



PALGRAVE STUDIES IN GOVERNANCE,
LEADERSHIP AND RESPONSIBILITY

Social Responsibility and Corporate Governance

Volume 1: Preconditions for Integration

Edited by

Matjaž Mulej · Grażyna O'Sullivan · Tjaša Štrukelj

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Palgrave Studies in Governance, Leadership and Responsibility

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The fall-out from many high profile crises in governance and leadership in recent decades, from banking to healthcare, continues to be felt around the world. Major reports have questioned the values and behaviour, not just of individual organizations but of professionals, industries and political leadership. These reports raise questions about business corporations and also public service institutions. In response this new series aims to explore the broad principles of governance and leadership and how these are embodied in different contexts, opening up the possibility of developing new theories and approaches that are fuelled by interdisciplinary approaches. The purpose of the series is to highlight critical reflection and empirical research which can enable dialogue across sectors, focusing on theory, value and the practice of governance, leadership and responsibility.

Written from a global context, the series is unique in bringing leadership and governance together. The King III report connects these two fields by identifying leadership as one of the three principles of effective governance however most courses in business schools have traditionally treated these as separate subjects. Increasingly, and in particular with the case of executive education, business schools are recognizing the need to develop and produce responsible leaders. The series will therefore encourage critical exploration between these two areas and as such explore sociological and philosophical perspectives.

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Foreword

In 2008 the world experienced its new global socio-economic crisis. Over the next ten years the root of the crisis, i.e. the neoliberal global monopolization replacing the expected free market (Vitali et al. 2011) has proved to be dangerous for humankind. Companies have decisive powers over governments (Perkins 2012). With documents passed by United Nations, e.g. Global Compact (UNO 2000), and by International Standard Organization, such as ISO 26000 (ISO 2010) the humankind responded to this crisis globally clearly: social responsibility must replace the decisive persons' and organizations' reigning lack of

- Responsibility for their influences on humans and nature, i.e. society (rather than bosses' irresponsibility as the untouchable ones, and subordinates' irresponsibility as the non-influential ones);
- Ethics of interdependence (rather than bosses' ethics of independence as the untouchable ones, and subordinates' ethics of dependence as the non-influential ones);

- Holistic approach (rather than bosses' onesidedness as the untouchable ones, and subordinates' onesidedness as the non-influential ones; both groups have usual narrowly specialized professional education, and they lack a holistic approach by interdisciplinary creative cooperation therefore).

Thus, the humankind acknowledged via its global bodies that

- The corporate social responsibility is the way out from the current humankind's blind alley; and
- The way out of this blind alley starts in corporations as the most influential units of the global society.
- Therefore a socially responsible corporate governance offers the clue by implementing the ISO 26000. Unfortunately, many do not use ISO 26000 in their research on social responsibility (see references in e.g. Hrast et al., editors, 15 conference proceedings on <http://www.irdo.si/>; Potočan and Nedelko 2015; Potočan et al. 2019a, b; Lebe and Mulej, editors 2014; Mulej and Dyck, editors 2014—four volumes; Mulej et al., editors 2016—three volumes in Slovene; Mulej et al., editors 2019; Štrukelj and Gajšt 2019; Štrukelj and Sternad Zabukovšek 2019; Štrukelj et al. 2020a, b; Zore 2015).

Via ISO 26000, humankind requires a holistic approach based on interdependence; it comprises seven core subjects (ISO 2010, p. 4): (1) organisational governance, (2) human rights, (3) labour practices, (4) the environment, (5) fair operating practices, (6) consumer issues, and (7) community involvement and development (Fig. 1). ISO 26000 exposes seven principles of social responsibility as VCEN (i.e. values, culture, ethics, and norms) (ISO 2010, p. 7): (1) accountability, (2) transparency, (3) ethical behaviour, (4) respect for stakeholder interests, (5) respect for the rule of law, (6) respect for international norms of behaviour, and (7) respect for human rights (ISO 2010, pp. 10–14).

Organizations that use these principles when dealing with these core subjects, have serious human and economic advantages; socially responsible behaviour prevents costs of e.g. strikes, under-used creativity and innovativeness of co-workers, losing and replacing good employees,

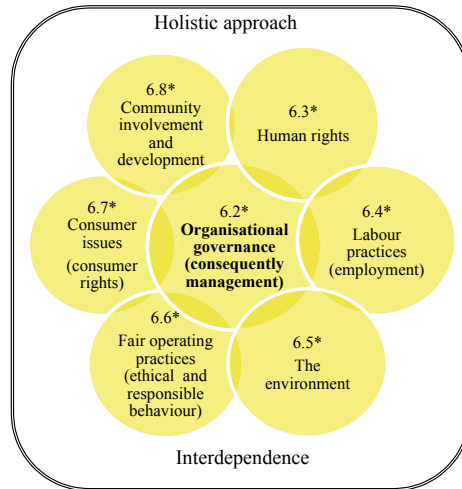


Fig. 1 7 core subjects and two linking categories of social responsibility in ISO 26000 (Notes The figures denote the clause numbers in ISO 26000. When an explanation is written in parentheses—addition Tjaša Štrukelj Source ISO 2010, p. 4. Editors' presentation based on publicly available information)

suppliers and customers, absenteeism and presentism, ruined natural environment, curing humans and environment, etc., including global socio-economic crises, (local and global) revolutions and wars, refugees, etc. Such costs are prevented, hence one must discover results in opportunity cost and benefit analysis (which authors only point to, here).

This double-blind reviewed scientific monograph addresses all seven core subjects with contributions from central Europe, which is less frequently heard as the West:

- Chapters 1 and 8 discuss organizational governance (p. 6.2 in Fig. 1);
- Chapter 2 discusses environment (p. 6.5 in Fig. 1);
- Chapter 3 discusses labour practices (p. 6.4 in Fig. 1);
- Chapter 4 discusses community involvement and development (p. 6.8 in Fig. 1);
- Chapter 5 discusses human rights (p. 6.3 in Fig. 1);
- Chapter 6 discusses fair operating practices (p. 6.6 in Fig. 1);
- Chapter 7 discusses consumer issues (p. 6.7 in Fig. 1).

In synergy, chapters are interdependent due to their differences, completing each other up; they hence make a step towards the holistic approach together (a fully holistic approach ought to consider totally all existing attributes, which reaches beyond human capacities even in an interdisciplinary team work; authors' limitations to single professions and perspectives cause fictitiously holistic approaches; therefore one should use a 'dialectical system' leading to 'requisite holism' by covering all and only crucial perspectives, relations and synergies (Mulej 1974, 1979; Mulej et al. 2013).

Thus, the editors and authors offer humans more awareness and practice of social responsibility in and via the corporate governance with these books. Editors and authors talk to academics, other scholars, students and practitioners in organizations and local communities. The point addresses increasing of human creativity and wellbeing.

Maribor, Slovenia

Prof. Emer. Dr., Dr. Matjaž Mulej
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1

Enterprise Policy/Governance, as a Core Subject of Social Responsibility, for Enterprise Stakeholders' Well-Being

Tjaša Štrukelj, Matjaž Mulej, and Simona Šarotar Žižek

1.1 Introduction

Booz & Company's 'The Global Innovation 1000' annual study of companies investing the most in innovation (Stewart 2011) reveals a

Editorial comment: Processes and/or events of any kind may take place in any organization, if the organization's policy foresees, or allows, at least, them. Social responsibility (SR) and stakeholders' well-being (WB) are no exceptions. SR and WB are novelties of the few recent years or decades, having still to become non-technological and crucial innovations. Policy depends on decision-making humans with their cognitive, spiritual, emotional, and physical intelligences. They control enterprise policy/governance [corporate governance], hopefully with SR.

The article bases on the conference article by Šarotar Žižek et al. (2011) and is supplemented, widened, and modified with authors' newer cognitions.

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surprising fact: fewer than half of survey respondents' business strategy [that results from enterprise policy—corporate governance], innovation strategy, and corporate culture are aligned. Furthermore, the data reveals that the [governance]-strategy-culture connection has powerful multiplier effects, dramatically increasing the effectiveness of R&D spending (Apple, named first for innovativeness by executives, ranks just 70th in R&D spending). The most successful innovators' culture supports innovation, and accelerates innovative processes (Jaruzelski et al. 2011). Hence, enterprise-governance-and-management-process innovation toward corporate (social) responsibility must match enterprise culture; enterprise's stakeholders' WB also matches human rights and should focus on people.

Thus our hypothesis reads: enterprise's stakeholders' WB results from properly oriented enterprise vision/policy (aimed at social and other responsibility). To reach a (socially) responsible enterprise policy making it socially responsible and generating stakeholders' WB, enterprise shareholders and other stakeholders should have consciousness that SR/WB matters (Sect. 1.2). This arises, among others, from their spiritual intelligence and contemporary circumstances (Sect. 1.3). Section 1.4 covers enterprise vision and (responsible) enterprise policy. Section 1.5 covers well-being. Section 1.6 includes concluding remarks.

We detected no texts exposing the links discussed by us here.

1.2 Research Method

Authors take a requisitely holistic approach to discuss interdependence of enterprise policy (corporate governance), social responsibility, and enterprise stakeholders' well-being. This helps readers understand

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that enterprise competitiveness depends on innovation of the corporate governance- and management-process (and style) toward corporate (social) responsibility. The latter namely means ‘responsibility for impacts on society’ and is based on (ethics of) interdependence and (requisitely) holistic approach (Dankova et al. 2015; EU 2011; ISO 2010; Mulej and Dyck 2014; Mulej and Čagran 2016; Mulej and Hrast 2016; Mulej et al. 2016). Methodologically we used desk research approach, backed by field research on social responsibility (SR) and well-being (WB) as a precondition for business success (for details, see Šarotar Žižek 2012; Šarotar Žižek et al. 2012, 2015).

This desk research includes international references, while the field research covered Slovenia as a European Union member state (Šarotar Žižek 2012; Šarotar Žižek et al. 2015a, b, c, d). But it did not include enough the connection between VCEN (values, culture, ethics and norms in synergy), social responsibility (SR), requisite holism (RH), and the enterprise vision/policy (Štrukelj 2015, 2016a). This is the point here.

Its practical implications offer practitioners suggestions about their management style and process to help them generate related non-technological innovations aimed at promotion of SR and WB in their respective units. This would support their business success (ibid.).

The most important social implications suggest that SR enterprise’s vision/policy should include SR of behavior motivating the enterprise stakeholders’ modern, requisitely holistic, VCEN and behavior, enabling all stakeholders’ WB, long-term survival of their enterprises, co-workers, their partners, community and nature (as critical preconditions of humankind’s survival on the Planet Earth).

All changes, including innovations, humans are facing today take place within the global economic environment (Barney and Hasterly 2011; Belak, Ja. 2010; Coulter 2005; David 2011; Duh 2015; Duh and Štrukelj 2011; Dyck 2011; Jaruzelski et al. 2011; Lebe and Mulej 2014; Mulej et al. 2007, 2009a, b, c, d; Mulej and Dyck 2014; Mulej 2013, 2015; Šarotar Žižek et al. 2011; Štrukelj 2015, 2016b; Štrukelj and Mulej 2008, 2009, 2010, 2011b; Wheelen and Hunger 2010; etc.). These changes result from increasingly important processes linking inventions, suggestions, potential innovations, and innovations and their

diffusion to many users (IID). IID result from the necessary creativeness and innovativeness, enabling new ideas, and constructive thinking; now, perspectives differ originating from different knowledge, VCEN, and experiences (see Mulej from 1974 onwards, incl. Mulej et al. 2013). Therefore, also the enterprise's performance, and the ways of its achievement continuously change (Štrukelj and Mulej 2009, 2011b; Štrukelj 2015).

Mapping the future sustainable competitiveness requires research developing the new concept of competitiveness, with much of the research focusing on how sustainable development and competitiveness interact (Balkytė and Peleckis 2010; Rejc Buhovac and Epstein 2014; Štrukelj 2016b). One way of reaching enterprise competitiveness results from enterprise/corporate governance- and management-process (and style) innovation toward corporate responsibility (Štrukelj and Mulej 2008, 2009, 2010, 2011b; Štrukelj 2014, 2015, 2016a; Štrukelj and Šuligoj 2014), including human rights by treating coworkers as human beings rather than as machines' parts, and sustainability (Whatley 2011).

Thus we discuss the thesis: there is interdependence of corporate governance (enterprise policy), social responsibility, and enterprise stakeholders' well-being (WB); we only warn that for these one needs the right information (Sternad et al. 2011; Štrukelj and Sternad Zabukovšek 2016).

Enterprise policy, i.e. basic, general, and long-term orientation arises from enterprise vision (Belak, Ja. 2002, 2010; Belak, Ja. and Duh 2011, 2012; Belak, Ja. et al. 2012, 2014; Duh 2015; Duh and Belak, Je. 2014), and should express its need for social (and other) responsibility, e.g. in line with ISO 26000 (Dankova et al. 2015; ISO 2010; Štrukelj 2016a; Štrukelj and Mulej 2011b; Šarotar Žižek et al. 2011; Mulej and Dyck 2014; Mulej and Čagran 2016; Mulej and Hrast 2016; Mulej et al. 2016), including the enterprise stakeholders' well-being (WB) discussed here. The enterprise shareholders (sometimes also top managers) choose its policy; the more spiritually conscious they are, the more ethical and responsible enterprise policy will be defined. If they are not spiritually intelligent, they are short-term oriented, often: their enterprise policy cannot be responsible; it diminishes WB and causes (enterprise)

crisis. Thus, their spirituality influences their enterprise's vision/policy's responsibility and enterprise stakeholders' WB (see Šarotar Žižek et al. 2011).

1.3 Human Beings in the Contemporary Circumstances

Quite many authors agree that the neoliberal capitalism, which has denied SR, caused the current crisis by creating 'Bubble Economy' with monopolism (under the label of a totally free market), providing chances only to a small minority of population (e.g. ..., Rop 2011; Bozicnik et al. 2008; Dyck 2011; Goerner et al. 2008; Hrast et al. 2015; Senge et al. 2008; Stern 2006; Igralniski 2012; Vitali et al. 2011; etc.: see references in Mulej and Dyck 2014 and Mulej et al. 2016 [Mulej and Čagran 2016; Mulej and Hrast 2016; Mulej et al. 2016], on which this contribution is partly based). This limitation of the neo-liberalist economics of the decades after World War II is the clear dead alley; e.g.:

- In less than 150 years the world-wide span of wealth (measured in national per-capita-income) has grown from 3:1 to +500:1, leaving 85% of humankind under six USD/day and hence angry and envious, and/or without ambitions.
- The Planet Earth's natural capacity to support the destructive living style of the current civilization has been overburdened several decades ago.
- After the 2nd World War, the standard of living has been increasing fictitiously: the huge cost of maintenance of the natural preconditions for humankind to survive has been postponed and piled up rather than covered in real time. The unavoidable renewal of these preconditions may cost more than both world-wars combined, if the action is immediate; or even 20% of the world-wide GDB, if the action is postponed for another 20 or so years (which is happening).
- The growing and hidden debts of countries of the so-called developed world are also there. These huge debts are now made visible around the world; the debts to humans' environment/nature are not included.

- The big depression of 1930s, to which the current crisis is found quite similar by many authors, was not simply resolved with Keynes's economic measures, but continued as the 2nd World War in order for humankind to resolve the problems left over after the 1st world war. Similar problems are around. And so are nuclear weapons able to destroy the Planet Earth several times; this situation is crucially dangerous.
- People forgot that organizations, including enterprises and states/governments are their tools rather than authorities above people; they are tools of those in the positions of higher human impact, only, more or less.
- The 'Bubble Economy' cannot last (Senge et al. 2008). SR must replace it.
- In other words, the lack of SR destroyed the slaves-owning and feudal societies and created room for democracy and free-market economy, including SR. The same lack of SR is surviving, called financial, neoliberal or feudal capitalism. Legal names differ, not much else. Therefore, SR is so necessary and discussed today (e.g. Zore et al. 2015).

Etc. All decisions depend on humans as stakeholders. The enterprise stakeholders are multilayered beings, both individually and in synergy, i.e.: (1) physical, (2) psychical, (3) social, (4) economic/professional, and (5) spiritual beings. Their requisitely holistic patterns of relatively long-lasting attributes make individuals, even as specialized experts, differ from each other. As individual spiritual beings they choose their spiritual evolution to express their own spiritual nature (Šarotar Žižek et al. 2011, p. 233). Spirituality is based on subjective feeling and trust and serves one's search for life's purpose and fulfills one's life's mission (Zohar and Marshall 2006). These two exceed other aspects of positive psychology and present its highest range (Frankl 1962).

To us, spirituality also serves for the determination of enterprise's basic, general and long-term characteristics: its vision and enterprise policy. A sustainable enterprise [policy] should consider several aspects, i.e. economic, ecological, social, and ethical imperatives in synergy (Mulej et al. 2007, p. 122).

GDP does not say enough; additions are suggested, including the following performance criteria: individual sustainable life index, corporate sustainable behavior index, societal sustainable development index, and global sustainable present and future survival index (Rašić 2015, 2016a, b). The first, similar, officially presented international index of well-being measurement is OECD's "Your Better Life Index" (YBLICN 2011), launched in May 2011; it lets people measure and compare their lives beyond traditional GDP numbers across 34 countries, based on 11 dimensions [determinants of well-being]: housing, income, jobs, community, education, environment, governance, health, life satisfaction, safety, work-life balance (see www.oecd.org/betterlifeindex; see also Beyond GDP 2011; Blanchflower and Oswald 2011; Helliwell et al. 2012; Judge and Kammayer-Mueller 2011; NEF 2009; Revkin 2005; Stiglitz et al. 2009; Šarotar Žižek et al. 2012, 2015; Wu and Wu 2010). Nevertheless, the enterprise developmental and stakeholders' interest orientation should consider all discussed items and ISO 26000 standard on social responsibility in order to create the socio-economic health of our societies, matching the current human criteria (Fig. 1.1).

But authors understand the content of SR differently. Webpages contain many millions contributions about SR. Our selection shows the following situation: The simplest version of SR is charity, but it might only hide the influential persons' and their organizations' real one-sidedness rather than requisitely holistic behavior. European Union (EU 2001) mentioned officially four contents of CSR to expose a free-will-based acceptance of the end of abuse of employees, other business partners, broader society, and natural preconditions of humankind's survival, beyond law. Later, EU defines SR shorter and more generally: CSR is responsibility of enterprises for their impacts on society (EU 2011). In literature on business excellence one requires more—upgrading of its measures with SR (for overview, see Gorenak and Mulej 2010). In further literature one sees connection between systemic thinking and SR (Cordoba and Campbell 2008). Further references link SR with world peace (Crowther and Caliyut 2004). The definition in ISO 26000 was not passed by theorists and politicians, but by the International standards organization (ISO, having 169 members world-wide) that is backed by businesses. Therefore, we prefer ISO 26000.



Fig. 1.1 The seven core subjects of social responsibility and the all-linking concepts holistic approach and interdependence (*The figures denote the clause numbers in ISO 26000. When an explanation is written in parentheses—addition Tjaša Štrukelj) (Source ISO 26000 [2010, p. 4]. Authors' presentation based on publicly available information)

ISO 26000 on SR requires a *holistic approach* (based on *interdependence*) and includes the seven content areas in Fig. 1.1. Principles of SR, belonging into VCEN are seven: (1) Accountability, (2) Transparency, (3) Ethical behavior,¹ (4) Respect for stakeholder interests, (5) Respect for the rule of law, (6) Respect for international norms of behavior, and (7) Respect for human rights (ISO 2010, pp. 10–14).

The information for properly oriented enterprise vision and policy arises from enterprise's (stakeholders') values, culture, ethics, and norms (VCEN; Potocan and Mulej 2007). To overcome the crisis the planet Earth faces, this enterprise vision/policy should include SR of behavior

¹Ethical behavior means values of honesty, equity and integrity, implying concerns for people, animals and the environment and commitment to address the impact of one's activities and decisions on stakeholders' interests (ISO 2010 in ISO 26000).

motivating the enterprise stakeholders toward a modern, requisitely holistic, VCEN and behavior, for all stakeholders' WB, and long-term survival including their enterprises, co-workers, partners, community and nature (as critical preconditions for human survival on the Planet Earth). The core subject 'Human rights' in ISO 26000 (ISO 2010) should contain partnership and care for preventing the crossing of individual/organizational/societal limits that causes crisis. Such an enterprise policy can support all enterprises' stakeholders' WB.

Humans are complex being, including spiritual attributes. Therefore, the spiritual intelligence influences enterprise governance and management too. Spiritual perception of the world (Kononenko 2006, p. 1) is the basis of all teachings of great wise men of important philosophical and religious schools and also of eastern and western holy texts, e.g. Aurobindo (1991), Jogananda (2003), Krishnamurti et al. (1993), Meera (2002), de Mello (1989), Milcinski (1992), Osho (1998), Pilgrim (1999), Po (1977), Shah (2000), Shankar (2000), and Tolle (2002). Even though all teachings carry their own little distinctions in details, approaches to, and techniques of, spiritual paths, they share foundations and common ideas. On these bases Zohar and Marshall (2006) developed spiritual intelligence. "In order to create wealth (spiritual capital), which results from the purpose of life, life values and the basic meaning of life, we must have a sense for purpose of life and its values and the sense of the basic meaning of life (spiritual intelligence). Spiritual intelligence is the intelligence that allows us the deepest purpose of life, its highest values, meaning and deepest motives. Spiritual intelligence is the way we use our process of thinking when we decide and when we do things that we think are worth doing" (Zohar and Marshall 2006, p. 13). Prosenak and Mulej (2008, p. 13) also demonstrate their findings from sciences researching spirituality, i.e. some natural sciences (especially quantum physics) and some sociological sciences (Bell and Morse 2005; Capra 1991; Khisty 2006; McTaggart 2004; Schumacher 1989; Senge et al. 2004; Targ and Hurtak 2006). These include the following:

1. All subjects are interpersonally connected (at least from viewpoint of energy) and therefore interdependent; humans make an essential

- mistake, if recognizing themselves as subjects that are independent from other subjects of society and nature [all life species]²;
2. Presupposition of interdependence leads humans away from the un-holistic, one-sided acting, which yields unpredictable and often unwanted consequences, including World Wars.

