- Respect for rules
- Support for multilateral trade
- Respect for the environment
- Avoidance of illicit operations

Name of Standard /Initiative: **The Global Sullivan Principles of Social Responsibility**

Sponsoring organisation The Leon H. Sullivan Foundation

Description Code of conduct for human rights, social justice and economic opportunity

- Principles*
- Express support for universal human rights and, particularly, those of our employees, the communities within which we operate and parties with whom we do business.
 - Promote equal opportunity for our employees at all levels of the company with respect to issues such as color, race, gender, age, ethnicity or religious beliefs, and operate without unacceptable worker treatment such as the exploitation of children, physical punishment, female abuse, involuntary servitude or other forms of abuse.
 - Respect our employees' voluntary freedom of association.
 - Compensate our employees to enable them to meet at least their basic needs and provide the opportunity to improve their skill and capability in order to raise their social and economic opportunities.
 - Provide a safe and healthy workplace; protect human health and the environment; and promote sustainable development.
 - Promote fair competition including respect for intellectual and other property rights, and not offer, pay or accept bribes.

Appendix B: Questionnaires

Organisations understanding of 'Corporate Social Responsibility'

These questionnaires are part of a master's thesis and serves to provide practical input in an attempt to strategically structure a strategic guideline on CSR.

MTC's questionnaire

A. Background Information

Name and nature of organisation: Malaysian Timber Council, formed to unite the varying interests of the local timber industry, to provide a collective voice.

Organisation Vision: To be the lead organisation in developing the Malaysian timber industry into a world leader in the manufacture and trade of timber products

Organisation Core purpose: To promote timber trade by improving its competitiveness, enhancing market access and creating trade opportunities for timber products

Organisation Values: Sustainability in timber trade from the forest resource managed optimally by the resource managers

B. Corporate Social Responsibility

➤ *What does 'Corporate Social Responsibility' mean to your organisation?*

It is linked to Sustainable Forest Management in managing permanent forest land from which are derived the products that are traded. It should be done without undue undesirable effects on the physical and social environment (extracted from ITTO definition of SFM).

- *How does your organisation perceive its responsibility towards society and nature?*

Providing strategic direction for the timber industry to embrace sustainable timber production, to treat the resource in such a way as to ensure continued economic contributions to the country with due consideration for environmental safeguards.

- *Does your organisation have a policy on ‘Corporate Social Responsibility’ or equivalent? Please elaborate. If yes, what are the forcing drivers? If no, what may motivate the organisation to establish one?*

No written policy. The MTC does not directly carry out field operations and acts as a strategic leader in uniting the different sectors of the timber industry to be more focussed and directed. Because the industries are diverse and do not have the same interests and needs, to contribute to a common and cohesive policy, all players must agree on an over-arching statement of policy.

- *Who are your ‘stakeholders’ (any group or individual who can affect or is affected by the organisation¹¹)?*

Mainly the employees of the organisation, the timber industries and their associations, the upstream forestry sector, the government agencies that promote trade, the certification and standards bodies and in an indirect manner, non-governmental organisations and the public at large.

C. Organisational Culture

C1. Social aspects

- *What actions has your organisation taken to eliminate any forms of discrimination and encourage ethnic and cultural diversity? Please provide written policies, if available.*

¹¹ R. Edward Freeman, “A Stakeholder Theory of the Modern Corporation”.

No written policy, but there is an existing racial & cultural mix in current employee composition.

- *What does your organisation's code of ethical conduct state about your relationships with all stakeholders?*

No written policy but we are broadly aware of the need to be participative & consultative.

- *By what means do the rights and responsibilities of the stakeholders been communicated?*

Through meetings where each other's interests are taken into account before formulation and execution of activities.

- *How and to what level does your organisation strive to ensure participation of stakeholders in decisions that directly or indirectly affect them?*

Other than Consultation Meetings, Roadshows, Communications through Memorandums, Letters, E-mail Circulars, Questionnaires.

- *By what means does your organisation conduct routine evaluation programs to assess stakeholders' satisfaction?*

There are Dialogues, Brainstormings and open exchanges.

- *How do you consider the transparency of the organisation's processes?*

Reports are prepared regularly and disseminated to relevant stakeholders. Questions are answered when they arise.

- *What do you think are the main barriers preventing the organisation from achieving its social goals, be they planned or envisioned?*

MTC carries out generic trade promotion and indirectly contributes to the socio-economic goals of the country. Our contribution relies very much on factors sometimes beyond our direct control - foreign exchange fluctuations, market vagaries, barriers to trade from environmental issues. We are indirect players.

- *What do you think are the opportunities for the organisation to contribute towards achieving social sustainability?*

Enlisting more reasonable Social & Environmental NGOs into participating in consultations.

C2. Environmental aspects

- *What are your organisation's main environmental impacts? How are the impacts assessed?*

MTC as an organisation has, until now, not carried out an environmental impact assessment. We are unsure if this means checking on the organisation's use of paper, water, electricity, etc. or how by promoting timber trade, we are impacting on the environment. If it is the latter, we see our role as complementary to that of the resource managers'. We promote trade that is derived from a resource that is sustainably- managed.

- *How does your organisation strive to minimize its impacts to the environment? Please elaborate.*

We subscribe to the logging industry's adoption of the Malaysian Criteria & Indicators (MC&I) for sustainable forest management practices in harvesting operations. MTC was at the forefront in the financing of the field pilot-testing of the MC&I in 1997 that led to the formation of a full-fledged Malaysian Timber Certification Council (MTCC). The MTCC carries out independent third-party assessments for sustainable forest management and chain-of-custody for certified timber that complies with economic, social and environmental requirements.