To create wealth (spiritual capital) deriving from the purpose of life, life values and the basic sense of life, one needs sense for the purpose of life and its values and for the basic meaning of life (spiritual intelligence). Spiritual intelligence (Zohar and Marshall 2006, p. 13) enables humans to find the deeper purpose of life, its highest values, purpose and deepest motives. It is the way of using one's thinking when making decisions and doing things one finds worth doing. The spiritual intelligence covers the philosophy of being, cooperation and leading, which also places into new context the meaning and purpose of governing and conducting/managing business aimed at assuring the WB. Therefore, a spiritual intelligence, upgraded with spiritual capital, contributes significantly to the modern leading and modern enterprise governance and management (integral management models, developed for example by Barney and Hasterly 2011; Belak, Ja. 2010; Belak, Ja. and Duh 2011, 2012; Belak, Ja. et al. 2012, 2014; Duh 2015; Duh and Belak, Je. 2014; Bleicher 2004; David 2011; Hinterhuber 2004; Kajzer et al. 2008; Štrukelj 2015; Wheelen and Hunger 2010); it also generates a new paradigm of leading.

Individuals, and especially enterprise's shareholders and (top) managers, must focus on the development of their own responsibility in all circumstances, respect for others, no matter how many mistakes they have made and how negative³ their personality is. They also must trust, and take care of, others even before they take care of their own needs; they need empathy. The above mentioned attributes express the personal spiritual power with its roots based deeply inside one's subconsciousness. Therefore, the emotional and spiritual intelligences lie in

²Legal independence, only, is possible; due to specialization a biological or economic one is not.

³What are mistakes and what is negative, depends on criteria rather than given facts.

complex connection; understanding the bases of spiritual intelligence is a precondition for the development of emotional intelligence.

Theory of emotional intelligence was developed in the 1990s by Salovey and Mayer (adapted from Goleman 2001, p. 338) who defined it as one's ability to monitor and manage the emotions and feelings of others and ability to listen to the feelings that guide human thinking and actions. Goleman elaborated and designed this model as five basic emotional and social skills: (1) awareness of self, (2) control of self, (3) promoting ourselves, (4) empathy, and (5) social skills (Goleman 2001, pp. 338–339).

Spiritual intelligence is aimed at higher connectedness and deeper connection with the human's inner parts and consequentially with the whole world. Its highest form is one's pure and unconditional love in absence of human conscious mind, which gathers information for living from one's outside world and helps enterprise stakeholders to develop responsible enterprise policy that tries to satisfy various viewpoints of responsibility discussed in Sect. 1.4.

1.4 Corporate Governance as a Core Subject of Social Responsibility

Every serious organization, as an institution of interest linking people and property (Belak, Ja. 2002, 2010; Duh 2015) defines its basic, general and long-term characteristics in its enterprise policy as its important management instrument influencing development and operation (Belak, Ja. and Duh 2011; Duh 2015; Wheelen and Hunger 2010). Enterprise policy includes its mission, purpose and basic goals that result from vision—starting point for start-up and developmental enterprise planning; it also incorporates vision (Belak, Ja. 2010; Duh 2015; Štrukelj and Šuligoj 2014). It should also reflect the organization's commitment to SR, including ethical decision-making⁴ (Coulter 2005, p. 48). Enterprise vision is based on the entrepreneur's values

⁴What is ethical depends on criteria, too. What is meant here is ethics excluding abuse of power/impact (ISO 26000).

(Zimmerer and Scarborough 2005, p. 71). They reflect in organizational values, culture, ethics and norms (VCEN) (Potocan and Mulej 2007). When VCEN are oriented toward enterprise's SR, enterprises (and humans) have more possibilities for their WB and long-term survival, because humans are less one-sided and short-term. In order to achieve that, enterprise needs proper information that can be gained with the so called business information systems, e.g. enterprise resource planning (see Sternad et al. 2011). Though, from the one-sided VCEN of so far to VCEN of requisite holism (RH) and SR there is a non-technological invention-innovation-diffusion process (Mulej and Hrast 2010). The RH/SR oriented managers make it happen, e.g. the ones in the most successful companies having cooperative leaders, practitioners of self-transformation, business excellence, etc. (Collins and Porras 1997; Florida 2005; ISO 26000 by ISO 2010; Mulej 2013; Mulej and Dyck 2014; Mulej and Čagran 2016; Mulej and Hrast 2016; Mulej et al. 2016).

A new benefit for the current and coming generations should result from innovations (Mulej 2013). The innovation of planning and management criteria belongs to the first steps and must be oriented toward more SR and/include requisite holism (ibid.). The current economies need radical innovative changes to get out of the current 2008– (one-sided/biased VCEN-based) crisis, also through the governance and management process innovation (see Štrukelj 2015; Štrukelj and Mulej 2009; Štrukelj and Šuligoj 2014) and requisitely holistic ethics planning as pre-conditions for enterprise ethical behavior (Belak, Je. et al. 2010; Dankova et al. 2015; Duh et al. 2010; Štrukelj 2015, 2016a).

In the concept of SR (Wheelen and Hunger 2006, p. 56) private corporations have responsibilities to society beyond making their profit. Strategic decisions often affect more than just the corporation. Managers (ibid., p. 57) must be able to ethically deal with many conflicting interests to formulate a viable strategic plan [originating in the enterprise vision and enterprise policy]. Among many world-wide acknowledged models of integral management that stress the governance and management process, let us expose authors considering the above systems connection, e.g. Barney and Hesterly (2011), Belak, Ja. (2010), Belak, Ja. and Duh (2011, 2012), Belak, Ja. et al. (2012, 2014), Bleicher (2004),

David (2011), Duh (2015), Duh and Belak, Je. (2014), Hinterhuber (2004), Kajzer et al. (2008), and Wheelen and Hunger (2010). But we must be aware (see Štrukelj and Mulej 2008, pp. 178–179) that also all these models have presented only a partial (although rather integrative, nearly RH) view of organizational development and business, depending on subjective viewpoints of cooperating authors and schools. Thus, models are only (simplified) frameworks for precise organizational investigations (Štrukelj 2015).

Theoretical approaches to schools of thought in strategic management from the integrated strategic management perspective were briefly explained by Criado et al. (2010, pp. 109–112); for empirical survey of integral management importance, see Duh and Štrukelj (2011). About the need for SR of enterprise governance and management (process innovation) read (Šarotar Žižek et al. 2011; Štrukelj 2015, 2016a; Štrukelj and Mulej 2008, 2009, 2011b; Štrukelj and Šuligoj 2014; Štrukelj et al. 2010). Enterprises aiming to attain their long-term survival, should follow the principles of stakeholder interests, enterprise developmental, economic and social (SIEDES) responsible (enterprise) policy (see Bleicher 1995, pp. 100–120 in Belak, Ja. 2002; Bleicher 2004; adapted and supplement with our own comprehension) (Table 1.1). (See Štrukelj and Mulej [2011a, p. 2 (first version)], Štrukelj et al. [2012a, p. 163; 2012b, pp. 33–34; 2012c, pp. 3–4], and Štrukelj [2015, pp. 173–174] for previous versions of this model.)

Many entrepreneurs practice the modern VCEN with clear business benefits; their criteria of benefit are often not short-term and narrow-minded (Mulej et al. 2009d, p. 240). The lack of suitable VCEN, based on SR seemed to belong to important (economic) factors causing the (economic, social, environmental, financial) global crises of 2008– (see also Duh and Štrukelj 2011). And just now, if not earlier, the enterprise's SR is hence more necessary than otherwise. This need must enter the enterprise vision and enterprise policy, to lead to sustainable development. Whether the practice of policy will really match this description, depends upon share-holders'/owners' (and other influential stakeholders') spiritual intelligence and consciousness that SR matters and supports all stakeholders' WB and consequently their own interests satisfaction (see Šarotar Žižek et al. 2011, 2015). About sustainable development see, e.g.: Epstein (2009, 2010), Hardjono and de Klein

Table 1.1 The principles of stakeholder interests, enterprise developmental, economic and social (SIEDES) responsible (enterprise) business policy

The principles of SIEDES responsible (enterprise) business policy

1. Responsible enterprise regular innovates its vision and business policy towards social responsibility, ethics and sustainability
 2. Taking innovations of enterprise's values, culture, ethics and norms into consideration, responsible enterprise's business policy satisfies all stakeholders' interests
 3. Responsible enterprise's business policy considers interdependence of owners, employees, society and planet Earth
 4. Enterprise stakeholders should regularly think about own long-term interests
 5. Enterprise stakeholders should regularly think about their enterprise's consequences on others
 6. Enterprise stakeholders should regularly think about their willingness/ability to develop themselves toward better humans
 7. Responsible enterprise's business policy regularly considers new possibilities of enterprise's internal and external development
 8. Responsible enterprise's business policy regularly considers new possibilities of enterprise's economic orientation
 9. Responsible enterprise's business policy regularly considers new possibilities of enterprise's ecological orientation
 10. Responsible enterprise's business policy regularly considers new possibilities of enterprise's social orientation
 11. Responsible enterprise's business policy regularly considers new possibilities of enterprise's sustainable behaviour
 12. Responsible enterprise's business policy regularly helps to create new, sustainable, into a long-term success of all species oriented global society
-

Source Own, based on Štrukelj (2015, pp. 173–174) and cited previous versions

(2004), Lo and Sheu (2007), Madu and Kuei (2012), Nidumolu et al. (2009), Rejc Buhovac and Epstein (2014), and Wagner (2010).

Innovation of VCEN improves SR, ethics of interdependence, sustainable future, and RH of approach leading to requisite wholeness of outcomes of the human behavior. Management style- and VCEN-related innovation is the most influential: it switches from

- 'I think and decide, you work only' to
- 'We all think and we all work, and we all listen to each other to attain RH' principle.

This double innovation enables other types of the needed inventions, suggestions, potential innovation and innovations. Management, governance, and organizing must become crucially more RH than in the concept of the Chicago School of neo-liberal economy disabling Adam Smith's liberalism and its invisible hand, meaning interdependence of suppliers, buyers and other business partners as the basis of their shared long-term benefit (Gorenak and Mulej 2010; Rejc Buhovac and Epstein 2014; Senge et al. 2008; Toth 2008; Smith 2010; Mulej and Dyck 2014; Mulej 2013, 2015; Mulej and Čagran 2016; Mulej and Hrast 2016; Mulej et al. 2016).

The 2008– crisis was not caused in 2008; it only surfaced then, as a consequence of the neo-liberal fictitious, rather than realistic, model of omnipotent market, causing also fictitious innovations by bank-and finance-people and the break of the fictitiously working real-estate market in USA (e.g. ..., Rop 2011). This crisis is obviously much deeper: the market cannot be reliable, because it does not work as predefined by Smith (2010). Neither can governments be reliable, if they are biased and one-sided rather than requisitely or even totally holistic in their approach (Mulej and Kajzer 1998). Both the global market and the governments are monopolized (see references in Mulej and Dyck 2014). Thus, one can hardly attain the requisite wholeness of one's insights and other outcomes. SR surfaces, again, as a good option. This is a critical reason for including SR into any enterprise's vision, policy, strategic and operative management, and its basic-realization process: SR makes enterprise stakeholders' WB grow. We consider it in our Sects. 1.5 and 1.6.

1.5 Enterprise Stakeholders' Well-Being

Positive psychology captured within the discussed responsible enterprise policy, develops well-being (WB). The literature on defining positive psychological functioning (for WB) includes many perspectives. There are e.g. Maslow's (1968) conception of self-actualization, Rogers's (1961) view of the fully functioning person, Jung's (1933) formulation of individuation, and Allport's (1961) conception of maturity (Ryff 1989, p. 1070). "A further domain of theory for defining

psychological WB follows from life span developmental perspectives, which emphasize the differing challenges confronted at various phases of the life cycle. Included here are Erikson's (1959) psychological stage model, Buhler's basic life tendencies that work toward the fulfillment of life (Buhler 1935; Buhler and Massarik 1968) and Neugarten's (1968, 1973) descriptions of personality change in adulthood and old age" (Ryff 1989, p. 1070). Jahoda (1958) was particularly interested in optimal and successful functioning beyond absence of a negative behavior. Ryff and Keyes (1995, p. 720) included into their model of WB six distinct components of positive psychological functioning: self-acceptance, personal growth, purpose in life, positive relations with others, environmental mastery, and autonomy. Thus, enterprise stakeholders attain higher levels of positive psychological functioning concerning all discussed dimensions, when the enterprise policy is responsible to, and about, them, too.

Recent extensions of the theory of personal well-being (PWB) replaced the term "balance" with the word "homeostasis"; and the term "events" with the term "challenge". Cummins's (2010) theory focuses on the power of challenge and its impact on the level of the PWB. This includes the derived type of set points (from 70 to 80 points), resulting from the previous Cummins' research (1995, 1998). The model focuses on the role of homeostasis defending the set point of the PWB. His model may be a bit confusing and complicated at the first glance. However, it attempts to show the different phases, carrying letters "a" to "c", where a is the phase during "no challenge", b is the phase during "priority of challenge" and c is the phase during "very strong challenge". When one experiences no challenge, the PWB remains. When one experiences a mild challenge, the level of the PWB slightly changes within the range set-point (Step a). Phase b is where the PWB prevent falls below the set point, due to the strong homeostatic defense. Step c is a position in which the challenge is too strong and PWB drops significantly. It therefore seems appropriate, if any definition of welfare focuses on the state of balance or equilibrium, which various life events and challenges can affect.

Relationship with the challenges arises from the idea that every individual develops appropriate knowledge or resources to meet the faced

challenges. This balanced argument between skills and challenges was Csikszentmihalyi's (1975) central concept; he defined the concept of flow. This represents a situation in which people are so involved in the business that nothing else seems to matter (Csikszentmihalyi 2002, p. 4); this in turn leads to happiness.

Work activities are pleasant, when matching the employees' skill levels (Csikszentmihalyi 1975). When an employee performs an activity, which is either too simple or too complicated and/or complex, one will not enjoy flow, i.e. complete absorption by one's work. The happy life is not a perfect life; in a perfect life one does what helps one grow and realize one's full potential (Csikszentmihalyi 1975, 1990, 1997; Csikszentmihalyi and Figurski 1982). One's quality of life reaches beyond luck to what makes one happy; a person who reaches satisfaction with the withdrawal from the world to only "cultivate one's garden," as Voltaire's *Candide* did, cannot be said to lead a great life; without dreams and risks, one can only achieve trivial appearance of life (Csikszentmihalyi 1997, p. 22) (Fig. 1.2).

The interaction between the challenges of life and personal resources are based on five key principles (Hendry and Kloep 2002):

1. Promote the development of individuals needing a challenge.
2. Successful solving the challenge leads to development.
3. Un-resolved challenges lead to problems with future challenges.

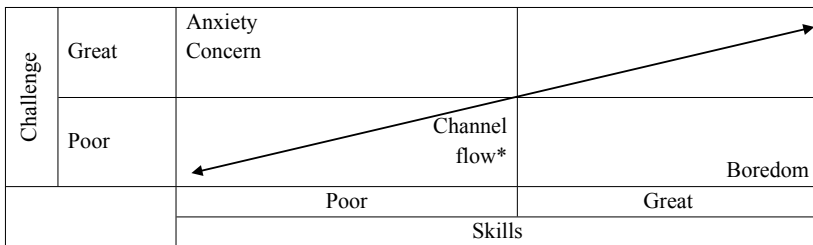


Fig. 1.2 The relationship between challenge and skills (*Channel flow occurs only when challenges and skills are relatively balanced) (Source Own; based on Csikszentmihalyi [2002, pp. 74 and 252])

4. The method of solving the challenges is interactive, dialectical process leading to changes in the individual and/or the environment, and encourages the development.
5. Individuals will have different levels of resources to meet the challenges.

Although this theory is not directly connected with the WB, it reflects the dynamic theory of equilibrium in terms of the challenges facing the individuals, and presents well-being as a current or flow. It also links with the idea of Cummins' homeostasis.

Employers may affect employees WB, e.g., with: (1) pension schemes, (2) access to medical assistance, (3) healthy and safe work environments, (4) assistance in the long-term sick leaves, (5) support to family matters such as bereavement, kindergarten, ensuring maternity leave for fathers, help with family members', employees', consultants' education and transport, (6) access to support staff, (7) restaurants and social and recreational facilities for staff, (8) preparation for one's unemployment (surplus employees) and retirement, (9) advisory policies for solving contemporary problems of welfare, e.g. HIV/AIDS and sexual health in general, alcohol and drug abuse and policy, e.g. restrictions on smoking in the workplace (Currie 2001, adapted in Šarotar Žižek 2012).

The PWB appears increasingly as an important factor in organizational performance, because healthy employees, who feel well, provide essential preconditions of companies' success and viability (Peccei 2004; Tehrani et al. 2007; Warr 2002 taken from Baptiste 2008, p. 285).

The techniques of human resource management (HRM) which managers should use, affect employees' WB (Batista 2007, pp. 303–304, adapted from Šarotar Žižek 2012):

- Build up the support and trust to/by leadership, because good relations between managers and employees are crucial for WB.
- Create a positive environment in which employees can thrive and increase their feelings of WB.
- Promote an organizational culture based on trust, honesty, mutual support and engagement.

- Motivate their staff and develop an atmosphere of equality and fairness by creating opportunities for employee involvement in decision-making and teamwork, promoting employees' WB, as a prerequisite for cooperation, flexibility, balance between work and personal life, increased operating efficiency and reduced absenteeism.
- Continuing care for employees' development, education and training, and appropriate remuneration.
- Promote employees' mental and emotional health by developing a mindset providing employees' self-confidence, self-esteem, sense of objective feelings of fulfillment and significance and emotionally resilience.

WB on job is an important element of the organizational success, which can be used as a requisitely holistic framework for employee happiness, too. Neglected evaluation of WB and employee satisfaction in the workplace in terms of improved productivity, reduced sick leave or other organizational benefits may diminish organizational stability, employees' WB and social stability (Šarotar Žižek 2012).

A high level of WB is precious for human feeling of satisfaction, and can also be economically beneficial. The individual's income is increasingly less relevant for the growth of WB; on the other hand interpersonal relations and satisfaction at work are becoming more and more relevant. Diener and Seligman (2004, p. 1) As important non-economic indicators of social WB, the social capital, democratic management, and human rights are mentioned, while at work non-economic indicators impact both satisfaction and profitability. The expected (economic) results are more often impacted by WB than vice versa (Diener and Seligman, *ibid.*). They detected that people with a higher WB have more income and more success at work as those with a lower WB. Satisfied employees are better co-workers and help their colleagues in various ways. Furthermore, people with a higher WB have better social relations. Such people are more likely to get married, stay married, and have a successful marriage. And finally, WB is also connected with health and longer living, but the connections between them are not completely understood. These facts are crucial also economically, by making businesses and society more stable and creative (Šarotar Žižek 2012).

These facts show that information from monitoring of WB at the organizational (and country's) levels is necessary for WB to become a crucial topic for the creation of the organizational (and state's) policy; accurate measuring of WB forms a basis of such a policy (Diener and Seligman 2004, p. 1). Authors suggest measuring of WB by positive and negative emotions, commitment, purpose and meaning, optimism, trust, and a wide concept of a full life to be used as variables. At the same time, they stress that for the measuring of WB the researches on social conditions, income, physical health, and mental disorders matter; we add interests, economic, personal, and consciousness development. One must consider also the idea of universal human needs and effective functioning (Ryff 1989). "These approaches are labeled "psychological WB" and are based in part on humanistic theories of positive functioning" (Diener et al. 2009, p. 251).

It could be added that on this basis one should monitor the subjective WB, supporting people's creative work and cooperation, which can increase objective and personal WB. Diener and Seligman (2004) define subjective WB as the evaluation of one's life taking into account one's positive emotions, work, life satisfaction and meaning. Hornung (2006; summarized after Prosenak and Mulej 2007, p. 6) also provides an interesting common denominator: happiness counts as a humans' constant goal and also as a comprehensive synergetic indicator of one's requisite holistic WB, good performance, physical, psychological, and social health. Hornung (2006, pp. 334–337; summarized after Prosenak et al. 2008, p. 6) states that for the good WB the following needs should be met: material, informational and, at the level of individuals, psychological needs, security needs, needs for freedom and action, needs for adaptability, needs for efficiency, and needs for responsibility. They are placed into the center also in our research of responsible enterprise policy, originating from enterprise stakeholder's/top manager's VCEN and resulting in WB of all enterprise stakeholders. On one hand American researches report that the percentage of property owned by one single percent of Americans has grown from 37% to 70% in only 12 years after 1995 (... , Rop 2011). But one also reads, on the other hand, about the rapidly growing customers' preference for suppliers with the image of SR (Gerzema and D'Antonio 2011) and about rather small

percent of shopping-addicted persons: under 6% in USA and under 1% in Germany (Zgonik 2011). Newer data are even worse. These data let us hope that economic theorists and policy makers will soon:

- Stop seeing the only dilemma between either market or central government as means of overcoming the one-sidedness, and
- Support SR as a solution to the current crises.

1.6 Practice Recommendations: Our Proposition for Strategy of Promotion of Social Responsibility

SR is a demanding concept to promote as a specific case of RH tackling the human approach to other people and nature. For success/survival many/all influential people should practice RH via SR. Work of a few individuals—professionals is not enough, except in the seeding phase; a general social support based on a clear strategy is needed, e.g. on the national, international, and world-wide levels. The summarized data and cited references show this. SR Mission should be to promote global VCEN of SR in order to help humankind, including one-self, survive by *doing something good* to all stakeholders (based on RH) rather than evil (based on one-sidedness) beyond the official legal obligation and practical limitation to shareholders or owners only. An interdisciplinary working group should prepare a draft strategy. Later on, a special Agency for Promotion of SR might have to be established, in any country, integration of states such as European Union, and world-wide. Its tasks should include co-ordination of country-wide and world-wide SR-related activities in co-operation with several professionals and institutions. Thus, the following goals should/could be met:

1. To create a basic interdisciplinary core of researchers working on monitoring the situation concerning SR in the area under investigation, to compare the collected findings and suggest changes in the given area.

2. To prepare legal draft bases for the necessary legislation changes, to cover SR everywhere per areas.
3. To prepare professional, RH bases for the SR program in all ministries.
4. To establish dialogue with professional associations, government bodies, public institutions, non-governmental organizations, businesses and other parts of society in order to attain a shared activity for promotion of SR.
5. To include topics on SR in primary, secondary, higher and life-long/adult education, and to promote VCEN of SR in daily mutual contacts of youngsters and adults alike.
6. To create and implement a nation and world-wide program of public relations communication about SR in order to promote general awareness on how crucial a SR-based behavior of all humans and their organizations is for getting the society out of the current, as well as preventing long-term, crises.
7. To establish portals for both-way communication in public relations concerning the SR-based behavior with both good and bad examples.
8. To collect good and bad examples of SR and related practices of RH and innovation based on SR rather than on one-sidedness, for the society to become, be and remain a RH and innovative society with SR as a basic criterion of its excellence.
9. To collect information on development of SR anywhere and in the area under investigation in order to report about them.
10. To support initiatives of various stake-holders promoting SR and practicing it.⁵

Tactics and operation should be defined per areas, but in a coordinated decentralization style: whatever can be done on lower administrative levels, remains there. Ethic of interdependence expresses VCEN enabling the strategy of SR. This includes weighing and concerting of solidarity and economic efficiency, sufficiency, and effectiveness by RH via SR.

⁵In 2017 a more extensive and deep version of a governmental SR strategy was offered to the government of Slovenia (Hrast et al. 2017).

This may help humans to provide an equilibrium with no resulting need for too much solidarity (such as the 'equal stomachs philosophy' from the pre-industrial village solidarity) or too much protesting against the one-sided decisions and actions of authorities all way to terrorism (see also Korade 2011). This strategy and ethics of interdependence may be well supported by a RH approach to the governance and management process, following, for example, MER model of integral management (see Belak, Ja. and Duh 2012; Belak, Ja. et al. 2012, 2014; Duh 2015; Duh and Belak, Je. 2014).

We learned from practice and its summary in e.g. Gladwell (2004, 2008, 2009) that a good preparation is crucial, including consideration of conditions and preconditions. Several lines of action might be necessary (ibid., adapted):

1. Humans as individuals act as consumers. Practice has already shown that consumers prefer suppliers, known for SR. Greed is also less popular than earlier. After a level of material satisfaction, well-being depends on other factors (e.g. happy intimate relationship with a partner, network of close friends, enjoyable and fulfilling career, relationships with relatives, relationship with wider community, fun hobbies and leisure pursuits, healthy self-esteem, optimistic outlook, realistic and achievable goals, sense of purpose and meaning, or sense of belonging).
2. Humans as organizations act in three basic roles: (1) suppliers, (2) customers, (3) public awareness makers and users. In all these roles they compete with others. The ones with the best image of RH innovators and SR actors in the market attract most customers and succeed. Reaching beyond law toward SR and RH helps competitiveness. This includes payment of managers on a longer-term basis instead of the given practice: managers are too influential to be allowed short-term criteria of decision-making about them-selves and their organizations.
3. Humans as nations act via government and non-governmental organizations. Their bodies support competition and fight monopolies and other bases of abuse of influence of the more influential ones in their

- relations with the others. Thus, they support RH and SR with legal, economic, and moral tools.
4. Humans as nations do the same on the international levels, all way to the world-wide democracy, including a world government, made of very honest persons and coworkers.
 5. Teachers, parents, journalists, politicians, and other public-opinion makers support creation of VCEN including the social responsibility as their essential component.

This might lead to RH in society and economy by/based on SR (Cunk 2016; Hrast et al. 2015; Knez-Riedl 2003; Knez-Riedl et al. 2001, 2006; Merhar et al. 2014; Mulej 2013, 2015; Mulej and Čagran 2016; Mulej and Dyck 2014; Mulej and Hrast 2010, 2016; Mulej et al. 2013, 2016; Potočnik 2016; Rašič et al. 2016; Rejc Buhovac and Epstein 2014; Zore et al. 2016; Zupančič 2016a, b). Such behavioral attributes create new ambition, reaching beyond complacency of the affluent ones. No short-term efficiency, including e.g. abuse of external economics, or of the law of supply and demand, is enough. Then, a new economy can succeed.

Who can start the process? Many influential persons made history by making their individual values a culture, shared by a group of their followers, who then diffused this culture in order to make it a socially acceptable ethic, resulting in the social norms. Via these norms, one influences the individual values of others, facing a dilemma: accept the novelty and be acceptable in the society or refuse it and be outlaws. Norms may become law and support SR/RH, while SR reaches beyond or adds to law (ISO 2010). Legal preconditions for innovation of law and habits aimed to support RH/SR and resulting survival of humankind are also necessary, but exceeding the available room. Contributions by Harris (2008), Martin (2006), several authors in Martin and Murphy (2009), Letnar Cernic (2009), and Bohinc (2016, 2017) etc. clearly demonstrate that survival of humankind needs the international law beyond agreement without legal enforcement, thus denying itself as law. Similar problems tackle all other international organizations, including United Nations. Countries/states obviously tend to prefer their (businesses') more narrow and short-term interests over their citizens' broader and more long-term ones, thus ruining their basis of their peoples' survival.

Their (rare and poor) actions following their global agreement at the UNO 'Paris 2015' conference on climate change and its 'Hamburg 2017' follow-up demonstrate this (public media). This is very dangerous; it requires social responsibility urgently for humankind to survive. But we detected no references on nations', governments' or global social responsibility (Žakelj 2018).

1.7 Conclusions

'Problems cannot be solved with the mentality that caused them' (Einstein). Hence, the 2008– crisis cannot be solved with ethics of one-sided and short-term mentality of the neo-liberal economics, which has caused the 'Bubble Economy' of several recent decades. Neither the market nor the government alone assured the common benefit of all humans, as they were supposed to in the so-called capitalistic or communistic/socialistic socio-economic order over the recent two centuries. The pre-industrial mentality was neither able to assure the common benefit that should result from the 'invisible hand' or the 'visible hand' of power-holders. The decisions/actions have always been made and taken by humans, making or heading organizations, be it families, enterprises, non-governmental organizations, public institutions, or government bodies. The role of organizations is to enable synergetic co-operation of specialists toward holism as the basis of the common benefit.

These facts make us think about humans, their responsibility, values, culture, ethic, and norms (VCEN), with a focus on entrepreneurial and business life, corporate policy/governance), social responsibility (SR) and well-being, in this text. They make us think about an innovative change in mentality (both as a process of beneficial change and as its outcome). Thus, we come to think of combining in a synergy (a) SR, (b) innovation, (c) the (Dialectical) Systems Theory (as the theory of attainment of the requisite holism (RH), without which the benefit of all can hardly be yielded), and (d) enterprise policy/governance, for enterprise's stakeholders' well-being.

This means that we do not see the (corporate) SR as a simple charity or honesty of owners and managers in their relations with their coworkers, business partners, broader society (including charity as a part of SR) and nature (as a general precondition of human survival after centuries of nature's destruction rather than maintenance), but as a/the new socio-economic order after neoliberalism and its 'Bubble Economy'. Neoliberalism disregards the natural and human capacities too much to be allowed to continue destroying humankind and its natural preconditions.

The main findings of this chapter can be briefed as follows: the enterprise's stakeholders' well-being (WB) results from properly oriented enterprise vision/policy (aimed at social and other responsibility). To reach a (socially) responsible enterprise policy that directs enterprise toward SR and all stakeholders' WB, enterprise shareholders and other stakeholders need consciousness that SR is critical; this consciousness arises, among others, from contemporary circumstances and their spiritual intelligence. SR belongs to crucial non-technological innovation processes that should result in SR as a normal part of human VCEN. These VCEN are visible in, and supported by, requisitely holistic (RH) enterprise policy/governance for the organization to flourish in the current global market, including SR as a way out from the current socio-economic crisis. Namely, the concepts of (1) interdependence (and ethics of interdependence) and (2) holistic approach (actually: requisitely holistic approach) are the most crucial attributes of SR, ISO 26000 (ISO 2010) states—as a global humankind's document.

Without SR, the current civilization hardly can survive. We prefer no limitation of SR to companies: they follow influential humans' decisions. SR is a human attribute. Interdependence makes humans honest and leads from one-sidedness to holism, because human actions start with informal or formalized (organizational) governance. It considers, if modern, all subjects inter-connected due to their interdependence. Hence one should strive at as-holistic-as-possible quality of life (requisitely holistic objective and subjective WB) and at human solidarity as a part of equality and brotherhood along with freedom (proclaimed by the French revolution in the beginning phase of capitalism). WB results from

acknowledging the meaning, and strengthening, of ethics of interdependence, including respect for ecological sensibility and natural limitations. SR hence demands reconciliation of narrower, broader, short-term and long-term perspectives with ecological and other nature-respecting views as necessary elements of human VCEN, expressed as SR (Prosenak and Mulej 2008, p. 13). It should be captured into the corporate governance. SR-WB of many rather than a few only should result instead, for the current civilization's survival.

In November 2010, ISO 26000 standard on social responsibility was published (ISO 2010). Its 7 core subjects include organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development. The crucial novelties linking them are (1) *interdependence* and (2) *holistic approach*. The publication timing of ISO 26000 says that it is supposed to help humankind find its way out from the current socio-cultural crisis: as the new culture (EU 2011). Culture reflects and influences human attitudes and practices, generating either the dangerous irresponsibility of so far or the necessary social responsibility of humans as individuals and their organizations all way from family, friends, enterprises, communities, countries, to the entire humankind (Belak, Je. and Milfelner 2011; Bozicnik et al. 2008; Duh and Belak, Je. 2009; Duh et al. 2010; Dyck 2011; Ecimovic et al. 2007; Esposito 2009; Goerner et al. 2008; Hamman et al. 2010; ISO 2010; Mulej et al. 2009a, b, c; d; Mulej and Čagran 2016; Štrukelj and Mulej 2008; etc.).

The current alternative is clear: either humans perish in the next war (which is pending and has been around since the Bush's announcement of the war against terrorism), or social responsibility becomes the prevailing culture and behavior. Thus SR leads the way out of current 2008– crisis blind alley. SR even might bring capitalism back to its roots aimed at rather holistic replacement of the feudal one-sidedness (Smith 2010). We find very important also enterprise stakeholders' consciousness development about all humans' and nature's long-term interests and appropriate developmental orientation.

All of these should be incorporated into the enterprise policy that leads toward enterprise responsibility and stakeholders WB discussed in the presented research. Organizations/companies are people's tools; therefore SR should be considered an ethical guide of active and decision-making humans, and should reflect responsible/cooperative behavior (Rebernik and Bradac 2006). SR can thus be a business strategy (Esposito 2009) or in our words: requisite-holism/wholeness policy, incorporated into the enterprise policy, which supports requisite holism of behavior, including partnership and care in the era of the embedded global economy.

These issues include environment, because environmental problems are mental problems. See the next chapter.

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2

The Role of CSR and Corporate Governance in the Sustainable Development of the World

Grażyna O'Sullivan

2.1 The Structure and Selected Challenges of the Chapter

This chapter consists of three parts: *Ethics as the base of CSR and CG*, *The birth of a new economy and a new model of business*, and *Success with hope—some examples of truly responsible companies*. They cover several problems: a theoretical background and historical development of the CSR and CG ideas; modern challenges in creating responsible business practice; recently appearing tools and initiatives; companies which have

Editorial comment: First of all, humankind need sustainable development to survive, hence to overcome, with SR included in corporate governance, the negative results of socially irresponsible technological development, exploitation of natural and human resources, as well as narrow, confrontational national policies currently prevailing, unfortunately and dangerously.

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managed to master the successful association of CSR and CG in their business performance.

In the first part, CSR is shown as a practical exemplification of ethical values and principles in organizations, based on stakeholders' good and possible development. On the other hand, corporate governance is seen as a necessary part of ethical and responsible business letting the top management create company's appropriate values and strategy, encouraging shareholders to participate in its realization, and ensuring strict and professional control of every aspect of business performance.

The second part focuses on analysing the consequences of irresponsible business practice. The Bhopal disaster, the Enron scandal and the Rana Plaza catastrophe serve as milestones, both in the number of casualties and the negative social and environmental impact of the involved enterprises, and as stimuli to a better understanding of a complex network of global business and creating new tools for responsibility (e.g. People Tree, the Good On You app., Business Social Compliance Initiative; etc.).

New theories in economics and new models of business demonstrate drifts from traditional liberal democracy and free market capitalistic economy to more complex forms of political and economic solutions trying to cope with modern challenges of unemployment, massive migration, poverty, social exclusion and inequality; they include social and ethical aspects. On the other hand, in the modern world, various and often contradictory trends appear simultaneously even in the EU; countries are on different stages of political, social and economic development which affects their attitude to CSR and CG, creating objective barriers to implementing CSR and CG principles in companies. In the large poor areas of the world, facing wars and absolute poverty, ethical and socially responsible business are a very distant idea. The pending race against time of the new ideas and progressing destructive global forces is vital for humankind's survival.

The concluding part includes two case studies of companies (British and Polish), which managed to connect CSR and CG in their business practice being truly socially responsible and working towards their own, and global sustainable development, and being highly competitive and profitable, too.

2.2 Perception of CSR and CG

Classes for international groups of students are very interesting experiences; they bring their own perspective and very different ideas when we discuss and analyse any issue. I usually teach the final year students preparing their master dissertations; thus, they have already absorbed quite some theory, and worked in enterprises. Even without detailed research one can observe some regularity concerning their understanding of CSR and CG. Asian students usually identify organizational social responsibility with charity and philanthropy, Europeans and Americans with marketing tools for improving companies' image, and African students are not sure what CSR means. All of them believe that corporate governance covers legal and soft-law regulations applying to the boards-of-directors' structure and work and concentrating on the organizational financial operations; instead of being perceived as a managerial tool, CG is even considered a burden. No wonder, that in this situation the connection between CSR and CG is not noticed at all; in addition, quite often some students object when my lecture starts by showing the bond, and even interdependence of CSR and CG, saying that this bond deprives CG of any ethical aspects.

Unfortunately, this is not only my personal experience. In *The Golden Passport: Harvard Business School, the Limits of Capitalism, and the Moral Failure of the MBA Elite*, Duff McDonald discloses how the graduates of HBS perform later in their professional lives, aiming at maximal profit at all cost, rather than advocating responsible business. The New York Times in 1978 called a HBS's MBA degree the golden passport to graduates' good life (e.g. giving access to a job at a private equity firm for \$175,000 a year). HBS network is the biggest network of living alumni (more than 76,000) in 167 countries around the world working for the most powerful organizations (McDonald 2017). The author does not claim that all graduates are dis-interested in developing a company, being valuable and supportive for its stakeholders and the planet. However, only a tiny minority of HBS graduates are willing and able to work for less than is commonly expected and get involved in a socially responsible business.

This matches data shown by the European Commission in the *Communication on CSR*. EC noticed some progress in the described period of time, e.g. the number of EU enterprises signing up to the ten CSR principles of the United Nations Global Compact increased from 600 in 2006 to over 1900 in 2011, but the percentage of enterprises implementing CSR principles is still small (Communication 2011, p. 4). “A growing number of companies disclose social and environmental information. SMEs often communicate such information informally and on a voluntary basis. One source estimates that about 2500 European companies publish CSR or sustainability reports, which puts the EU in a position of global leadership (CorporateRegister.com). However, this is still only a small fraction of the 42,000 large companies operating in the EU” (Communication 2011, p. 11).

The best disclosure of the problem with the incorporation of CSR into an organization's strategy reflects in setting up the optimistic (?) target that by 2010, 50% of all public procurement in the EU should comply with agreed environmental criteria (Communication 2011, p. 10). Thus, when most companies still do “business as usual” focusing on maximizing profit, also at the cost of stakeholders and the natural environment, the ultimate question is: Why, despite all increasingly obvious dangers to humankind's survival, business people continue their ruthless practice? The answer is not simple and there are several reasons for this attitude, e.g.:

1. Classical, and narrow, vision of business, calling maximal profit its goal, meaning in the common practice gaining all the possible profit, while transferring all possible costs on others. On the other hand, calculating the so called stakeholder capital is objectively difficult. Even enterprises interested in CSR, encounter difficulties in assessing the possible return on investment in socially responsible initiatives.
2. Some economic mechanisms fostering short term business activities. The best examples include the average time of keeping shares: “Over the past two decades, investment horizons have shortened considerably. Turnover on the major equity exchanges is now running at 150% per year of aggregate market capitalisation, which implies average holding period is eight months” (Green Paper 2011, p. 12). The

internal and external core stakeholders' stimuli to invest in CSR lack, too. The European Commission believes that "Corporate governance is one means to curb harmful short-termism and excessive risk-taking" (Green Paper 2011, p. 2).

3. Disappointing CSR practices. E.g. greenwashing, i.e. misleading claims about the environmental benefits of a product, service, technology, or company practice: actually, the company's impact on stakeholders and the environment can be negative. Other instrumental ways of treating the CSR concept take their toll, too. Unfortunately, too many organizations, exposing their good CSR programmes and efficient corporate governance structures and policies, fail to live up to them in practice. The Rana Plaza collapse in 2013 showed the hypocrisy of many big international brands, supplied by factories in Dhaka. After the disaster caused by outrageous work conditions, with a death toll of 1134 employees, most supplied companies refused their responsibility (e.g. Lidl, Aldi, Tesco, Sainsbury's, New Look, Mark & Spencer); only a few, like Benetton, paid some compensation (\$1,1 million) (Rana Plaza actual and potential donors listed by G7 country 2015).

In this situation "business as usual" is not only more familiar, but found safer (for companies) and better understood. Almost fifty years ago, Milton Friedman in his famous article "*The Social Responsibility of Business Is to Increase Its Profits*" claimed that managers, who in fact don't use their own money, should not invest in CSR because "(...) the corporate executive would be spending someone else's money for a general social interest. Insofar as his actions in accord with his "social responsibility" reduce returns to stockholders, he is spending their money. Insofar as his actions raise the price to customers, he is spending the customers' money. Insofar as his actions lower the wages of some employees, he is spending their money" (Friedman 1970). Today, business students and business people commonly repeat this argument as most of them still believe that the CSR investment means just offloading the costs of more expensive goods or services on other stakeholders: customers, employees and shareholders; or at least depletes the investment in the company's development.

Milton Friedman also believes that managers lack knowledge about ethics and social issues, hence real efficiency when they do socially responsible activities; nowadays, this argument gains a new dimension. Business schools all over the world offer courses in business ethics, CSR and corporate governance, but ideas from those courses do not diffuse to other economic and managerial fields taught in a more traditional way. This causes their later practice of maximal profit at all cost.

But first of all business people poorly understand interdependence and its consequences in the global world: the butterfly effect is no mirage but reality. Interdependence means that all entities in the world are connected, and underlines the meaning of their impact on each other which is vital for their creation, development and survival. Environmental pollution and overexploitation of natural resources and people will soon generate a lack of clean water, air, oil, coal and other important minerals and ores, and uncontrollable mass migration of people. Therefore CSR and corporate governance, being powerful tools for sustainable development, are so important today.

Enterprises can control and shape their impact on the environment and stakeholders while doing business; however this requires a new holistic business philosophy and a new model of business based on collaboration and stakeholder investment instead of destructive competition and exploitation of human and natural resources.

2.3 Ethics as the Base of CSR and CG

The world is still blind for interdependence and prefers to see things separately. Corporate social responsibility and corporate governance function in theory and practice mainly as two disconnected fields; if some common features are noticed, they concern their shared goal, not their roots. Two important documents: the *Green Paper on Corporate Governance* and *ISO 26000* underline the meaning of CSR and CG as tools for safeguarding sustainable companies and the global sustainable development, rebuilding people's trust in business and stimulating a new type of competitiveness. "Corporate governance and corporate social responsibility are key elements in building people's trust in the

single market. They also contribute to the competitiveness of European business, because well run, sustainable companies are best placed to contribute to the ambitious growth targets set by ‘Agenda 2020’” (Green Paper 2011, p. 2).

In *ISO 26000* both corporate governance and corporate social responsibility acquire a universal dimension: “This International Standard is intended to be useful to all types of organizations in the private, public and non-profit sectors, whether large or small, and whether operating in developed or developing countries. While not all parts of this International Standard will be of equal use to all types of organizations, all core subjects are relevant to every organization. All core subjects comprise a number of issues, and it is an individual organization’s responsibility to identify which issues are relevant and significant for the organization to address, through its own considerations and through dialogue with stakeholders” (ISO 26000 2010, p. VII).

Accordingly, authors change the names from “corporate social responsibility” to “social responsibility” of an organization, and from “corporate governance” to “organizational governance”. The latter should embrace six social responsibility core subjects: human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development. In these strategic areas seven social responsibility principles should be implemented (Accountability, Transparency, Ethical behaviour, Respect for stakeholder interests, Respect for the rule of law, Respect for international norms of behaviour, Respect for human rights). Social responsibility should not be something accidental, expressed in odd actions, but integrated throughout the organization, which, only in this way, can maximize its contribution to sustainable development (ISO 26000 2010, p. X).

In the ISO 26000 standard social responsibility of an organization means, first of all, taking responsibility for its impact on stakeholders¹: “The essential characteristic of social responsibility is the willingness of an organization to incorporate social and environmental considerations

¹The environment is often called “silent stakeholder”. In this chapter the category of stakeholders will cover individuals, groups of people (internal and external stakeholders which can be affected by the organization, and can also impact it) and the environment.

in its decision making and be accountable for the impacts of its decisions and activities on society and the environment. This implies both transparent and ethical behaviour that contributes to sustainable development, is in compliance with applicable law and is consistent with international norms of behaviour. It also implies that social responsibility is integrated throughout the organization, is practiced in its relationships and takes into account the interests of stakeholders” (ISO 26000 2010, p. 6).

In practice, the most difficult tasks include implementation of CSR in the company's strategy by having socially responsible activities penetrate the overall business performance. The authors of the ISO standard suggest that it should involve “(...) practices such as: making social responsibility integral to its policies, organizational culture, strategies and operations; building internal competency for social responsibility; undertaking internal and external communication on social responsibility; and regularly reviewing these actions and practices related to social responsibility” (ISO 26000 2010, p. X). The main reasons for the failure of the CSR practice include the inability to implement CSR principles throughout the organization, including connecting them with corporate governance.

2.3.1 CSR Principles as Ethical Principles

The ethical roots of corporate social responsibility are obvious. There are many definitions of ethics, but all of them evolve around defining, systemizing and recommending concepts of the right conduct differentiated from what is morally wrong. The heart of ethics includes moral principles and values, supposed to indicate the right direction of behaviour. Responsibility can be seen both: as a value, and in the form of “Be responsible” as an ethical principle. According to *Merriam Webster Dictionary* responsibility is “the quality or state of being responsible, such as: a) moral, legal, or mental accountability, b) reliability, trustworthiness” (<https://www.merriam-webster.com/dictionary/responsibility>, accessed 13 December 2017). From the philosophical

viewpoint, responsibility is a virtue (in Plato's sense) governing (similarly to wisdom and courage) people's behaviour. Both, corporate social responsibility and corporate governance have legal and beyond-legal dimensions. Legal responsibility is regulated by the rule of law, and so called soft law principles and guidelines are very often subjected to moral responsibility.