- *How does your organisation contribute to awareness or education on environmental issues and concerns?*

This is done routinely through organized seminars & talks, circulation of e-mails, letters and updates, sometimes in conjunction with other relevant agencies.

- *What are the main barriers preventing your organisation from achieving its environmental goals, be they planned or envisioned?*

MTC is not the only player – all the agencies and players involved have to, through our combined efforts, make the industry a truly sustainable one, that does not override environmental considerations.

- *What are the opportunities for your organisation to contribute towards achieving ecological sustainability?*

Working in tandem with the MTCC and the various stakeholders, in the existing consultative groups to collectively ascribe to standards of performance that can be translated into action in the field, in forest harvesting operations.

Promon's questionnaire

A. Background Information

Name and nature of organisation: Promon Engenharia, designs, integrates and implements complex infrastructure solutions for key sectors such as power, oil & gas, process industries, mining, metallurgy, civil works, telecommunications, and information technology.

Organisation Vision: Knowledge shall be a tool of achievement for both individuals and the society, provided it is used in a conscious and shared manner.

Organisation Core purpose: To develop business and provide infrastructure solutions with the knowing and innovative use of technology, by means of a dynamic community of professionals creating value for its clients and acting as an agent in the process of transforming society.

Organisation Values: Excellence, innovation, trust, integrity, enthusiasm and humor.

B. Corporate Social Responsibility

- What does 'Corporate Social Responsibility' mean to your organisation?

We believe that, in pursuing socio-environmental sustainability, organisations can and should go beyond the indispensable adoption of policies and practices aligned with the principles of corporate social responsibility, by including the requirements of sustainability among the fundamental elements that define their culture and inserting these requirements into their goals and strategies.

- *How does your organisation perceive its responsibility towards society and nature?*

The challenge is not only to find solutions that are within the boundaries and limitations set by the client but also to respect the principles and values of the organisation in the most responsible way

possible. The real capacity that a service provider has to influence the client's attitude towards social responsibility is therefore limited.

- *Does your organisation have a policy on 'Corporate Social Responsibility' or equivalent? Please elaborate. If yes, what are the forcing drivers? If no, what may motivate the organisation to establish one?*

No written policy. Promon does not see the need to state in a formal way its policy. Expects that each professional behaves ethically and within the laws.

- *Who are your 'stakeholders' (any group or individual who can affect or is affected by the organisation)?*

Mainly the employees, clients, suppliers, the construction industries and their associations, the engineering sector, the government and society at large.

C. Organisational Culture

C1. Social aspects

- *What actions has your organisation taken to eliminate any forms of discrimination and encourage ethnic and cultural diversity? Please provide written policies, if available.*

No written policy, but there is some racial mix in current employee composition.

- *What does your organisation's code of ethical conduct state about your relationships with all stakeholders?*

No written policy but Promon is aware of the need to be participative & consultative.

- *By what means do the rights and responsibilities of the stakeholders been communicated?*

Participation, transparency and communication of rights and responsibility of stakeholders are ensured through an annual survey of

employee and clients, and through the engagement of all employees in the strategic planning process.

- *How and to what level does your organisation strive to ensure participation of stakeholders in decisions that directly or indirectly affect them?*

Same as previous question.

- *By what means does your organisation conduct routine evaluation programs to assess stakeholders' satisfaction?*

There are Dialogues, informal meetings and third party surveys.

- *How do you consider the transparency of the organisation's processes?*

Annual Reports are prepared, independent auditing regularly performed and disseminated to relevant stakeholders.

- *What do you think are the main barriers preventing the organisation from achieving its social goals, be they planned or envisioned?*

The obstacles to Promon contributing to “social sustainability” arise from the fact that being a service provider company for key sectors such as power, oil & gas, process industries, etc, Promon experiences constraints set by client-imposed standards within which it has to operate.

- *What do you think are the opportunities for the organisation to contribute towards achieving social sustainability?*

The way Promon interacts with the stakeholders community and with the supply chain. Stakeholders community: Those are specific actions following the organisation's values and guiding principles. Executing projects, in corporate philanthropic initiatives or in any other adequate actions coherent with the stakeholders community stand.

Supply chain: The ability to influence the supply chain and partner's attitude towards social responsibility compatible with the organisation's stand.

C2. Environmental aspects

- *What are your organisation's main environmental impacts? How are the impacts assessed?*

Promon has not carried out an environmental impact assessment considering its own installations and offices yet. But has adopted some good practice of energy and water reduction, paper recycling etc. The main environmental impacts occurs at the clients construction sites and there Promon can only comply with the environmental legislation and clients demand.

- *How does your organisation strive to minimize its impacts to the environment? Please elaborate.*

Besides the work on its own installations and offices the real capacity that a service provider has to influence the client's attitude towards environmental responsibility is limited.

- *How does your organisation contribute to awareness or education on environmental issues and concerns?*

This is done through organized seminars & talks at the sites, part of the health and safety routine procedures.

- *What are the main barriers preventing your organisation from achieving its environmental goals, be they planned or envisioned?*

The obstacles to Promon contributing to "ecological sustainability" arise from the fact that being a service provider company for key sectors such as power, oil & gas, process industries, etc, Promon experiences constraints set by client-imposed standards within which it has to operate.

- *What are the opportunities for your organisation to contribute towards achieving ecological sustainability?*

The opportunities lay in finding ways to bring about the necessary changes that will align the client's standards with that of a sustainable society.