Responsibility has different aspects. A person can be responsible **for somebody or something** (like parents are responsible for their child) and **for one's own decisions and actions**. The first type of responsibility is more general and external. A mother, responsible for her son takes care of his development and wellbeing. This responsibility stretches over a long period of time and one can use various methods and means to reach one's goal. In business, managers are responsible for their organizations' survival and development. The CSR and CG goal is to participate in the creation of sustainable businesses, able to compete and last even in the most difficult and turbulent environments. The second type of responsibility is more concrete and immediate. When one does something wrong, one must face consequences, which could be, e.g., social disapproval or ostracism. In business, people's financial, organizational and first of all personnel decisions can cause employees' negative attitudes, lack of engagement and low efficiency at work.

'Prospective responsibility' attached to a particular role of a person deserves special attention. Therefore, what is the businesspersons' responsibility? And especially, what is their responsibility towards society for their overall action as businesspersons? During my lectures and discussions with business people, I often hear statements, full of doubts: "But we are no charitable organizations, and must make money". I entirely agree with that. The social role of different professions is to realize the goal of these professions and to give its results to society. The teachers' goal is education, so they should teach students; the doctors' goal is protecting health, so they should treat patients and make them as healthy as possible; and so on, including every simple (e.g. bricklayers), complicated (e.g. engineers), and complex (e.g. scientists) job. In this context the businesspersons' social role is to produce wealth; they should make money.

However, it is not indifferent in what way they do it, and how and with whom they share their money. In most definitions of CSR social responsibility seems to be divided from profit; this can bring a misconception that CSR is a sort of charity and a burden for organizations (which is commonplace in practice). To clarify this misunderstanding the European Commission included the process of creating the company's value (which always has a financial aspect) while realizing the CSR idea:

The Commission puts forward a new definition of CSR as “the responsibility of enterprises for their impacts on society”. Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should practice integrating social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of:

- maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;
- identifying, preventing and mitigating their possible adverse impacts. (Communication [2011](#), p. 6)

The shared value for the company's owners/shareholders, but also for other stakeholders and the whole society, arises from the understanding of interdependence. As I have written in my earlier works, one of the best insights into this issue can be found in Alfred North Whitehead's process philosophy. He presents an entity (from atomic particles to the universe) as “actual entity”—an individual centre of energy catching data from other actual entities from its surrounding and transmitting them into its own body. The transmission process has physical/material (prehension) and spiritual/immaterial (individual transformation of data) character (Whitehead 1969). In this philosophy entities are connected by “internal relations”, i.e. they never exist separately and in isolation from others; their existence, survival and development inherently depend on others. The same concerns society, because “(...) there is no society in isolation. Every society must be considered with its background of a

wider environment of actual entities, which also contribute their objectifications to which the members of the society must conform. Thus the given contribution to the environment must at least be permissive of the self-sustenance of the society” (Whitehead 1969, p. 108).

Analysing Whitehead’s philosophy in one of my early articles (Kuczyńska “my maiden name” 1991) I noticed that the core of his vision of the world consists in his understanding of “others”, which is opposite to Sartre’s famous statement “Hell is other people”. For Whitehead, others (which are people and also the natural environment) enable: (1) existence, because everybody owes it to others; (2) survival, impossible without a proper environment created by others; (3) development and self-fulfilment dependent on others functioning as data for our physical, intellectual and spiritual creation, and available for a given individual. Therefore, self-realization is possible not **at the cost of others** but **together with others**. Even if battles, fights and destruction happen (Whitehead does not see the world through pink spectacles), the basis for the existence of the universe and every other entity is collaboration and the mutual care for ones’ own development and the development of others, who are the resources for ones’ own success. “Every organism² requires an environment of friends, partly to shield it from violent changes, and partly to supply it with its wants. The Gospel of Force is incompatible with a social life” (Whitehead 1956, p. 207). Cooperation is the key factor for progress, especially on higher levels of civilizational development. Fight should be superseded by persuasion, because “The creation of the world (...) is the victory of persuasion over force. The worth of men consists in their liability to persuasion” (Whitehead 1955, p. 90).

In practice the CSR concept is embodied in principles (like Global Compact 10 principles, or 7 principles from ISO 26000), which can be implemented in organizations. The above-mentioned rules are very general, so many companies create more detailed sets of their own CSR principles for their key stakeholders, especially employees and customers. If one believes that CSR principles are ethical, the question is: What is characteristic for ethical principles? Our life is populated with values and

²Whitehead uses notions “actual entity” and “organism” as synonyms.

rules, shaping our behaviour even if we do not realize that. Value can be understood as a goal desired by a person. It can be material, like money, or immaterial, like love, but it is always ideal. If we think about money as our value we don't mean a concrete sum of pounds or dollars, but imagine wealth as such; when we gain real money, it is always different from the ideal value in our mind.

Values show us direction and destination, but they do not show us the way to get there, because this is the role of principles. "You should get a good job", or "You should find a rich spouse" are some examples of principles leading us towards getting money. Principles can be expressed as suggestion (as in the previous sentence) or imperative, e.g. "Do not kill" (protecting the value of life), or "Do not lie" (protecting the value of truth), but they always direct our behaviour in concrete ways. Our lives are full of principles, but only some of them are ethical, and most of them are morally indifferent. A technical principle like: "Do not soak your mobile phone", or dietetic principle: "You should drink two litres of water every day" have no ethical significance.

So, what is the crucial difference between ethical and other principles? Breaking principles usually gives some negative effects. The wet telephone might stop working and the person drinking too little water might get dehydrated; however, only the breaking of ethical principles will result in direct harm: the killed person lost life, and the deceived one lost trust.³ When we look at CSR principles in this context, it becomes obvious that their character is ethical and a departure from them results in direct harm brought on stakeholders.⁴

E.g. the 10 principles of Global Compact are divided into four sections: Human rights, Labour standards, Environment and Anti-Corruption. Breaking two principles from the first section means abusing human rights or participating in human rights abuses; the next four

³More on this topic in my article "*Implementation of Corporate Social Responsibility: Can we Manage to Save Our World in Time?*" (O'Sullivan 2014).

⁴The environment as a silent stakeholder requires people to speak on its behalf, and is important for many reasons. In developed countries animals are protected by law and harming them is believed to be unethical (as they feel pain similar to humans). But the natural environment is a condition sine qua non for the survival of humankind and we seem to be heading towards a critical point where the level of pollution and lack of necessary natural resources can cause a global disaster.

principles of labour standards protect fair payment and employee rights (principle 3 - safeguarding freedom of association and collective bargaining), prevent forced, compulsory and child labour (principles 4 and 5) and eliminate discrimination in employment (principle 6); responsible treatment of the environment is embraced in principles 7, 8 and 9 (precautionary approach and protection); working against all forms of corruption including extortion and bribery, suggested in the last principle, translates into honesty in business operations. The area contained in these rules is very wide, from preventing environmental destruction, exploitation of natural and human resources to protecting honesty and dignity, but this is definitely an ethical field. Can it be also so easily detected in corporate governance?

2.3.2 Ethical Roots and Goals of Corporate Governance

2.3.2.1 SOX

The most important acts for the development of corporate governance include *The Sarbanes-Oxley Act of 2002* (also called SOX), which is a United States federal law setting new or expanded requirements for all U.S. public company boards, management and public accounting firms. Some SOX provisions also apply to privately held companies, e.g. the deliberate destruction of evidence to impede a Federal investigation. The Act stemmed from several corporate scandals, especially Enron and WorldCom, which caused negative social consequences and huge financial loss to the economy. Referring to the latter, one of the initiators of SOX Senator Paul Sarbanes said in an interview in 2004: “The Senate Banking Committee undertook a series of hearings on the problems in the markets that had led to a loss of hundreds and hundreds of billions, indeed trillions of dollars in market value. The hearings set out to lay the foundation for legislation. We scheduled 10 hearings over a six-week period, during which we brought in some of the best people in the country to testify... The hearings produced remarkable consensus on the nature of the problems: inadequate oversight of accountants,

lack of auditor independence, weak corporate governance procedures, stock analysts' conflict of interests, inadequate disclosure provisions, and grossly inadequate funding of the Securities and Exchange Commission" (Farrell 2005). The main purpose of SOX was to regain investor's trust and to prevent corporate misconduct which led to numerous scandals and public uproar.

After a prolonged period of corporate scandals in the United States from 2000 to 2002, SOX was enacted in July 2002 to restore investors' confidence in the financial markets and to close loopholes that allowed public companies to defraud investors. The act had a profound effect on corporate governance in the U.S. "SOX requires public companies to strengthen audit committees, perform internal controls tests, make directors and officers personally liable for accuracy of financial statements, and strengthen disclosure. SOX also establishes stricter criminal penalties for securities fraud and changes how public accounting firms operate" (Blokhin 2018).

From the organizational viewpoint the impact of SOX on corporate governance (and not only in the USA) caused greater disclosure and accuracy of financial statements, as well as internal and external control of companies. In the USA the act established the Public Company Accounting Oversight Board, which promulgates standards for public accountants, limits their conflicts of interest and requires lead audit partner rotation every five years for the same public company. This transfers to the ethical area where the most important issues are: establishing professional standards for accountants and attorneys, code of ethics for senior financial officers, and stating their individual responsibility for the honesty and accuracy of financial reports.

SOX also imposes harsher punishment for obstructing justice and securities fraud, mail fraud and wire fraud. The maximum sentence term for securities fraud increased to 25 years, and for obstruction of justice to 20 years. The act also increased the maximum penalties for mail and wire fraud from 5 to 20 years of prison time. Even though the eleven parts of the act itself concern mainly the procedures of auditing, financial disclosure, accounting standards and disciplinary procedures, there are also fragments which can be found ethical. Except the afore-mentioned professional standards for accountants and attorneys

and individual responsibility of executive officers, Title III “Corporate responsibility” deserves special attention for requiring individual responsibility and independence of each member of the audit committee, and protecting whistle-blowers.⁵

2.3.2.2 Greed

It is worth underlying that *SOX* stemmed from corporate scandals and this uncovers both its economic and ethical roots. WorldCom and Enron bankruptcies were the two biggest at that time. WorldCom, the second largest long-distance phone company in the USA, bankrupted in 2002 due to massive accounting fraud. By the end of 2003, one estimated that the company’s total assets had been inflated by about \$11 billion. This made the WorldCom scandal the largest accounting fraud in American history (until Bernard Madoff’s \$64 billion Ponzi scheme in 2008). The social consequences of this collapse were meaningful; 17,000 employees lost their jobs. The main culprit, the company founder and CEO Bernard Ebbers was sentenced to 25 years in prison, and CFO Scott Sullivan received a five-year jail sentence (relatively short because he did not plead guilty and testified against Ebbers).

After the scandal the word “greed” probably belonged to the most often used equally in every day papers and scientific journals analysing the situation. The CEO of WorldCom Ebbers was a member of Easthaven Baptist Church; he taught in Sunday school, regularly attended morning worship service and often started corporate meetings with a prayer. However, it did not stop him from depriving the investors of millions of dollars and greedily taking the company’s money for himself. Eventually “he had been found guilty (...) on nine counts of fraud, conspiracy and making false filings with regulators, following a trial that lasted six weeks. Judge Barbara Jones, who handed down the sentence in a Manhattan courtroom, said: ‘A sentence of anything less would not reflect the seriousness of the crime’” (Teather 2005).

⁵“Each audit committee shall establish procedures for—(...) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters” (SOX, Title III C4).

The Enron scandal is even more shocking. This energy company operated from 1985 to 2001 and almost for the whole period it was recognized as one of the most dynamic, innovative and well-governed corporations in the USA. “On paper, Enron had a model board of directors comprising predominantly outsiders with significant ownership stakes and a talented audit committee. In its 2000 review of best corporate boards, *Chief Executive* included Enron among its five best boards”. Also *Fortune* named Enron “America’s Most Innovative Company” for six consecutive years (https://en.wikipedia.org/wiki/Enron_scandal, accessed 2 January 2018). Before its bankruptcy in 2001 Enron employed over 20,000 people and belonged to the world’s biggest electricity, gas, communications and pulp and paper companies.

However, it collapsed because of involvement in highly risky operations, lavish expenditure, aggressive corporate culture and creative accounting. At Enron’s boom, its shares were worth \$90.75, and on 2nd December 2001, after declaring bankruptcy, they were trading at \$0.26. Enron’s employees lost their jobs and billions in pension benefits; its shareholders lost \$74 billion in the four years leading up to its bankruptcy. The top Enron executives sold their company stock prior to the company’s downfall. Their greed was expressed by this dishonest action, and during the whole period of work in Enron. Apart from extremely high salaries and bonuses they spent excessive money on business journeys, dinners and parties. “Everything Enron did had to be better and flashier—from the new business ventures it unveiled nearly every year to the way it celebrated Secretaries’ Day with gifts of Waterford crystal—and no gesture seemed too lavish, workers and competitors agree (...). At employee meetings for one division, Enron International, a live elephant made a cameo appearance—twice. Enron Energy Services, another money-losing unit, spent hundreds of thousands of dollars to build a Potemkin-village trading floor to impress equity analysts invited to a conference, though the unit had no trading function. For one family picnic, Enron rented the 85-acre Astroworld amusement park” (Banerjee and Barboza 2002).

The founder and CEO of Enron Kenneth Lay, Jeffrey Skilling, who replaced Lay as CEO in 2001, and CFO Andrew Fastow mastered a

destructive organizational culture based on a flash false image, ruthless competition, fear and lies.

The top executives at the helm of affairs at Enron created a toxic corporate culture by using corruption, greed and deception. By failing to sustain an open relationship and trust with its employees, the executives were inevitably driving the company to its gloomy end. Whenever employees rose up to question some of the practices and decisions of the leaders, they were either ignored or fired. The leadership at Enron cared more about enriching themselves than the demands of its followers.

This lack of regard for ethics showed that the leadership had no shared vision with its employees that goes beyond making profits. At Enron, greed was good. (Martin 2017)

This unethical culture greatly contributed to the giant's collapse. Even one of the final acts—ignoring (and threatening) Sherron Watkins, the whistle-blower, warning Lay about the inaccuracy and distortion in accounting—reveals the top management's arrogance, which was in the end punished as all executives were penalized for fraud; Lay receiving a sentence of 45 years in prison (died of heart attack before serving it), Skilling—24 years (changed to 10 in 2011) and Fastow—4 years (the low sentence resulted from his collaboration with the federal authorities).

To conclude, *SOX* originated from huge corporate scandals resulting from unethical behaviour; its goal was to prevent similar situations from happening in the future, i.e. to protect society against economic downfalls and related individual harm of people, like a sudden loss of job, invested financial means or pension funds; thus, bosses exploit or rob stakeholders. The ethical aspects of corporate governance are also seen in the *EU Green Paper on CG*, especially when describing: the goal and definition of CG and the role of the board of directors.

2.3.3 CG and CSR in UK

According to the European Commission, CG together with CSR are tools to support sustainable development and regain people's trust in business, and a special task of corporate governance itself is to prevent

harm similar to that caused by Enron, as it "(...) is one means to curb harmful short-termism and excessive risk-taking" (Green Paper 2011, p. 2).

Secondly, the definitions of corporate governance rarely go beyond describing specific relationships between an organization and its shareholders; a false impression is possible that CG covers only the financial area with no ethical aspects. However, in *Green Paper* the definition is wider, embracing also other stakeholders: "Corporate governance is traditionally defined as the system by which companies are directed and controlled and as a set of relationships between a company's management, its board, its shareholders and its other stakeholders" (Green Paper 2011, p. 2). Including other stakeholders in the definition of CG means linking corporate governance with corporate social responsibility and its ethical aspects.

Thirdly: "Boards of directors have a vital part to play in the development of responsible companies" (Green Paper 2011, p. 5). The boards' role is complex with numerous ethical dimensions included in: safeguarding the company's disclosure and internal and external auditing, non-discriminative practice in the board composition, fair remuneration, the independence of the non-executive directors, the effective collaboration with shareholders and protection of minority shareholders, responsible risk management and others. However, the fundamental meaning, from an ethical viewpoint, belongs to the organizational strategy, establishing its core values and principles; this belongs to the main tasks of the board and without it ethical and responsible business does not exist.

In Europe the rules on corporate governance apply to 'listed' companies (i.e. companies that issue shares admitted to trading on a regulated market), obliged to adhere to national Corporate Governance Codes. Unfortunately, most of these codes have a purely technical character and, unlike the *Green Paper*, they do not tie CG with CSR (at least not in an explicit way) and show no wider ethical perspective of creating responsible enterprises through the board of directors' decisions and policy. However, there are exceptions including the *UK Corporate Governance Code*.

Even though the CG's definitions mention only shareholders (and omit other stakeholders), the ethical echo still sounds in underlining

the board's role in establishing strategic aims and effective leadership: "Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting" (The UK Corporate Governance Code 2016). This definition gets a deeper sense in the context of the further parts of the code presenting the importance of values and ethics in organizations:

"Corporate governance is therefore about what the board of a company does and how it sets the values of the company. It is to be distinguished from the day to day operational management of the company by full-time executives" (the UK CG Code, part: Governance and the Code, point 3). The ethical values: accountability, transparency and probity form the base for the appropriate principle; their role in creating a firm's long-term success are exposed in the next point: "The Code is a guide to a number of key components of effective board practice. It is based on the underlying principles of all good governance: accountability, transparency, probity and focus on the sustainable success of an entity over the longer term" (the UK CG Code, part: Governance and the Code, point 4).

Another meaningful fragment concerns the creation of ethical corporate culture. Remembering how the toxic culture of Enron with its erosive fundamentals of greed, ruthless competition and deceit ruined the company, one must highly estimate the following fragment: "One of the key roles for the board includes establishing the culture, values and ethics of the company. It is important that the board sets the correct 'tone from the top'. The directors should lead by example and ensure that good standards of behaviour permeate throughout all levels of the organisation. This will help prevent misconduct, unethical practices and support the delivery of long-term success" (the UK CG Code, Preface, point 4).

The following more detailed principles of the Code include ethical threads, as in the rule concerning remuneration requiring its fair, transparent and impartial granting: “Executive directors’ remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied. There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of e.g., individual directors. No director should be involved in deciding his or her own remuneration” (the UK CG Code, The Main Principles of the Code, Section CG and CSR in Poland).

2.3.4 CG and CRS in Poland

Polish young capitalism, which was born after the political change in 1989, faces many challenges unknown to the mature economic systems of Western Europe. This situation is also mirrored in the national corporate governance codes. In the Internet one can still read *Dobre praktyki spółek notowanych na GPW 2007*, the *Code of Best Practice for WSE Listed Companies 2007* (amended in 2010 and 2011). It has four parts:

- I. Recommendations for Best Practice for Listed Companies;
- II. Best Practice for Management Boards of Listed Companies;
- III. Best Practice for Supervisory Board Members;
- IV. Best Practices of Shareholders.

There is no definition of corporate governance and no reference to sustainable development.

The introduction presents the CG’s goals: preventing any form of business abuse (originating from the previous economic and political system), and creating innovative and competitive companies. A wider, ethical perspective exists in the concluding part of the introduction where authors describe the uniqueness of the Polish attitude to CG underlining that “(...) the Polish corporate governance principles contain provisions unknown or infrequently used in other codes of corporate governance in Europe. These certainly include principles promoting the diversity of

the composition of management boards and supervisory boards in terms of the participation of women and men; principles governing the relationship between the mission and the strategy of the company and its support for cultural, scientific and sport activities; principles concerning information governance around a listed company, the management of information by the company and, in general, communication relations with investors and other stakeholders of public companies” (Dobre praktyki 2007). In further parts of the document these aspects shrink to the regulations safeguarding disclosure and transparency of companies’ financing social events.

In the new 2016 version of the document this fragment disappeared. The general purpose of CG is defined as “improving the quality of listed companies in the scope of the corporate governance standards”; the wider perspective consists in “building a good reputation and keeping good relationships with shareholders”. The new Code has six parts (Communication and information policy with shareholders, Management board and board of supervisors, Systems and internal functions, General meeting and relationships with shareholders, Conflict of interests and transaction with related parties, Remuneration). Its content is similar to the previous code with some reallocation of accents and minor development (mainly conflict of interests). The Code has a very technical character pertaining to detailed information about the structure and functioning of boards of directors, financial disclosure, auditing, reporting, principles of remuneration and ways and standards of communication with shareholders.

The *Code of Best Practice for WSE Listed Companies 2016* has practically no implicit reference to ethical and socially responsible business, but the manual *Dobre praktyki spółek notowanych na GPW. Podręcznik*, accompanying the Code to facilitate the implementation of CG principles in companies, contains it. The part concerning remuneration is especially remarkable. In comparison to the countries of Western Europe Poland is rather poor and people’s salaries are low. In 2017 the minimum salary was 2000PLN before tax, 1459 PLN net (about 350 euro per month); according to GUS (Central Statistical Office) the average salary was just over 3000PLN net with the dominant 1511PLN net. A single person cannot cover his/her basic needs of accommodation, food and

cloth when earning the equivalent of 350 euro (especially in bigger towns and cities); hence, high salaries of managers, very often connected with their weak performance, trigger public anger and a sense of social injustice. No wonder that in this context Andrzej Nartowski, the author of the manual, writes: “The disclosure of managers’ remuneration maybe satisfied public curiosity but did not solve – and what is more, did not contribute to solving – social tension and the commonly felt sense of injustice. The growing gaps between the remuneration of the managers of big corporations and the minimum salary, and between a CEO’s salary and the average salary in the same organization, are a source of tensions and conflicts” (Nartowski 2016, p. 98).

The ethical problem with remuneration has a more general character. “There are numerous opinions that managers’ remunerations are the biggest problem of modern capitalism. They are called “fat cats” lounging on a stove, drinking cream and always falling on four paws. Attention is paid to the phenomenon of moral hazard, especially visible during the financial crisis of 2008–2009, when the managers of the big Western financial institutions, in the mad pursuit for personal profits (regardless of excessive risk) brought their corporations to the brink of catastrophe, or even beyond; the endangered institutions were provided with public financial resources and the culprits paid themselves multimillion bonuses” (Nartowski 2016, p. 98).⁶

2.3.5 Ethical Roots of CG: Scandals

In many national corporate governance codes it is difficult to find direct ethical strands and references to socially responsible business. It is worth remembering that SOX originated from business scandals with the goal to prevent their consequences, i.e. economic and social harm; so in fact the roots and the purpose of CG are ethical. Boards of directors are responsible for the strategy and values of their organizations and depending on them companies will be oriented towards maximizing their

⁶In the Polish Code the proposed solutions on remuneration are general and come down to mainly establishing a mature policy and reporting on remuneration, as well as connecting it with a personal performance and the overall performance of the organization.

own profit at the cost of stakeholders, or making profit, at the same time taking care of stakeholders and contributing to sustainable development. Only the fully realized connection of CSR and CG based on ethical fundament and spread throughout the organization can provide organizations with the efficient tools for their long-term success in the changing environment of the modern world.

2.4 The Birth of the New Economy and the New Model of Business

2.4.1 The State of the Modern World—Diagnosis

The modern world is complex and chaotic with overwhelming contradictory trends. The strongest of them is the globalization tendency creating stronger and stronger political, economic and cultural bonds and aiming at standardization and unification, versus the isolationist and protectionist tendency striving to put up barriers and protect individual uniqueness. The first trend is expressed, e.g., in the European Union and the European Commission documents, and the second in Brexit, national movements in Catalonia or anti-immigrant activities of the German PEGIDA. Besides, the world is facing multiple challenges from climate changing, social inequality and possible new economic crises, to building a new political order; the zones of influence shaped after World War II by the USA and USSR are not actual anymore and Russia, the USA and new players (China and India) are trying to reshape the world-map, especially fighting for their influence in the Middle and Far East.

A further challenge is the so called Fourth Industrial Revolution (4IR). The progress in the development of new technologies creates problems of their safe use and, as it is stated in *The Global Risks Report 2017*: “We face a pressing governance challenge if we are to construct the rules, norms, standards, incentives, institutions and other mechanisms that are needed to shape the development and deployment of these technologies” (The Global Risks Report 2017, p. 7). Analysing the global situation, the authors of the Report conclude that: “The world is undergoing

multiple complex transitions: towards a lower carbon future; towards technological change of unprecedented depth and speed; towards new global economic and geopolitical balances. Managing these transitions and the deeply interconnected risks they entail will require long-term thinking, investment and international cooperation” (The Global Risks Report 2017, p. 9).

Every year the World Economic Forum publishes a list of global threats (risks). In 2017 the top ten risks in terms of likelihood were: extreme weather events, large scale involuntary migration, natural disasters, terrorist attacks, data fraud or theft, cyber-attacks, illicit trade, man-made environmental disasters, interstate conflict and failure of national governance.

The top ten risks in terms of impact included: weapons of mass destruction, extreme weather events, water crisis, natural disasters, failure of climate change mitigation and adaptation, large-scale involuntary migration, food crisis, terrorists’ attacks, interstate conflict, unemployment or underemployment (The Global Risks Report 2017). Realizing these risks is very important for humans to be able to avoid, or overcome their negative consequences: “Long-term trends – such as persistent in perceived importance in the Global Risks Perception Survey (GRPS) this year – can build to a point at which they become triggers for change. This kind of change might involve risks intensifying or crystallizing, but it is important to recognize that shocks and releases of tension might also lead to a brightening of the risk outlook. We are in a period of flux; paradoxically this is therefore a time when things could improve” (The Global Risks Report 2017, p. 9). As we can notice most risks are man-made and the biggest of them—war is strictly connected to economy.⁷

⁷The tension between the USA and North Korea triggered anxiety about a possible World War III, but there are also other conflicts which pose a danger not only to the people living in the affected areas, but also to the world economy. The Council on Foreign Relation released The Top Threats to Watch in 2018.

“This year, eight conflicts were considered ‘top tier’ risks:

- military conflict involving the United States, **North Korea**, and its neighboring countries
- an armed confrontation between **Iran** and the United States or one of its allies over Iran’s involvement in regional conflicts and support of militant proxy groups, including the Yemeni Houthis and Lebanese Hezbollah
- a highly disruptive **cyberattack** on U.S. critical infrastructure and networks

The modern world is also intoxicated by post-truth and “alternative facts”. The political culture of post-truth is based not on bona-fide analysis of facts, but on appealing to emotions (often negative like fear and prejudice). It can easily manipulate the less educated and critical people, which happened during the Brexit campaign, and stimulate solutions matching only particular groups’ interests and bad for the general public.⁸ In turn, alternative facts can be related to false information which populate the social media, national television channels (e.g. Channel 1 of Polish television—TV1), and the press. Societies, not knowing what is true and what is false, cannot take appropriate decisions to solve the existing or coming problems and act in the way protecting their present and future wellbeing.

The Polish philosopher Józef Tischner believes that truth is a value. It “consists in a compatibility of thoughts with reality, compatibility of feelings with values and compatibility of a human being with him/herself” (Tischner 2017, p. 107). Truth is connected both with intellect and emotions and concerns “the whole way of existing of the man in the world”. “Truth is also a gate to our attitude to the world” (Tischner 2017, p. 108). One cannot understand the modern world of interdependent entities and act in it successfully without truth. The recent panic in

-
- a deliberate or unintended military confrontation between **Russia** and the **North Atlantic Treaty Organization** members, stemming from assertive Russian behavior in Eastern Europe
 - an armed confrontation over disputed maritime areas in the **South China Sea** between China and one or more Southeast Asian claimants—Brunei, Malaysia, the Philippines, Taiwan, or Vietnam
 - a mass casualty **terrorist attack** on the U.S. homeland or a treaty ally by either foreign or homegrown terrorist(s)
 - intensified violence in **Syria** as government forces attempt to regain control over territory, with heightened tensions among external parties to the conflict, including the United States, Russia, and Iran
 - increased violence and instability in **Afghanistan** resulting from the Taliban insurgency and potential government collapse” (<http://links.cfr.mkt5175.com/servlet/MailView?ms=NTU1NDcyMzUS1&r=MTkzMTk1MTI5NzgxS0&j=MTMwMTkyMTk3NQs2&mt=1&rt=0>, accessed 17 January 2018).

⁸Today the negative effects of post-truth can be observed in Poland, where Law and Justice - the conservative (and populist) ruling party - seeks support often playing on the low emotions, like fear toward strangers, envy toward richer people and hate toward elites. This stimulates racism and more frequent attacks on foreigners, national division and erosion of authorities; and in a wider scale it separates Poland from the European Union and its values.

Hawaii (caused by the information about an incoming ballistic missile, on Saturday, 13th January 2018), until emergency officials announced that the message had been sent in error (an employee pressed the wrong button), shows how near humankind is even to a global catastrophe, if humans do not start to treat truth in a more responsible way.

2.4.2 From Newton to Einstein—The Shift in the Vision of the World and Economics

Process philosophy can help us to understand interdependence. Whitehead started with the analysis of Einstein's theory of relativity and described social consequences resulting from the deeper understanding of reality. The scientific revolution in physics from the beginning of the XX century made him conclude that "every being is potential for every becoming"; this means that internally related entities need each other for their existence, survival and development, and that individual success depends on others, as well as the effort of individuals in their own creation, and their participation in the others' creations.

Deriving philosophical, social and economic theories from physics is not unfamiliar to some modern scientists. Cesar Hidalgo proposes a concept which, rooted in energy and atoms, leads to the understanding of the economic growth. The core notion in his approach is "information". "The universe is made of energy, matter, and information, but information is what makes the universe interesting. Without the information, the universe would be an amorphous soup. It would lack the shapes, structures, aperiodic orders, and fractal arrangements that give the universe both its beauty and complexity" (Hidalgo 2015, p. IX). The author of *How Information Grows* understands information as some sort of order, regardless of whether or not it was produced to convey meaning (Hidalgo 2015, p. 7). In the universe where everything is heading to entropy, information—the ability of matter to self-organize—is rare and requires three mechanisms: the spontaneous emergence of information in out-of-equilibrium systems (e.g. the whirlpool of water); the accumulation of information in solids (e.g. DNA); and the ability of matter to compute (Hidalgo 2015, p. 175).

Humans who create scientific, political and economic type of information, need collaboration and effective networks. Hidalgo wants to overcome the inadequacy of the world vision presented in natural sciences focusing on “describing our universe from atoms to people and connecting the simplicity of the atom with the complexity of life”, and social sciences which concentrate on “the links among people, society and economies, recasting humans as a fundamental unit – a social and economic atom” (Hidalgo 2015, p. XVIII). Showing the paths from atoms and nature to developed societies Hidalgo underlines the complexity and interdependence of people and their environment. He understands economy as “a knowledge and know-how amplifier, or a knowledge and knowhow amplification engine: a complex sociotechnical system able to produce physical packages containing the information needed to augment the humans who participate in it” (Hidalgo 2015, p. 68).

The shortcomings of different models presented in the classical economy from Adam Smith, Robert Solow, Simon Kuznetz, Wassily Leontief, Michael Porter, to Gregory Mankiw, David Romer and David Well result from their belief in a precise measure of the input—decomposed into land, labour, machinery, and later also human and social capital—translated into the expected output. However, the observed empirical data did not confirm the validity of those models, neither was the use of averaged aggregations the best way to explain economic growth and development, and the more, economic inequalities (Kuznetz noticed the unexplained gap in the measure of productive factors and the rise in productivity and called it “the measure of our ignorance”) (Hidalgo 2015, pp. 145–150).

Hidalgo recognizes that the weakness partly arises from the difficulty in measuring human or social capital, but, in his opinion, a new approach is also needed. One of his proposals is to analyse an economic situation using network techniques, which let humans see the unique characteristics of products and services and the net of relationships among different businesses and stakeholders. “In a network, the identity of an element is expressed not only in internal characteristics (which might define the identity of a product or country intrinsically), but also in the connectivity patterns of a node, which for a country involve its

first neighbours (the number of products that it is connected to), its second neighbours (the ubiquity of the products that it makes), its third neighbours (the average numbers of countries that are connected to the products that a country is connected to), and so forth” (Hidalgo 2015, p. 163).

Hidalgo tries to explain the complexity of economic and social development (including its inequality). He believes that “the complexity of the economy can be measured by developing network techniques that preserve the identity of the economic elements involved” (Hidalgo 2015, p. 163). The author of *Why Information Grows* does not refer directly to socially responsible business; his vision of economy with its complex relationships between different businesses and between companies and their stakeholders, his focus on the uniqueness of enterprises and products (deciding about their competitiveness) and stress on collaboration, make his theory important for the deeper understanding of interdependence and useful for the practical development of CSR.

Similarly, to Whitehead and Hidalgo, Kate Raworth also criticizes the outdated scientific theories and their influence on modern life. The classical and still dominating economy focuses on growth. Its roots go way back to Newton's physics with its rigid laws and natural tendency of objects to find some sort of balance; similarly, in this type of economy the main role belongs to market forces and mechanisms pulling all analysed elements into equilibrium. The example can be the Kuznets Curve explaining the fluctuation of income inequality. Creating a law showing that the increasing GDP makes inequality first rise, then level off, and eventually start to fall, Simon Kuznetz believed that he discovered and described an objective economic process with the precision similar to the laws in physics. However, the reality of the XXI century shows that the Kuznetz Curve does not work, as the inequality gap grows without a chance of reversing this process, while environmental degradation caused by socially irresponsible business is progressing.

Describing this situation Kate Raworth observes: “Things are not going well in the world's richest economies. Most OECD countries are facing their highest levels of income inequality in 30 years, while generating ecological footprints of a size that would require four, five or six planet Earths if every country were to follow suit. These economies have,

in essence, become divisive and degenerative by default. Mainstream economic theory long promised that the solution starts with growth – but why does that theory seem so ill-equipped to deal with the social and ecological fallout of its own prescriptions? The answer can be traced back to a severe case of physics envy” (Raworth 2018).

According to the author of the doughnut economics “it’s time for economics to ditch the fake physics” because clear economic laws of motion just do not exist. The political, economic and social areas are much more complex, changeable and unpredictable than the physical reality. Therefore, economics should not be similar to engineering, but rather to gardening. “So if the economy is not best thought of as a mechanism that returns to equilibrium and follows fixed laws of motion, how should we think of it? Like the living world: it’s complex, dynamic and ever-evolving. And for economists, that means it’s time for a metaphorical career change: from engineer to gardener” (Raworth 2018).

The proposed new economics is inclusive and sustainable and should help humans achieve the sustainable development goals. There are two core principles: it should be made regenerative and it should be made distributive by design. This type of economics should help humans create a system which can evolve and adapt rapidly. The model of distributive economy envisions that the value created in business is spread more equitably among those who helped to generate it; more holistic long-term calculation of profit will replace harmful short-termism. In turn, regenerative economic design assumes that the new regenerative model can replace the present degenerative economy: instead of using up Earth’s resources, people use them in cycles, again and again and again, mirroring the cyclical processes of life.

In her concept Raworth refers to the ideas of circular economy and cradle-to-cradle design.

Michael Braungart and William McDonough developed the latter theory in the 1990s. Their design concept, based on innovation, describes the safe and potentially infinite use of materials in cycles. The concept of a circular economy, in contrast to a linear economy, creates economic activity minimizing waste to build an overall healthy system. This economy underlines the importance of the effective work at all scales—for small, medium and large businesses, for organizations

and individuals, globally and locally. It represents a systematic shift to building long-term prosperity for business and its stakeholders.

A graphic picture of the doughnut economics resembles the popular cake with a hole in the centre. Its tasty tyre-like body represents a safe area where people can survive and develop using natural resources in a responsible way in an inclusive, distributive and regenerative economy. The environmental ceiling, outside the tyre, has nine planetary boundaries (biodiversity loss, fresh water withdrawals, air pollution, climate change, chemical pollution, ozone layer depletion, land conversion, ocean acidification, nitrogen and phosphorus loading) beyond which lies the unacceptable environmental degradation of the Earth systems. The empty middle contains twelve dimensions of the social foundation (energy, water, food, health, education, income and work, peace and justice, political voice, social equity, gender equality, housing, networks) which the world's governments identified in the Sustainable Development Goals in 2015 (Raworth 2017).

The author of this model is an optimist and believes that people can transfer from the destructive, based on growth, linear type of economy to the new type, based on observing life cycles and using innovation and collaboration for the common development of individuals and nations, and let everybody participate in this process: "Better still, every one of us can have a hand in shaping the economy's evolution. Not just in how we shop, eat and travel, but in how we volunteer, invest and protest. In how we set up new businesses, save for our pensions, license our inventions, and power our homes. Who knows, we could just turn out to be butterflies that stir up powerful winds of change" (Raworth 2018).

However, the current situation of business differs. Big scandals of Rana Plaza, Bhopal and Enron as well as the smaller ones we can read about every day have eroded the public trust in business. As Roger Cove says: "The charge is that there are no scruples in business; no doubts in the boardrooms and banking halls about the overwhelming importance of the pursuit of profit. The result is that capitalism is sweeping the world like a plague of locusts, sucking up resources and leaving ravaged populations in its wake" (Cove 2002, p. XVII). And yet, today's business is more powerful than ever according to *Fortune Global 500 List 2017*: "The world's 500 largest companies generated \$27.7 trillion in revenues

and \$1.5 trillion in profits in 2016. Together, this year's *Fortune Global 500* companies employ 67 million people worldwide and are represented by 34 countries" (<http://fortune.com/global500/>, accessed 20 December 2017).

The corporate power is even more visible, if we compare the wealth of the richest company—Walmart with its 2016 revenue \$485.873 billion, with the GDP of the poorest country—the Central African Republic, \$1.76 billion in 2016. Corporate power manifests itself in their financial means and their influence on national and global politics. Numerous military conflicts have been instigated by oil and arms industries looking for new resources, or market outlets. For people and countries affected by wars the question is: How much it costs? For companies using resources of the ravaged countries and supplying them with weapons: How much we profit?

Legal regulations can curb only a narrow fragment of corporate performance; ethical and socially responsible organizational behaviour becomes especially important in the modern world full of serious threats, with many of them directly caused by business. In the still dominant atmosphere of “business as usual” and the pursuit of money, there are new initiatives attempting to exercise a new role of business.

2.4.3 Some New Models of Business Focused on Suppliers and Customers

People Tree Ltd. is a fair-trade apparel-company founded in 1991 by Safia Minney. The company is based in London and Tokyo. Interested in sustainable living and its promotion, Minney created an NGO called Global Village connected with her own fashion label. At first People Tree was a clothing catalogue showing hand woven and natural dyed hand bags, clothing, and clogs made by women from Bangladesh. The initial start-up was incredibly difficult, being the first of its kind. The quotation in Wikipedia shows how problematic the start was for Minney: “When I started out, I wasn't very realistic on how difficult it would be to make People Tree work. We were investing in labour-intensive process while the industry was going in the other direction:

mass-manufactured fashion, using synthetics instead of natural materials. We were dealing with very disadvantage people in remote places, and the business costs were huge. It was a massive undertaking, but it needed to be done” (https://en.wikipedia.org/wiki/People_Tree_Ltd, accessed 3 January 2018).

The first People Tree collection was launched in 1995 (after the organization became a limited company), in 1999 the business expanded to England and by 2004 to 20 other countries. Currently, People Tree sells their products in 500 stores around the world. The company also runs its own online and mail-order businesses. People Tree implemented the first supply chain for organic cotton; it was the first organization in the world to achieve Global Organic Textile Standard certification for a supply chain located in the developing countries. Ethical and socially responsible performance of People Tree concentrates on helping their suppliers meet environmental standards and develop their market potential. On the web page of the company we can read: “While many fashion brands talk about ‘corporate social responsibility’ or ‘ethical fashion’, we go further. We follow the principles of Fair Trade in every aspect of our business. All of our products are made by artisans and producers matching Fair Trade standards. People Tree has been a pilot case for certification for Fair Trade Manufacture under the World Fair Trade Organisation and we were the world’s first clothing company to receive the World Fair Trade Organisation Fair Trade product mark in 2013. Fair Trade makes a powerful difference. People Tree is helping to alleviate poverty in the world’s most marginalised communities” (<http://www.peopletree.co.uk/about-us>, accessed 3 January 2018).

There are also initiatives fitting in the Raworth’s demand for including all people in the creation of new economy. They include the ‘Good on You app’, which makes possible and easy checking a brand for its impact on people, the planet and animals. It rates over 1000 fashion brands according to their ethical and socially responsible performance. The concept of spreading the idea of Fashion without Harm was born in 2013, and in 2015 a group of enthusiasts⁹ launched the ‘Good on

⁹The CEO and co-founder of the organization is Gordon Renouf, who has also been a consumer advocate for 30 years including as head of Campaigns at CHOICE, Australia’s leading consumer organization, and a Board member of Consumers International.

You app' in Australia, believing that one can build "a community of millions of people who want to change the world through their shopping choices". Within 8 days over 10,000 people downloaded the app. Since March 2017 the free 'Good on You app' is available globally for iOS and Android. The organization's web page says: "Our shopping choices have a huge impact on how businesses treat people, the planet and animals. So we created the 'Good on You app' to make it easy for anyone, anywhere, to shop their values. We're a diverse and passionate team, but we share one purpose: to create a world where people's shopping choices drive businesses to be sustainable and fair. There are millions of people around the world who believe in our vision for a better future. Imagine the real change we can create together" (<https://goodonyou.eco/about/>, accessed 3 January 2018).

Beside individual companies' initiatives and initiatives aimed at customers, there are also more holistic projects embracing many organizations. The best known is the UN Global Compact initiative to encourage businesses worldwide to adopt socially responsible policies. In 2017 there were 9670 corporate participants from 161 countries (https://www.unglobalcompact.org/system/attachments/cop_2014/99871/original/BSCI-2014-05-26-Annual_Report_2013-UK-A4-Mai_2014-Def-Internet.pdf?1406819561, accessed 3 January 2018).

A relatively new idea is the FTI Business Social Compliance Initiative (BSCI) created in 2003. In the report marking its 10th anniversary it is presented as: "(...) a business-driven initiative for companies committed to improving working conditions in factories and farms worldwide. BSCI offers companies, from multinationals to SMEs, one common Code of Conduct and a holistic system towards social compliance in the supply chain applicable to all sectors and sourcing countries" (BSCI Annual Report 2013, p. 4). In 2013 BSCI included 1252 companies; National Contact Groups exist in Denmark, Finland, France, Germany, The Netherlands, Sweden and Switzerland. In the context of globalisation, organizations increasingly source products from supplying companies around the world, also from places where national laws protecting workers are inadequate or not applied. To address this problem BSCI

proposes a unified chain management system that supports social responsibility. The system is based on three core values followed by eleven principles. The values are:

- Continuous Improvement—BSCI participants are helped to implement the BSCI Code of Conduct in a step by step approach to improve working conditions in their own organizations and their supply chains;
- Cooperation—BSCI participants work together and with their business partners. This wide cooperation helps them create relationships of responsible organizations and has a greater impact on the overall business performance;
- Empowerment—BSCI empowers both, participants and their business partners, to develop their supply chains in the way which respects human rights and international labour standards (BSCI Annual Report 2013, p. 4).

The principles of the revised *BSCI Code of Conduct*, Version 2014, are:

- The rights of freedom of association and collective bargaining;
- No discrimination;
- Fair remuneration;
- Decent working hours;
- Occupational health and safety;
- No child labour;
- Special protection for young workers;
- No precarious employment;
- No bonded labour;
- Protection of the environment;
- Ethical business behaviour (BSCI Annual Report 2013, p. 7).

According to the authors of the idea BSCI can help organizations to create their long-term value, mitigate risks, and protect their reputation, at the same time strengthening their supply chain. However, the necessary preconditions include bringing BSCI principles into the heart of business enterprises' culture.

With analogy to medical care, the modern world is ill. This is the diagnosis; the cure, or one of the working drugs, can be ethical and socially responsible business. Unfortunately, despite the growing awareness of the problem and increasing number of new economic theories and business initiatives, the involved companies still provide a very small percentage of the whole business, and encounter many barriers while implementing CSR principles. The examples of the Body Shop and Innocent, once flag organizations of corporate responsibility, show how easily one loses a positive impact; their founders, who were the leaders of ethical business and successfully implemented the strategy, sold the companies to big and mighty international corporations (L’Oreal and Coca-Cola). On the other hand, how can an organization collaborate with its shareholders and get them to support its socially responsible strategy when one keeps shares for 8 months on average? And the most important aspect: the change of the economic model requires multinational collaboration. One of the key challenges is “to protect and strengthen our systems of global cooperation. Examples are mounting of states seeking to withdraw from various international cooperation mechanisms” (The Global Risks Report 2017, p. 6).

2.5 Success with Hope—Some Examples of Truly Responsible Companies

2.5.1 Łuksja—The Example of Good Practice in a Medium-Sized Polish Enterprise

The level of corporate social responsibility in Poland is still rather low. Most companies with CSR programmes struggle to incorporate them consistently in their strategies. Even organizations belonging to Global Compact and having successful projects for some groups of their stakeholders (e.g. employee volunteering, sponsoring various events), have poor standards for others. The researches, conducted in recent years (also by the author) often show the disproportion between the advertised image of the company and its real actions, the instrumental use of CSR as a marketing tool, and neglecting employees as one of the key

groups of stakeholders. Especially the last problem is commonplace also in listed companies with numerous cases of different forms of discrimination and harassment at work and employee exploitation (e.g. no, or inadequate, payment for overtime).

The state-owned enterprises face another serious problem. In Poland the system of board of directors is dualistic, consisting of two boards: *management board*—responsible for strategy, decision taking, implementation and execution; and *supervisory board*—responsible for control and counselling (however, the responsibilities in the scope of strategy and decisions are not sharply divided and in practice one argues over competences). In the Polish young and not well established democratic system, political parties, after winning an election, treat state-owned companies as their political prey sending the most loyal party members to boards of directors. This type of scam has grown since 2015 when PiS (Law and Justice) took over power. Only in 2016, 38 people connected with PiS received 29 million remunerations (Mikołajewska 2017); in 2017 a business magazine “*Puls biznesu*” published a list of 1000 names of PiS’s people, receiving lucrative positions in the state stock companies. The problem is partly their bending corporate governance rules on the composition of boards and the ways their members are chosen, and partly inadequate competences of many of these party nominees. Example of Małgorzata Sadurska was widely discussed in media: she transferred from the President Duda’s office to the management board of PZU (Polish Insurance Company) in September 2017, with the salary of 90,000 PLN monthly (plus bonuses), despite her lack of business experience (she worked in public administration). PiS believes that its economic and personnel policy has fostered the economic prosperity as the state-owned companies’ profit was higher in 2017 than in the previous year, and GDP in 2017 increased by 4.3%; however, most economists argue that the companies perform well, because the experienced executive members of boards still make decisions, and the GDP increase is connected with the economic growth in Europe, and in fact should be much higher, given the good starting point in 2015 (3.9%).

The above-mentioned negative practice reduces the potential of boards of directors; some of their members cannot participate effectively in the company management and development. This practice also has a

demoralizing effect of unfair remuneration for people getting disproportionately high salaries for doing very little, if anything at all. On the other hand, there are many listed and unlisted companies well governed and becoming successful in the implementation of CSR and CG. One of them is Łuksja—a company which participated in the Ergo-work European project conducted under the Lifelong Learning Programme (Erasmus), seeking to improve the ergonomic design of jobs and workplaces for disabled people and joining academia and business for new opportunities in creating the best places to work. In this two-year project (2013–2015) Łuksja shared knowledge during seminars and conferences, hosted other participants of the project (from Great Britain, Spain, Italy, Slovenia and Poland) to observe its good practice and created additional ergonomic work places for new employees.

Łuksja—a limited liability company (since 2009)—is located in Łuków, in the Eastern part of Poland and is the biggest producer of clothes in this region. It was set up on 30th March 1950 (registered by the Regional Court of Law) by 13 disabled soldiers providing the residents of the region with tailoring services. Managers and employees of Łuksja believe that, in spite of the Polish superstition, 13 has been a lucky number for them because the company managed to overcome all odds and is doing very well in the free market economy. Łuksja is a supported-employment enterprise; until 1989 the state greatly subsidized it. After the political change most organizations of that type collapsed. Today, Łuksja employs 240 people, of whom over 70% are disabled. The employees own 90% of the company's shares; 10% belong to external shareholders. The production takes place in a new plant (finished in 2014) with very modern equipment and ergonomic workplaces fully adapted to the needs of employees. The company collaborates with international big brands such as Marc Aurel, Burberry, MaxMara and others.

For more than the last twenty years Łuksja has been involved in socially responsible activities long before CSR became popular in Polish business. The company introduced projects covering key stakeholders and organizational culture based on ethical values and principles. Now, the organization has fully integrated CSR and CG programmes as the decisive factor of its economic success and further development.

The CSR programme embraces employees, business partners, the local community and the general public. Zofia Żuk, the CEO of Łuksja, says that for her personally the two most important values are employees' health and professional development and the products quality. Satisfaction of employees supports their involvement, work efficiency and a high quality of products, which results in the company's financial success.¹⁰ Investment in human resources is the most important Łuksja's CSR programme. It has five parts: health care, work conditions, motivation system, career development programme and individual development projects. Each part includes many elements. Łuksja collaborates with medical centre Łuksja-Med providing employees with everyday medical care and therapy; its staff regularly participates in rehabilitation camps.

In 2004 Łuksja set up an association The Centre of Entrepreneurship Integration and Education with two sections: Therapy Workshops and Vocational Development Centre. The first section helps Łuksja's employees improve their health conditions, develop social skills and personal interests (actually there are 50 participants). In the second section the very disabled people are prepared to start working. After a period of training they are employed in a special department in Łuksja to work with some professional help of 7 care providers and undergo further training to enter the open labour market. Łuksja can employ disabled people because of excellent work conditions with modern machines, ergonomically adapted to the needs of people with different disabilities, and special social facilities. It is worth noticing that the employees are driven to and from work.

The motivation system has two parts: the traditional one offers ordinary financial bonuses (however including some new incentives, e.g. bonuses for little absenteeism); and an original one. The best Łuksja's employees can join free longer trips (one or two a year; this programme is over twenty years old). Last year 23 people went to Fatima. There are also 15 vouchers per year for individual weekends for an employee with his/her partner. Once a year there are meetings in a restaurant for

¹⁰Information about Łuksja comes from their official web page, internal documents and the informal discussion of the author on 16th January 2018 with Zofia Żuk (CEO), Chief Financial Officer and the Director of Human Resources.

the Łuksja's management and employees of different departments (15–20 people); especially big meetings (with about 200 participants) with a treat and little presents are organized every year for Łuksja's retirees.

Professional and personal development of employees is another CSR area in Łuksja. Łuksja offers rich training; its staff can also participate in group and individual language courses and different courses and projects of the Centre of Entrepreneurship Integration and Education. E.g. the project 'Kolorowe jarmarki' (Colourful fairs) informs participants about traditional recipes and customs, or offers photo competitions.

Łuksja has a specific situation because its suppliers are also its clients and business partners. The organizations like Burberry provide Łuksja with materials and receive the finished product. The main values, which are a strong fundament of successful collaboration are reliability and high quality. Producing good products at a reasonable price, always on time and faultless, Łuksja wins competition even with cheap Chinese manufacturers and creates long-term relationships with business partners (for example Marc Aurel 15 years, MaxMara and Caterina 10 years, Burberry 8 years and Isabel Marant 4 years). Łuksja is also open to CSR audits conducted by foreign partners. The last Burberry's audit (in 2017) showed excellent results; auditors concluded they had not met such a company, with so many well developed and implemented CSR principles, before.

Even though Łuksja is not a listed company good corporate governance is very important for Łuksja. Łuksja has lean management and small boards: the management board has two members (CEO and CFO) and the supervising board four. All shareholders choose the members of the latter coming from different departments (administration, production, transport). There is both, professional and position diversity (from lawyers to production specialists and drivers; and from directors to simple workers). This ensures different perspectives in the assessment of a situation and many suggestions. The board of directors is responsible for decision taking, but the strategy and values are discussed in both groups.

The CSR programme for the local community and the general public is also rich and consists of numerous actions and projects; most of them have continued for years. Łuksja systematically supports sport, cultural and scientific events. It sponsors three sport clubs and many sport events;

supports the International Review of Cooperative Artistic Groups; and organizes an annual integration meeting called *Bądźmy razem* (Let's be together) aimed to promote social inclusion of disabled people. Łuksja collaborates with universities (especially Siedlce University of Humanities and Natural Sciences, and the University in Lublin) and technical colleges, is a member of Business Centre Club and belongs to the Cluster of Design, Innovation and Fashion in Lublin. Łuksja often supports nationwide initiatives (e.g. The Great Orchestra of Christmas Charity) and participates in European projects. In 2018 it starts a project called "Maturolive", Metallisation of Textiles to Make Urban Living for Older People More Independent and Fashionable, in the scope of Horizon 2020—the Framework Programme for Research and Innovation (2014–2020). The project requires the collaboration of business and universities and is aimed to project and produce intelligent clothes (e.g. their high-tech performance fabric is connected with a central base in hospitals and can inform about their user's state of health).

Łuksja is appreciated in the region and has a huge collection of different awards. Łuksja usually gets several medals, certificates and other prizes every year for its economic and socially responsible performance. In 2017 it received *Gazela Biznesu* (Gazelle of Business) for outstanding economic results, *Firma dobrze widziana* (Well perceived company) for CSR, and the award for supporting *25 Finał Wielkiej Orkiestry Świątecznej Pomocy* (The Great Orchestra of Christmas Charity—the biggest non-governmental, non-profit charity organization in Poland).

Talking to the managers and employees in Łuksja¹¹ I often had an impression of the similarity with Monsieur Jourdain, the main character of Moliere's *The Bourgeois Gentleman*, who suddenly discovered that he was talking prose. For 30 years of her professional career Zofia Żuk has managed to implement a corporate culture based on the values of honesty, mutual respect, openness and responsibility, supported by ethical principles penetrating every activity in Łuksja. This is like the air which the company breathes and "natural" for its CEO. It was accepted and implemented long time before CSR became fashionable, and never

¹¹I collaborated with Łuksja from 2000 to 2014 (when I retired from Siedlce University) doing numerous researches and projects (supported by the company) like International Week, International Conference and Workshop, Meetings with Business and Ergo-work.

treated instrumentally. Only a few years ago Łuksja started to call its performance socially responsible (which it always was) and decided to place some (too modest) information on its web page.

There are still many informal things. Even though everybody knows the core values and principles and lives up to them, there is no written ethical code. But they have a working Ethical Commission regularly organizing meetings with employees to discuss and solve current issues and conflicts (or potential conflicts) immediately when they appear.

The example of Łuksja clearly shows that integrated programmes of CSR and CG put at the heart of a company's strategy can bring financial and social success. Despite disabled employees and operating on a very difficult and demanding market of clothes production, the management and the staff were able to create a responsible, innovative, competitive and sustainable company which greatly participates in the sustainable development of the region and, participating in international projects, puts its share in the development of the world.

2.5.2 Severn Trent Water UK—A Mature Example of a Socially Responsible Organization

The example of an ethical and socially responsible company which managed to integrate CSR and CG and turn it into financial success is Severn Trent Water UK. Severn Trent was created in 1974 as a regional, state-owned water company based in Birmingham and responsible for water management and supply, and waste water treatment and disposal, in the areas of two of Britain's largest rivers—the Severn and the Trent. In 1989 the company was transformed into a private enterprise. Today it is a listed company where all CSR and CG programmes are matured, with detailed and transparent documentation. The implementation is professional with strict execution and control of results. Severn Trent belongs to UN Global Compact and adheres to the 10 GC Principles; it prepares annual reports on CSR. However, Severn Trent enriched this area and has its own customized set of principles included in its ethical code. For managers and employees of Severn Trent the ultimate rule is 'always do the right thing'.

One can read on their web page: “Every day we have to make choices about what they do and how they do it. Most of the time it is clear what the right thing to do is, whether it is about doing what’s safe, doing the right thing for customers, doing what is right ethically – and indeed what is right legally” (<https://www.stwater.co.uk/about-us/responsibility/doing-the-right-thing/>, accessed 7 January 2018). In Severn Trent CSR is woven into their strategy: “Whether building trust, making sustainable choices or doing the right thing, our approach to corporate responsibility aligns with our strategic framework”, and based on five values: “we put our customers first”, “we are passionate about what we do”, “we act with integrity”, “we protect our environment”, “we are inspired to create an awesome Company”. They say their “Corporate Responsibility framework is centred around the issues that are most important to our customers and the most material issues underpinning our performance as a sustainable business”, their purpose is to “serve their communities and to build a lasting water legacy” and their vision “to be the most trusted water company by 2020” (<https://www.severntrent.com/responsibility/our-approach/our-approach/>, accessed 7 January 2018).

The afore-mentioned values: customers, passion, integrity, environment, awesome company are integrated in every activity in Severn Trent. Their development and detailed explanation are presented in ‘*Doing the Right Thing, the Severn Trent Way*’, which is an ethical code of conduct. In its introduction we can read: “Whatever our role and wherever we’re based, there will always be times when we’re faced with difficult decisions. And, when we are, it’s important that we know what’s expected of us – which is exactly where ‘*Doing the Right Thing, the Severn Trent Way*’ comes in. Doing the Right Thing is not just about obeying the law – it goes far beyond that. It’s about following our five values and our key policies, which guide us towards doing the right thing all of the time. Acting in line with our values is key to ensuring we act as a responsible business and achieve our purpose and Vision.”

The code is actually a practical guide for all people working in Severn Trent. It includes easy-to-remember slogans as well as practical explanations concerning their incorporation in everyday behaviour and activities. It starts with the world TRUST transforming into five principles starting with its first letters: Think, Reach out, Understand,

Speak out and Take responsibility. Additionally the following principles support the main five values:

1. Protect our customers' and colleagues' data;
2. Communicate in the right way;
3. Stay free from bribery and corruption;
4. Work fairly with competitors;
5. Protect our assets and information;
6. Be environmental leaders;
7. Respect each other and other's human rights;
8. Make sure that nobody gets hurt or made unwell by what we do.
([https://www.severntrent.com/content/dam/stw/ST_Corporate/About_us/Docs/019091_Severn_Trent_Code_of_Conduct_v13%20\(VISUAL\).pdf](https://www.severntrent.com/content/dam/stw/ST_Corporate/About_us/Docs/019091_Severn_Trent_Code_of_Conduct_v13%20(VISUAL).pdf), accessed 7 January 2018).

Unlike most companies Severn Trent directly links CSR and Corporate Governance. The opening statement on its web page on CG reads “Our corporate values underpin all that we do, helping our employees understand how to think about the actions and decisions they have to take every day”. The board of directors has eight members (2 executives— a man and a woman; and 6 non-executives—4 men and 2 women). The management adheres to the recommendations of the UK Corporate Governance Code concerning gender and professional diversity of the board. “We believe that a diverse and inclusive culture is a key factor in being a successful business. And that every appointment should be made on merit” (<https://www.severntrent.com/about-us/corporate-governance/the-board/gender-and-diversity/>, accessed 7 January 2008).

In Severn Trent, apart from traditional: nomination, audit and remuneration committees, there are additional three:

- The Executive Committee which “oversees the development and execution of Severn Trent’s strategy. It also has accountability for achieving business results” (<https://www.severntrent.com/about-us/corporate-governance/board-committees/executive-committee/>, accessed 7 January 2018).

- The Treasure Committee which “provides oversight of treasury activities in implementing the policies, funding and risk management plans approved by the board” (<https://www.severntrent.com/about-us/corporate-governance/board-committees/treasury-committee/>, accessed 7 January 2018).
- Corporate Responsibility Committee which “reviews key non-financial risks and opportunities, and monitors performance against an agreed framework (...). The committee provides guidance on the Company’s Corporate Responsibility (‘CR’) programme, reviews the Group’s key non-financial risks and opportunities and monitors performance against a corporate responsibility framework.”

Key areas of the CSR Committee in 2015/2016 were:

- Human rights;
- Sustainable supply chain charter and modern slavery statement. The company adheres to Section 54(1) of the Modern Slavery Act 2015 and makes sure that in Severn Trent slavery and human trafficking is not practised in any part of its business, or supply chain.
- Freedom of association and collective bargaining;
- Whistleblowing;
- Prevention and detecting of bribery and corruption (<https://www.severntrent.com/responsibility/governance-and-reporting/corporate-responsibility-committee-and-terms-of-reference/>, accessed 7 January 2018).

Severn Trent managed to combine, in its ethical and socially responsible overall performance, economic, social and environmental areas. It found a balance between its employees’ individual development and team work. A special unit assesses the specific needs of each worker and finds ways to fulfil them. There is also a corporate culture of collaboration and mutual support. The company also manages to gain excellent financial results and invests in the wellbeing and development of their key stakeholders. During my working visit (2014), as part of the Ergo-work project, I asked about the high cost of investing in human

resources (embracing extensive health care, customized ergonomic workplaces, training, numerous additional programmes concerning physical and mental health, etc.); one of the directors answered that in a private company profit is the condition sine qua non of its survival and this investment is carefully calculated and proven to be profitable as it translates into less absenteeism, more employee involvement, creativity, loyalty and high productivity. Additionally, the company gets easy access to the best workforce in the country. Severn Trent has all of this in facts and figures.

2.6 Conclusions

The world population is growing. It was estimated to reach 7.6 billion in December 2017 and the United Nations predicts it will rise to 11.8 billion by 2100 (https://en.wikipedia.org/wiki/World_population, accessed 2 January 2018). For centuries the increase in population was rather slow, and only between 1900 and 2000 it accelerated and was three times greater than during the entire previous history of humanity—an increase from 1.5 to 6.1 billion in just 100 years. Between 1950 and 1987 the number doubled from 2.5 to 5 billion people, in just 37 years. The pace of growth slowed down, but the world population is still growing (Roser and Ortiz-Ospina 2017), while the Earth's natural resources are shrinking increasingly. Today, we realize more clearly than ever the limits of resources, the human needs (for food, shelter, means of transport, health care, education etc.), the growing gap between the poor and the rich parts of the world, the interdependence of all these elements and the necessity of sustainable development, if humankind should survive. In this process the role of responsible business is crucial.

On the 2nd December 1984 the Bhopal tragedy happened. The leak of methyl isocyanate (MIC) gas in the Union Carbide pesticide plant caused the immediate death of 2259 people. The total number of casualties—people who died within days, weeks and years later; people who became disabled; and people who are still born with deformities (ten times more than in other less polluted parts of Bhopal) amounts to over half a million. Only one plant caused this adverse effect. Every

day millions of factories pollute the air, soil and water, exploit men, women and children, and exploit natural resources without thinking about tomorrow and future generations, leading humankind to the brink of extinction.

Nowadays, socially responsible business is the tool, unavoidable for humankind's survival, for sustainable development and the rational use of all human intellectual potential (also from poor areas of Asia and Africa). The idea of corporate social responsibility is quite old¹² and was greatly developed after World War II. Unfortunately, the implementation of the concept in enterprises has been disappointing because of its poor coverage, and deceiving or instrumental use. The reason for this is that the new idea of responsible business is packed into the old frames of 'business as usual' philosophy and traditional economy with its strong individualism and the competition of companies for life and death.

The deep understanding of interdependence requires a new model of economy and a new model of organization. Modern companies should not treat socially responsible actions and activities as a charitable burden restricting their development, but as a profitable investment and creation of stakeholder capital translating into concrete financial values of better employee efficiency, innovativeness and loyalty, greater loyalty of customers and suppliers, more effective collaboration with local and national governments, and the support of local communities.

Nevertheless, there is a light at the end of the tunnel. New economic concepts, like cradle-to-cradle design, the circular, or the doughnut economics appear and some organizations have managed to master their ethical and socially responsible performance, to combine CSR and corporate governance and incorporate it into every aspect of their business practice. They prove that performing in this way companies can be profitable, competitive, sustainable, and leaving a positive mark in the world instead of joining a destructive force of ruthless business. However, the relatively small number of successful companies, based on CSR, and the increasingly many global threats (including irreversible effects of pollution and a high possibility of a nuclear World War III outbreak)

¹²It can be traced even in Ancient Greece. In the *Apology of Socrates* by Plato, Socrates states that virtue does not grow from money but money grows from virtue, and all other human goods, both public and private.

mean that the race is heading to its end, and the ultimate question is: Can we manage to save our world in time?

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3

Corporate Social Responsibility as a Tool for Creating Employee Involvement

Edyta Bombiak

3.1 Introduction

In the knowledge-based economy people are the basic element of building a durable competitive advantage. Creating employee involvement is obligatory in human resource management (HRM). Staff engagement enables the optimal use of human capital. Hence it belongs

Editorial Comment: Corporate governance and management holders must implement corporate values into corporate codes (codes of ethics, codes of conduct or other statements of corporate values, responsibility and corporate governance), to generate employee involvement. Corporations are responsible to stakeholders with their important interests, and to others outside their business relationships, to contributing to the environment and the health, safety and well-being of the whole planet. Since corporate social responsibility (CSR) expands a corporation's accountability to wider stakeholders, reporting on their CSR activities matters, too. Legal documents form the basis. The case of the care for water exemplifies the effort.

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to the most often defined challenges concerning the personnel policy. Only the companies, able to gain a high level of employee involvement can survive in the dynamic and competitive market. In contrast, lack of a sufficient personnel engagement may essentially hinder the organizational development. The impact of engagement on the company functioning creates the growth of managers' interest in this issue. This results from a changing managers' attitude caused by the changing labor market, and the development of knowledge concerning HRM accompanied by the implementation of the new practice.

Despite many theories presented in literature, which can precisely inspire managers, one still seeks new solutions. An important topic of discussion are tools of building the engagement. They include, according to the author, the concept of corporate social responsibility (CSR). This chapter is aimed at analysis of these aspects of CSR, which accompany the HRM process (both at the stage of recruitment and during the work) and are directed towards creating employee involvement. This analysis embraces:

- a. The identification of pro-social practice in the area of responsible HRM;
- b. The assessment of the usefulness of employee volunteering in the process of building their engagement.

To realize this goal, the method of critical analysis of literature and a case study were used.

3.2 The Essence and Meaning of Employee Involvement

W. A. Kahn, a pioneer of research on engagement, understood work involvement as a full conjunction of a person's professional role with his/her identity (Kahn 1990, pp. 692–724).¹ On the other hand, A.

¹Elaborated on the basis of the company information on its http page: www.kp.pl (accessed 12 October 2017).

M. Saks believes that it is the person's intellectual and emotional devotion to his/her organization, resulting in the amount of effort given by that employee to work (Saks 2006, p. 600). In turn, Andrew and Sofian state that involvement concerns emotional and motivation state (Andrew and Sofian 2012, pp. 498–508), which connects the will and ability to work. Here, involvement is the expression of the strength of the employee's relationship with the organization. So, involvement/engagement is commonly understood as personal identification with the organizational values and goals, willingness to make a great effort to work for the organization and continue the person's participation in its development, and engaging above standards. M. Juchnowicz purports that engagement can be seen as an employee's attitude, as the involvement, and as the behavior serving the exchange of counterparts between the worker and organization (Juchnowicz 2012, p. 33).

Literature describes three kinds of engagement (Meyer and Allen 1991, pp. 61–98; Spik and Klineciewicz 2008, p. 477; Schultz and Schultz 2002, p. 318; McGee and Rennie 2012, p. 14), which can appear simultaneously:

1. *Affective Commitment* understood as an employee's emotional relationship to the organization based on passion and satisfaction. The employee identifies himself/herself with the organization and takes its norms as his/her own. Durability and authenticity characterize this type of engagement.
2. *Continuance Commitment*, also defined as rational, because it is the result of cost and benefit calculation connected with staying in the organization. It has an instrumental character, because such employees work for the company only to fulfill their needs, and when they cannot get a more satisfying job. In this case the tasks are done in an appropriate way, and according to the standards, but without the person's identification with the organizational goals.
3. *Normative Commitment*—associated with some kind of moral obligation. It results from the belief that working for an organization is morally justified, regardless of whether and how many advantages it guarantees for an employee staying with the company, because of situations caused by commitments (e.g. loan repayment, working

off training obligations). The level of this commitment is defined as moderate.

From the viewpoint of efficiency in the organizational goals realization, employees need the involvement rooted in the inner conviction and passion, and one resulting from their sense of duty or rational calculation motivated by their desire to fulfill one's own needs, or forced by difficulties present on the labor market (Juchnowicz 2012, p. 42).

The recently observed growth of interest in the issue of employee involvement, noticed both among theorists and practitioners of management, results from advantages for an organization brought by managing the engagement. Corporate Leadership Council's research showed that an involved employee makes a 57% higher effort than the not-involved one; the rise of involvement by 10% translates into the increase in contribution of work and the 2% growth of work effects (Chabior 2013). The relation of the involved employees to the uninvolved ones in companies, which are market leaders is 10 to 1 (Gallup Study 2012). Other presented researches in literature indicate a positive impact of engagement on: the level of job satisfaction, safety at work, employee turnover, talent stability, group integration, change introduction and fast acceptance, employee learning, level of loyalty and satisfaction of clients, productivity, facing challenges in difficult conditions of reorganization, financial results of the company and shareholder return (Croston et al. 1998, p. 247; Ayers 2006, p. 11; Xanthopoulou et al. 2009, pp. 237–240; Simpson 2009, p. 1020; Juchnowicz 2012, pp. 42–44; Croston 2008, p. 8; Macey et al. 2009, pp. 2–3; Cook 2008, p. 19). Some authors even believe that employee involvement has a greater impact on the results of work than job satisfaction (Bugdol 2007, p. 89). Engaged employees are more creative, understand customers better, bring a higher profit to the company and greatly contribute to shaping a good reputation of their employer (Harter et al. 2010, pp. 378–389). Hence, striving for keeping the involvement at the possibly high level is greatly justified. So, it is not surprising that managers are increasingly interested in stimulating and measuring involvement.

In the so far performed studies some factors shaping employee involvement were identified. The most often mentioned ones are (Saks 2006,

pp. 604–606; Croston 2008; Macey et al. 2009, pp. 5–6; Smythe 2009, p. 105, Simpson 2009, p. 1020; Juchnowicz 2012, pp. 53–57; Meyer et al. 1991, pp. 717–733; Robinson et al. 2004, p. 23):

- Good interpersonal relationships (with superiors, subordinates, associates);
- Interesting job;
- Participation in the decision-making process;
- Fair treatment and decent working conditions;
- Fair payment;
- Development chances;
- Independence in operation;
- Good internal communication.

In literature authors also underline the meaning of the cultural background, supporting systems and structures, values and ethics as well as the employer reputation. An important determinant of engagement is also the level of requirements and resources available at work (Bakker and Demerouti 2014, pp. 37–65; Halbesleben 2010, pp. 102–117). The number and variety of factors many possibilities of stimulating one's employees. It is worth saying that the process of building involvement requires a holistic attitude, because both, individual features of an employee and an idiosyncrasy of organization providing specified stimuli, influence the worker (Bugdol 2006, p. 16).

In literature, problems connected with building involvement are articulated and seen as one of the key challenges for HRM managers. Namely, 31.4% of employees (out of 440,000 employed in 5500 companies) were not involved in work, and the next 25% stated that they are “just doing” their jobs (Quantum Workplace 2015, by The Gallup Organization, 2015). In turn, the research performed in Europe on a group of 11,000 employees working for PwC showed that 15% of workers had low motivation and stated high probability of leaving the company. What was more, only 2 out of 5 employees intended to work for the present employer for at least one year (ADP 2017). Even more worrying results were presented in the report prepared in 2017 by AON Hewitt. The analysis, embracing over 5,000,000 employees in 1000 organizations

around the world showed that the involvement decreased from 65% in 2015 to 63% in 2016. Moreover, 24% of respondents described their level of involvement as “high”, and the next 39% as “moderate” (AON 2017).

In the light of the above-mentioned results the importance of employee involvement for gaining organizational goals should bring no doubts. However, taking into consideration the still insufficient effects shown in research, one can say that there is a competency gap in the efficient management of involvement. In this context, searching for effective tools of shaping employee engagement becomes critical. One of the practically underestimated strategies of building involvement is using CSR principles in the HRM process.

3.3 Internal CSR as a Significant Dimension of the Organization Functioning

Corporate social responsibility (CSR), being an issue at the intersection of management, economics and ethics, is a wide category defined in many different ways (Dahlsrud 2008, pp. 1–11). However, most definitions concentrate around five dimensions: social, economic, environmental, voluntary, and stakeholders (Wierciński 2011, p. 60). “The essential characteristic of social responsibility is the willingness of an organization to incorporate social and environmental considerations in its decision making and be accountable for the impacts of its decisions and activities on society and the environment. This implies both transparent and ethical behavior that contributes to sustainable development, is in compliance with applicable law and is consistent with international norms of behavior. It also implies that social responsibility is integrated throughout the organization, is practiced in its relationships and takes into account the interests of stakeholders” (ISO 26000:2010[E], p. 6).

Generally, CSR is a concept of doing business balancing the needs of various stakeholders with making profit (O’Sullivan 2010, p. 259; Robbins and DeCenzo 2002, p. 101; Porter and Kramer 2011, pp. 80–87; Gadomsk-Lila 2012, p. 42; Wolkowicka and Dabrowski 2012, p. 80). CSR is expressed in a voluntary inclusion of stakeholders’ needs

into a company's strategy. The performances of socially responsible organizations generate both economic and social effects. The primary objective of these organizations is maximizing their contribution to sustainable development, including health and welfare of the society. This development is based on the following principles (ISO 26000:2010[E], p. 4):

- The organization's responsibility for its impact on society, economy and the environment;
- Transparency in decisions and activities;
- Ethical behavior based on honesty and justice;
- The respect for human rights and stakeholders' interests;
- The compliance with the law and international norms of behavior.

CSR is a holistic approach, which takes into consideration the interdependence between the economic, social and environmental aspects of the organization's activities and is closely linked to corporate governance and sustainable development; in the modern world an overarching objective of an organization's social responsibility should be to contribute to sustainable development, in all ways, available for the company.

Complying with CSR principles contributes to the growth of a company's competitiveness in six important areas, influencing the organization's success; these are: company's cost structure, available human resources, the customers' perception of it, its innovativeness, its risk management, and its financial efficiency (European Commission 2008). CSR is, therefore, a modern instrument for increasing the enterprise's value and competitive advantage. In the range of CSR initiatives, an organization can take numerous actions, classified in two dimensions (Kalinowska 2012, p. 333; Stawicka 2010, p. 6; Sudoł 2002, p. 72):

- Internal dimension (embracing relationships with employees);
- External dimension (embracing relationships with stakeholders outside the organization, e.g. with suppliers, customers, competitors, and community).

The key areas under the framework of the internal dimension include HRM, defined as all activities directed towards providing an organization, in a given time and place, with the required number of adequately qualified employees, and creating conditions stimulating the effective behavior of staff, consistent with the goal of that enterprise (Pocztowski 1998, p. 28). Recently, this sphere matters increasingly. The need for using CSR principles in internal relationships is growing with the increasing human factor's importance in shaping organizational competitiveness. Employees are crucial in gaining organizational success as both the internal stakeholders and creators of relationships with external stakeholders (Ratajczak et al. 2012, p. 382). Therefore, the importance of CSR in shaping the relationships with employees is growing.

The research concerning the internal dimension of CSR concentrates on topics such as: the impact of CSR on the level of employees' satisfaction, attitudes and behaviors (Rupp et al. 2006; Fukukawa et al. 2007), contributing to the level of trust in the company, and the candidates' attitudes in the recruitment process (Turban and Greening 1997).

The analysis conducted so far shows that the CSR activities positively influence the degree of employee identification with the company, engagement, productivity and willingness to stay with the organization longer (Borkowska 2005, p. 25). Besides, firms socially responsible towards employees, experience less absence and turnover and much less unethical behaviors (Kim et al. 2010, pp. 557–569; Burton and Goldsby 2009, pp. 145–154; Wojtczuk-Turek 2011). Advantages concerning the internal dimension of CSR include the rise of the level of organizational culture, attracting and retaining the best employees and improving the quality of management (Greszta 2010, p. 83; Gadomsk-Lila 2012, p. 45; Borkowska 2005, p. 25; Argenti 2016). The research shows that social responsibility towards employees is believed to be important in practice, but it is still not sufficiently recognized, and the undertaken initiatives do not form a common standard (Gadomsk-Lila 2012, pp. 41–52). Due to the importance of building employee involvement for organizational success, an essential area of studies is the CSR's impact on the level of staff engagement. It is expressed in many pro-social activities at different stages of the HRM realization.

3.4 Responsible Human Resource Management

Theories attempting to explain the emergence of employee involvement, and define the sources of modification of its level, include the social exchange theory. It assumes that employees getting some resources from their company, they feel obliged to pay back more with their involvement. However, when the organization does not provide staff with the sufficient emotional, social and economic goods, its employees tend to withdraw and to not engage in the realization of their roles in such a company (Saks 2006, p. 602). This theory seems to justify the importance of CSR in the process of creating involvement, because implementing CSR strategy in HRM becomes a source of numerous emotional and social stimuli for employees.

The compliance with CSR principles means socially responsible management; but responsible HRM reaches beyond respecting employer liabilities arising from legal rules. It aims to increase work efficiency and quality, but it also considers employees' abilities and various needs (Moczyłowska 2010, p. 220). Thus, the management is based on the principles of reciprocal respect, justice and transparency of activities in the time of recruitment, period of work, and its completion.

The concern about employees as a part of socially responsible activity finds its dimensions in the realization of the respective HRM stages (from recruitment and selection to motivation, appraisal and development to employment restructuring), and results from the need of creating good relationships between an employer and employee. The realization of CSR principles in HRM means an ethical attitude towards staff at every HRM stage, especially fair and just treatment. Fairness is understood here as impartiality, honesty and refraining from violence and constrain; and distributive justice, as a remuneration proportional to the contribution towards gaining the organizational goal (Stor 2010, pp. 448–449). Table 3.1 shows examples of pro-social practices, which can be implemented in the respective HRM stages and can foster creating employee involvement.

Therefore, one can say that human resource management creates a wide area for fulfilling the CSR concept. Building employee engagement

Table 3.1 Chosen pro-social practices in HRM

The stage of HRM process	The examples of CSR principles realization
Selection of employees (recruitment, selection, adaptation)	A fair job offer Ethical job interview Candidate experience Friendly adaptation
Employee motivation	Fair payment Transparent and objective criteria of granting gratuities Participation in management
Employee appraisal	The transparency of interim assessment system Objective criteria of assessment The elimination of the system's errors and the mistakes in the art of assessment
Employee development	Constructive appraisal interviews Investment in employee development Equal access to training
Shaping work conditions	Compliance with health and safety regulations Attention to the ergonomics of the workplace Work-live balance Preventing workplace harassment Extensive social benefits
Employment restructuring	Dismissal with the respect for principles of dignity and workers' rights Fair and transparent disciplinary procedures Outplacement

Source Own elaboration

starts at the stage of a person's first contact with the company; hence the selection process is very important. Ethical selection means that it is not only fulfilling legal regulations, but also respects the candidates' beliefs, privacy and dignity. Taking into consideration both: The Labor Code and CSR principles, the discrimination of candidates on the grounds of sex, age, disability, race, religion, nationality, political views, union membership, ethnicity, or sexual orientation is unacceptable. The use of discriminatory practices can bring both a negative image of the company,

and legal consequences. The basic precondition of a socially responsible recruitment is the honest employment offer, expressed in an impartial description of the real situation of the company and the specifics of the position offered. Concealing information, which is crucial for the decision on participating in the process of recruitment is questionable from an ethical viewpoint (<http://nf.pl/manager/pracodawca-bledy-rek-rutacji,14605,39>, 4 October 2017). These are first of all:

- Lack of information about payment, in job advertisement,
- Creating an attractive name for the job to increase its prestige,
- Hiding the name of the company under the name of recruitment organization, or placing classified information,
- Using false information about payment, promotion opportunities and professional development,
- Unscrupulous employee poaching.

The concept of Candidate Experience also matches CSR. It underlines the need to create and maintain positive relationships with all candidates, including those who were not chosen in the given recruitment procedure. An important element here is studying the satisfaction of all candidates after the completed process, because their opinions are basic resources for this process improvement.

Compliance with CSR principles is equally important in the selection process. An ethical job interview should concentrate on substantive issues and the problems vital from the viewpoint of job efficiency. The questions should verify knowledge, predispositions, experience and skills necessary for the position. They should neither discriminate nor be personal. Inquiring about the candidate's personal life details or using unmeritorious criteria (e.g. friendship) in the employment process is not acceptable.

Another important period of shaping employee involvement is the adaptation process, when the person is getting used to work and finds out more about the company. Preconditions of performing the task effectively, and a legal obligation of the employer, include informing employees about their responsibilities. The adaptation process should cover introducing the person to the organizational culture and core

values, aimed to create the attitude consistent with the organizational ethical model. Short-term employment (based on fee-for-task agreement or fixed-term contract) does not foster employee involvement.

In the area of motivation, the wage policy is crucial from the CSR viewpoint. Wages should be equitable and fair. The wage is equitable, when it ensures the employee and his/her family an adequate standard of living, which prevents poverty (Borkowska 1999, p. 13). In turn, a fair wage should consider the kind, quantity and labor input. According to the J. S. Adams's theory of justice, one decides about one's engagement analyzing whether one was awarded fairly (in comparison to others) (Adams 1963). Both, the states of undervaluation, and overvaluation can be reasons for frustration, which disables creation of a high level of involvement. Hence, objective criteria shaping the work results should be used in setting remuneration. First of all, a fair wage must match the employee's efficiency. The amount of remuneration should be proportional to the requirements obligatory for the job and the effects of work. To assess those factors one needs the work evaluation process and appraisal of work results. Besides, adhering to the principle of justice requires similar remuneration for similar jobs.

Employee participation fits into the CSR framework, which assumes consideration of stakeholders' expectations and needs. It is the basic tool for building involvement through the increase of employees' awareness of the problem. Direct participation, strengthening the role of employees in the process of decision making, is especially important (Armstrong 2003, p. 636). It can support managers in that process and can be considered as: participation in decision making processes, requesting a decision, preparing projects, co-decision, legitimating (leaving part of the decision to employees), expressing opinions, making decisions, participation in the implementation, and the supervision of execution (Pawlak 2003, p. 319). Financial participation is understood as additional remuneration for employees dependent on the profit or other measures of the company's performance (e.g. employee participation in the profit or savings resulting from the cost reduction of production, employee share ownership) (Janowska 2010, p. 137; Borkowska 2001, pp. 361–371). The postulate of staff participation also embraces decisions concerning one's professional development.

A sense of justice can be assured only by a properly constructed assessment system. Adhering to CSR principles in the process of creating that system matters, because such a system is a base for all the staff concerning decisions. The complexity and consequences of appraisal process stimulate a lot of controversy and apprehension among employees, who believe that the system is fair only, when they can see a relationship between an individual assessment and the level of gratification (Sidor-Rządowska 2015, p. 169). Compliance with CSR principles in assessing requires employee involvement in all stages of the appraisal process. Employees should participate in setting of goals and assessment criteria, and analyzing together with superiors the efficiency of the methods and procedures used. The appraisal system consistent with CSR:

- Serves a purpose which is clearly determined and known by the rater and the evaluated;
- Is open and accepted by employees;
- Is clear and based on objective assessment criteria;
- Embraces all employees without discrimination or preference; and
- Ensures connection between the assessment results and HRM decisions.

An appraisal interview is crucial for shaping the employee involvement. An ethical interview enables employees to present their own arguments and fosters elaborating ways of improving the situation when the personal performance or behavior is assessed negatively. It should cover the analysis of strengths and weaknesses; its effect should motivate employees to improve their quality and efficiency of work, and address new challenges. The interview should have a form of dialogue, when the employee and his/her superior discuss every element of his/her responsibilities. The conversation must happen in an atmosphere of reciprocal trust and cooperation and stimulate elaborating ways of solving problems.

The barriers in using CSR potential in the appraisal process may include the raters' mistakes. One should avoid both: the system errors (connected with the improper choice of methods and criteria as well as improper assessment procedures), and the mistakes in the evaluation

art (e.g. excessive leniency or severity of assessment, lack of objectivity, or the first impression effect). Social responsibility requires the elimination of such mistakes, because they can result in unethical HRM decisions, diminishing employee involvement, or even in the loss of valuable human capital.

A meaningful area for the CSR principles realization is the development of employees. Such investment is crucial for the company's value to grow. On the one hand, investment must fulfill the present and future organizational needs for having employees with the required qualifications; on the other hand, it offers the staff stability of professional career and self-actualization. Employee whose career development is clearly defined, are more eager to get involved in work. The implementation of the CSR concept in the HR development requires special care for adhering to the principle of equal access to qualifications raising. Equal treatment of employees regardless of gender, age, race, or other social and demographic factors belongs into the diversity management concept (Bombiak 2014, p. 112). One of its dimensions is ensuring equal opportunities for men and women in the workplace. Despite elaborate legislation concerning preventing discrimination, and numerous EU directives stimulating the realization of the men and women equality principle, there are still many barriers limiting the opportunities of career development for women. Hence implementing CSR principles in this area is a desirable support.

Another important area of CSR towards employees is the concern about health and safety at work expressed in creating safe and ergonomic work conditions. Attention to health and safety regulations belongs to the aspects used to measure the general advancement of companies in CSR implementation (Kaźmierczak 2009, p. 11). This influences positively the employee involvement, and impacts the company's position in the labor market, making such a firm more attractive for potential employees. By contrast, neglecting the issue of health and safety at work increases absenteeism, which results in financial loss. Equally important is the physical and mental condition of employees. A high level of stress and tiredness lowers the quality of human capital and its efficiency. So, investment in employees' health belongs to the basic activities of responsible employers.

In the context of creating conditions suitable for building employee involvement and shaping positive relationships, workplace harassment prevention matters, too. A persistent and long-lasting persecution or threat, resulting in the understated assessment of professional suitability, and humiliation or ridiculing of employees, their isolation or elimination from a team, are a kind of psychological or social violence, and therefore unethical and irrational (Buczma 2007, p. 54). Workplace harassment is especially correlated with the assessment, motivation and development processes, i.e. these stages of personnel process which determine the possibilities of using human potential in an organization (Bombiak 2015, pp. 201–203). Overall, one can conclude that workplace harassment belongs to the main barriers in building employee involvement; hence, its prevention is vital both from the CSR perspective, and legal obligations of employers.

The concept of work-life balance can also fit into the framework of socially responsible initiatives which matter from the viewpoint of building engagement. Essentially, it facilitates combining work with the other dimensions of human life such as home, family, social activities and individual interests. Flexible forms of employment and teleworking give opportunities to better time use. Another aid in the satisfactory joining different social roles can be various facilities, e.g. a company's nursery or kindergarten, a room for breast feeding, family insurance, helping out financially with holiday trips for children, Christmas presents, longer maternal leaves, additional medical care, picnics and family parties (Leoński 2015, p. 134). Such activities foster reducing social inequalities, by helping people who are in difficult situations, e.g. single mothers or disabled people, to become professionally active.

Another area where fulfilling CSR principles is especially important and very difficult is employment restructuring. It is often connected with redundancy; therefore it belongs to the most difficult managerial tasks, especially when an employee who participated in the company's success should be dismissed. Elaborating principles and forms of dismissal belongs to the most neglected parts of HRM policy. Lay-offs should always be a last resort and should not be overused. It is vital that when the decision is taken all the actions are matching the law and CSR principles.

An example of good practice is outplacement. This is a program of extensive care: managerial, psychological, organizational and legal, institutional and even medical care concerning dismissed employees (Makowski 2001, p. 167; Sidor-Rządkowska 2010, pp. 110–115). This helps to minimize the negative consequences of dismissal. The most common forms are psychological and professional counselling, financing of training and supplementary education courses, help in finding a new employer or starting one's own business. The purpose of outplacement is psychological and factual support for a dismissed employee and help in building a positive attitude towards a challenge of finding a new job. Caring about the form of parting with the company is not only an ethical requirement but also an investment in the company's image and engagement of the remaining staff.

To sum up, one can state that the necessary but not sufficient condition to built employee involvement is using CSR principles in the HRM strategy. It is especially important in Polish conditions. This conclusion can be drawn after analyzing the results of research from 2012 where 74% of respondents (out of 767 total) said that ethical principles are broken in companies very often or often. At the same time 92% of them expected the company to get involved in stimulating its internal ethical culture (Sroka 2012, pp. 17–19).

3.5 Employee Volunteering as a Social Tool of Building Engagement

According to Archie B. Carroll employee volunteering creates the highest level of corporate social responsibility. This is the element of philanthropic responsibility, which organizations gain after reaching the levels of economic, legal and ethical responsibilities (Visser 2005, p. 240). The core of employee volunteering is self-imposed work for pro-social initiatives. Employee-volunteers perform various jobs for people in need, using their skills and abilities; the company supports their activities financially, materially or organizationally. Inherently the character of those activities is gratuitous (Lustyk 2014, p. 85).

The forms of employee volunteering depend on the company's financial and organizational resources, social needs, and the employees' creativity and initiatives. The chosen forms are presented in Table 3.2.

Table 3.2 Forms of employee volunteering

Forms of volunteering	Description of activities
Participation in nationwide charity campaigns	The company joins the actions organized by other institutions encouraging employees to participate as volunteers, who help in the organization and performance of the action as have been agreed, using firm's financial help
Creating company's own social programs	The company engages employees in a social program realization, which firm initiated, and gives its staff full financial, organizational and substantive support
Combining volunteering with corporate retreats or training trips	Trips organized by the company foster team integration through employees' voluntary work for an institution in need
Projects initiated by employees	Employees prepare their own voluntary projects; the company helps in their realization. Employees create the whole project, starting with analysis of the chosen local community needs, then selecting the beneficiary and implementing the plan. Company can help by financing the project, organizational support, e.g. giving some Tterials, means of transport or counselling. One of the most commonly used forms of support include giving employees a day off for the project realization
Transfer of knowledge and skills during substantive meetings	Volunteers share knowledge from their fields, e.g. law, tax, accountancy, computer skills. They can also initiate meetings aimed at developing other people's interests. It can be painting, theatre, and other hobby classes

(continued)

Table 3.2 (continued)

Forms of volunteering	Description of activities
Raising funds or collecting gifts by volunteers	The company raises funds and collects gifts among employees, e.g. financial means or gifts, e.g. clothes, toys, food, educational facilities, which are then given to chosen public or social organizations
Organizing free time and supporting people in need	Helping disabled, old or lonely people through spending time together, various forms of support and motivating them to be active. Helping ill, disabled and children living in orphanages. Organizing children games and classes (music, painting, theatre, photography, and others), helping with school homework
Care for animals	Employees work in animal shelters, and collect funds for animal food, medications, vaccination, operations and modernization of enclosures or animal housing

Source Elaborated, based on: Firma = zaangażowanie. Pracownicy, wolontariusze, beneficjenci, Forum Odpowiedzialnego Biznesu, Warszawa, 2009, pp. 9–11, <http://odpowiedzialnybiznes.pl/aktualno%C5%9Bci/pracownicy-providenta-zrealizowali-juz-ponad-450-lokalnych-projektow/> (10 October 2017)

Most often people participate in nationwide charity actions, business people's original programs, employees' original programs, raising money and gifts, helping with renovation of public buildings, or actions connected with blood and marrow donation (Komosa and Dorska 2008, pp. 11–14; Bargieł 2011, p. 73). The beneficiaries of this aid are often educational institutions taking care of children, and nursing homes. The strategies of building employee involvement through volunteering include giving financial grants and organizational support for employee projects directed towards fulfilling the needs of the local community (Wolontariat pracowniczy w Polskich firmach, Raport 2011).

Employee volunteering can also support cross-sectoring partnership. Collaboration between enterprises and universities provide good examples, where both parties take advantage of exchanging knowledge and

interpenetration of academic and business approaches (Buczowski 2016, pp. 90–91). Volunteering takes the form of free-of-charge knowledge and skills sharing; it also includes substantive, financial and organizational support in research projects, organization of workshops, scientific internships and conferences, participation in the elaboration of academic syllabuses, and performing lectures.

The implementation of employee volunteering in a company is a complex project, and its success depends on its good preparation, hence it is worth learning from the best ones. An example of good practice concerning employee volunteering is Kampania Piwowarska, a leader in the brewing industry in the Polish market. In this company volunteering has been practiced for 17 years and it belongs to the ten priorities of the organization's sustainable development.² The first action rooted in the initiative and involvement of employees; it was preparing Christmas gifts for chosen families, which now is an established tradition called "The Father Christmas Team" (Ekipa Świętego Mikołaja). In just one edition of the initiative employees realized 21 projects for 150,000 PLN. Over time, this action become a year-round help for people in need, and not only Christmas parcels. The aid concerns various areas according to the principle "we help not only on special occasions, but every day". From 2008 this initiative has been a systematic program of employee volunteering called "The Team not only on Special Occasions". Its participants transferred their activities from helping individual people to collaborating with socially trusted and credible social partners. The projects, realized in this framework, concern educational, didactic, sport, cultural and health care areas; all of them match the real needs of local communities. Good examples include building a playground for disabled children from one of the schools in Białystok, the organization of Christmas Eve supper for homeless people, or an orphanage redecoration. Also very original events, like the organization of a circus performance, have taken place among numerous initiatives.

In 2012 "The Volunteers' Campaign" (Kompania Wolontariuszy) started, aimed at financial and organizational support to institutions

²Elaborated on the basis of the company information on its http page: www.kp.pl (accessed 12 October 2017).

working for the common good and non-governmental organizations, especially underlying long-lasting effects. This is a long-term program in which employees work (for free) for social organizations. Four times a year the employee can choose an organization to work for, and elaborate a support project. The Program Board (Rada Programowa) assessed proposals with essential and formal criteria, and chooses the best projects. Employees support the needy in four ways: project volunteering (long-lasting collaboration with the chosen organizations), action volunteering (one-off supportive initiative), competence volunteering (sharing knowledge and skills), and actions during integration trips. Only in 2012 thirty projects were completed, with 184 employees involved using 1607 working hours. The result was that 30 institutions (associations, foundations and educational organizations) received a financial support of 332,500 PLN.

This company encourages its employees to participate in volunteering, including placing posters in many different places of its offices, all the time. There is also a tool called Volunteering Platform, which is the internet base of projects, being a bridge between volunteers and various organizations—that is the people in need and the people who want to help. This enables integration of all volunteers from Kampania Piwowska. A new development is giving organizations, needing volunteers, opportunities to present their own projects.

Voluntary actions are still one of the points in the agenda of employees' meetings. In July and August 2015 the staff supported the Trzeźwobus (Sober bus) mobility area of sobriety checking, which could be met in different Polish places during big outdoor events. Except the responsible alcohol consumption actions the employees also supported pro-ecological initiatives encouraging people to keep the environment clean. The mobile areas of Kampania Piwowska were visited by 100,000 people, and 68,000 copies of the information materials were distributed, reminding participants about the necessity and advantages of moderate alcohol consumption and ecological behaviors.

In the 2016 edition "The Volunteers' Campaign" realized 31 projects. Some of them came from employees; the others responded to suggestions and needs of various external organizations. The area of activities, consistent with the sustainable development of the company, was very

wide – from the help for adult socially excluded people, the aid for local communities, to ecology and revitalization. The projects realized in the framework of “The Volunteers’ Campaign” covered bailout, and volunteers doing concrete work. In that edition the staff redecorated buildings, did different chores, held workshops for unemployed women, and helped create a cook-book for disabled people, joining the workshop for professional activation. The biggest voluntary project of Kampania Piwowarska in its whole history was called Szlachetna Paczka (The Noble Box Project) 2016, where 1350 volunteers were involved (every second employee of the company), and the value of funded parcels amounted to 212,513 PLN (Raport zrównowazonego rozwoju 2016, p. 45).

In 2017, 2310 employees participated in voluntary actions. One of the programs was called “Postaw na ruch” (Bet on moving), where every kilometer of the race, or cycling counted for charity purposes, i.e. tandem cycling clubs for blind people. In another action “Dress for Success, Poland” employees organized workshops for 42 women, citizens of Greater Poland facing long-lasting unemployment. After participating in this project 75% of them found jobs (Raport zrównowazonego rozwoju Kampanii Piwowarskiej 2017, p. 39).

This shows that employee volunteering in the company has been evolving thanks to the staff engagement, and together with this process the quality of the used tools has been developed. It has been not only a method of integrating employees and developing their competences, but also helping the needy. For Kompania Piwowarska this is also a way of investing in the good of the local community. Employee volunteering fosters helping several needy groups in many ways; it also enables finding a suitable form of engagement for each employee.

Voluntary social involvement stimulates employee development, going beyond everyday routine, and gaining new skills. Voluntary activities also let people discover new (often not realized) talents and abilities, develop organizational and managerial skills, and shape creative thinking. During voluntary actions employees gain many interpersonal competences. Among others, they learn empathy, sensitivity, the art of conversation, persuasion and assertiveness. The kind of skills depend on the character of volunteering. Some employees learn hard skills: renovation or installation works, or attain skills of finance management

(e.g. preparing the estimated budget of a project or settling an invoice) (Żurek 2012). The experience of companies involved in volunteering shows that it essentially increases employee satisfaction and engagement. It also fosters building trust and shaping positive relationships among employees. Besides, it enables the staff to relieve stress connected with work and put some perspective into one's own life. And last but not least, it improves communication inside the company and widens employees' knowledge about social problems.

Volunteering is also an effective tool of the internal and external employer branding, because it can be a decisive factor in employees' decision about staying or leaving the company, when receiving another attractive job-offer. In this way volunteering supports loyalty and makes the organization more attractive for its staff. Then, employee volunteering improves the company's reception by customers and business partners. So, there are many beneficiaries of volunteering, and employers, employees and local communities enjoy its benefits.

3.6 Conclusions

The modern HRM policy faces new challenges. The observed trends – low birth rate, ageing society, decreasing unemployment and migrations increasingly create conditions for the employee market. Hence, employers encounter growing difficulties in attracting competent employees, and candidates for a job have higher expectations towards organizations. This situation brings new challenges in HRM. In the perspective of constant change, the strategies of employee activation require a continuous verification, which brings forth the need for new instruments to influence employees.

Employee involvement belongs to the key elements of appropriate HRM policy as an important purpose defined in the framework of HRM concept, whose realization determines the possibility of using human capital. It was proven in this chapter that CSR can be an effective tool for building employee engagement and better use of their potential. The social dimension of CSR evidenced the meaning of human factor as the most important organizational asset. Thanks to implementing a good

practice of social responsibility, employees feel like valuable elements in the company. The impact of CSR initiatives on shaping the engagement can be direct or indirect. The indirect interaction takes place in the socially responsible HRM process. Employees' involvement in social initiatives realized by the company expresses a direct impact. Employee volunteering is here the most common form. A precondition of making this instrument useful is treating CSR not only as an image tool, but as an instrument of dialogue with employees. A socially responsible attitude should infiltrate all activities at every stage of the HRM process from attracting employees to their dismissal.

The afore-mentioned results of research and managerial practice show that the CSR concept is increasingly popular; however, still many business people cannot see it as an efficient solution for improving the quality of HRM. This suggests the necessity of dissemination of knowledge concerning the usefulness of pro-social attitude in the area of management and underlining the connection between the implementation of its assumptions and reaching HRM goals. CSR should be permanently incorporated in HRM strategy, because in this way one can gain positive results of an appropriate perception of the company by external and internal stakeholders. In the longer perspective, socially responsible activities should be treated as a kind of investment, which pays via growing employee involvement, better work results, better chances for development, growing investors' trust, which foster effective capital allocation and facilitates gaining investment goals. Taking into consideration a dynamic situation in the labor market, one can expect that CSR will be more often used as a tool of realizing HRM policy. However, one must highlight that implementing CSR principles cannot be limited to an ad hoc activity and be treated only as a marketing tool.

To some extent, legal documents can support these efforts. See the next chapter.

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4

Concern for Sustainable Treatment of Commons: An Obligation for Future Corporate Governance in Public and Private Sector

Jernej Belak and Andreja Primec

4.1 Introduction

Due to the requirements for a requisitely holistic approach to governance and management, researchers and practitioners have been working on contemporary solutions; certain efforts led to the development of integral management and governance.

Editorial comment: Corporate governance and management holders, must implement corporate values into corporate codes (codes of ethics, codes of conduct or other statements of corporate values, responsibility and corporate governance). Hence, corporations have responsibility to stakeholders who have or represent important interests, and to others outside their business relationships, to contribute to the environment and the health, safety and well-being of the whole planet. Since corporate social responsibility (CSR) expands a corporation's accountability to wider stakeholders, reporting on their CSR activities matters, too. Legal documents form the basis. The case of the care for water exemplifies the effort concerning social responsibility for the commons.

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In this chapter, we argue the importance of the multi-layer integration of governance and management of companies and their environment, considering their fundamental aspirations (desires) and, thus, their quantitative and qualitative changes. We base our arguments on both horizontal and vertical integration of a company's governance and management processes, instruments, and institutions into a consistently operating unit. The process, instrumental and institutional integrability and integrity of the governance and management are also initial conditions for the implementation of all other integration factors.

Integration with culture (and with dimensions in science, philosophy, religion, ethics, art, techniques, and technology), credibility, entrepreneurial spirit, and ecology cannot be limited to a company's certain section and/or its environment. A company's integration with its broader environment should be implemented in operational, market, and cognitive spaces of the company's functioning; they should be manifested as the company's external capability for objective, time, and spatial alignment of its potential outputs (i.e. services and products) with the needs and expectations of its environment. The integration of the company's internal factors (i.e. both material and non-material) is manifested as its internal capability and its ability to function efficiently and achieve synergy in all crucial areas. In this way a company can satisfy the needs and expectations of its environment better than its competitors do.

Considering the above, corporate governance and management on one hand and social responsibility (SR) on the other become increasingly connected in assuring corporate success. Corporate governance and management holders must implement corporate values into corporate codes (codes of ethics, codes of conduct or other statements of corporate values, responsibility and corporate governance). Hence, corporations have a responsibility to stakeholders who have or represent important interests, and to others outside their business relationships, to contribute

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to the environment and the health, safety and well-being of the whole planet.

Throughout the years, socially responsible behaviour has become a kind of “signboard” for corporations hoping for a better reputation in the global market. Although some recognisable corporations, for example McDonald’s, British Petroleum, etc., controversially use corporate social responsibility (CSR) CSR keeps gaining an important role in corporate governance and management. Since CSR expands a corporation’s accountability to wider stakeholders by reporting on their CSR activities (CSRR), boards of directors are responsible for CSRR. Practical experiences show that formal implementation (moral commitment) is usually not enough, due to the essential purpose of corporations (creating profit¹). Consequently, in the presented chapter, we examine the EU’s legal framework on CSRR, with particular focus on the corporate governance statement, established by Directive 2006/46/EC. We analyse the aim, the content and the legal effects of this statement under the last amendments from 2014 (Directive 2014/95/EU) and evaluate its contribution to fortifying the role of CSR in the corporate governance of EU corporations.

Socially responsible corporate governance must include companies’ responsible attitude towards the environment, including commons as its important part. We can state that commons belong to the most awkward issues on the national (local) and international (global), political and civil society levels. Inside the EU institutions, numerous discussions are held, such as the discourse of the commons in respect of the TTIP, evaluation of EU mechanisms to encourage innovation for medicines, etc.

One must recognize that commons are necessary for everyone’s well-being and even more, in the long run, for humankind’s existence. Consequently, governing the commons is an essential issue. Not only to manage these vital and limited resources efficiently, but also to achieve environmental and social sustainability by promoting participation and equitable access for people, being much more than ordinary

¹In a long run, social responsibility proves to be a precondition for profit, at least by company’s survival in the market, which depends on customers’ trust (e.g. see some other chapters in this book, and references therein). But the consideration of the long-term and broader consequences does not prevail in every practice.

individual consumers. Therefore, the efforts for the best possible way of managing the commons concern both state and local governments and their institutions, organisations, etc., and individuals and business entities (corporations). As already Aristotle doubted about the common consciousness of the humans, people care much more for the private ownership than the common one, one must recognize the commons as precious value.

For that which is common to the greatest number has the least care bestowed upon it. Everyone thinks chiefly of his own, hardly at all of the common interest; and only when he is himself concerned as an individual. (Politics, Book 2, Part III)

For the purpose of our contribution, we present the importance of the individual values in the process of influencing the corporate values. Furthermore, we argue that in order to be able to protect the right for commons the appropriate legislation should be adopted at both national and international levels. The argumentation leads us to the important question of business ethics and the impact of corporations and their ethical behaviour concerning the problem of managing the commons in general. Therefore, we also address the questions and topics as who is responsible for the management of commons in corporations, the role of corporate governance institutions in managing the commons and the quality of corporate governance in terms of managing the commons.

In a context of managing the commons, we cannot avoid the question of how and in what institutional form the commons are managed best. Therefore, we focus on issues concerning the company's legal form, matching the principles ensuring the best governance and protection of the commons. We also discuss a practical example from Slovenia that is well on the way to developing her model of managing water as a public good, whereby the right to water is everybody's right and is protected by the highest legal act, i.e. the Constitution of the Republic of Slovenia.

4.2 Institutional Perspective of Managing the Commons

Companies' ethical functioning is achievable, when they are entirely committed to the fulfilling of the interests of all stakeholders. This commitment should exist at all hierarchical levels of the companies' governance and management process. Based on the concepts of integral governance and management (Belak et al. 2014; Bleicher 2004), these levels are political or normative (shareholders), strategic (top management) and tactical/operative (or operational) management levels.

CSR is predicated upon the idea that companies' functioning reaches beyond a financial purpose to three interlinked core imperatives—economic, social and environmental—which guide decisions and activities, and which are equally valid and necessary within the business. The idea of a socially responsible corporation therefore strongly depends on the corporation's key stakeholders—owners (shareholders) and top management. It embraces the activities of ethics and credibility initiation in a corporation's vision, its policy (defined by Belak Ja. [2002, 2010] as the mission, purposes, and fundamental goals), strategy, and, finally, in the processes and structures necessary for implementation.

Planning, organizing, directing, and controlling belong to the basic functions of the corporate governance and management process (Belak Ja. 2002). They are crucial in the whole process of the realization of the idea of a socially responsible corporation. The company's owners (shareholders) should manifest the idea of an ethical and credible company in its policy, which should be based on the vision of becoming an ethical company. Its mission, purposes and fundamental goals should be defined in accordance with its vision of an ethical, credible and therefore socially responsible company. The vision of such a company needs support of the company's responsible policy and philosophy; such company's policy aims at fulfilling the interests of all stakeholders beyond the shareholders' interests Bleicher (1994). One should emphasized that the company's policy strongly depends on its owners' (and top managers') values and norms, which are expressed in company's culture² (Rüegg-Stürm 2002;

²Subcultures are around, too, but outside the selected viewpoint here.

Belak and Duh 2004). Stated policy strongly influences managerial decisions on whether to act ethically or unethically, and affects the company's ethical climate (Schwepker et al. 1997).

At the strategic management level (top management level) the process of planning strategies and the strategic allocation of resources take place to move towards the vision, mission and goals of becoming an ethical corporation (Belak, Jer. et al. 2010). A company's top managers hold the main responsibility for making decisions on strategies and strategic allocation of resources. Finding the most appropriate strategy is their responsibility.

Successful implementation of strategies crucially depends on developing an ethics programme by defining the activities, the responsible performers and the necessary resources for these activities. The purpose of such an ethics programme is to make strategies action-oriented. The responsibility for the implementation of this programme also lies at the operational management level. In this way, a company can become a socially responsible company.

The company aiming to realize its planning process at all hierarchical levels successfully, should develop adequate planning instruments. Among them planning methods, in particular, are critical (compare with Belak, Ja. 2002; Belak, Jer. et al. 2010); either completely new methods or some of the existing methods could be adopted (proposed by several authors, e.g. Bleicher 2004; David 2008; Hinterhuber 2004; Kajzer et al. 2008; Wheelen and Hunger 2009a, b). The institutional dimension within the proposed concept of a holistic planning model describes responsibilities of various company stakeholders (shareholders and managers) regarding decision-making in the planning process; this includes experts and other co-workers who, in accordance with the company's owners and managers, are responsible for business ethics implementation and ethical functioning (Belak, Jer. et al. 2010).

Considering the above findings, we can argue that managing the commons therefore belongs undoubtedly to the most topical issues in various social settings. Politicians, economists, sociologists, environmentalists etc., in short, all who care discuss it. The discussions take place at various levels ranging from self-organised individuals, local communities, and state authorities to international organisations.

Moreover, scientists, researchers and academics working on corporate governance and management also deal with this issue. The most topical questions are primarily those on how and in what formal and institutional way one should manage the commons, and what starting points are required for managing the common in accordance with the principles of specific and selected institutional forms. The first issue encountered in the considerations about the institutional and legal form of managing the commons is the selection of and justification for the choice between companies as profit-oriented organisations and non-profit organisations aiming to perform a non-profit making activity.

The major principles underlying the governance of companies operating under normal market conditions are becoming increasingly important also in Slovenia. The process, from the development of the vision, mission, goals to the determination and implementation of strategies, including their modification and supervision, is an integral part of the ever more frequently used national and international models and concepts of management in Slovenia despite certain differences in details (e.g. Belak, Jan. and co-authors 2003; Belak, Ja. et al. 2010; Bleicher 1996; Kralj 1992; Rüegg-Stürm 2002; Hunger and Wheelen 2010; Pučko 2006; Tavčar 2002; Thompson 2001).

A general conclusion, drawn from the above indicated management concepts and models may be that companies are (also) interest organisations and therefore, the coordination of company stakeholders is critical for its short-term success and for its long-term existence and development. The achievement of the latter directly depends mainly on how successful the company managers (owners) are in developing its vision and policy (mission, purpose of existence and operation of the company and defining the main orientations in the company operation). All key officers identify themselves with it, so do above all the citizens, in the case of managing the commons.

Due to the increasingly frequent requests for greater efficiency of the public sector, in some developed democracies (primarily the USA, the UK, New Zealand and Australia), a new mind-set started to be created in the second half of the 1980s. It concerns the management in the public sector under a common name of New Public Management, supposed

to make the public service more “business-like” by using private sector management models (Pečar 2001).

The issues concerning the transfer of contemporary management models and concepts to the public sector are still topical (Chait et al. 2005). This is confirmed by the conclusions of the authors who also focused on the management in the public sector after initially analysing the general management models (e.g. Mintzberg and Bourgeault 2000; Tavčar 2005; Thompson 2001). Despite the time distance, the Drucker’s claim still holds for the public sector: its complexity requires organisational adjustments in development of their policies and strategies depending on particular circumstances (1993, in Pečar 2001). Other authors further highlighted this. Tavčar (2006) mentions the need for criticism and selectivity when moving the general management ideas and concepts into the non-profit organisations. The consideration of the so-called situation factors in the transfer of management ideas into specific environments is also necessary (Kropfberger 1998). Kralj (1992) draws attention to the necessary accommodation of the general model of conducting the company policy to non-profit organisations.

Such specific circumstances apply to certain utility companies, where economic and non-economic activities are interlinked. Basically these are organisations, companies, formally operating as companies governed by private law, although often their founders and majority (or even sole) owner is the local community or the state. Their core (in many companies even sole) activity is provision of services of public interest. In terms of the structure of the participants and the coordination of their interests, these companies constitute comprehensive complex systems, making their governance and management less predictable, if compared to ordinary companies; the use of established and standardised approaches to management is often impossible, especially under changing circumstances (Pučko 2006).

Furthermore, the difficulty of overcoming such complexity is reflected in the recent developments in Slovenia regarding the management of the so-called “public sector” organisations and companies, and some others with the majority state ownership. Irrespective of the documents adopted in the recent period by the Slovenian Sovereign Holding, one can agree, following a more detailed analysis, with the Pučko’s conclusion that a

lack of the process of developing a company's vision and policy is particularly noticeable (Pučko 2006), or of strategic awareness as Thompson called this (2001). This lack causes frequent controversy in the public on whether the state is at all capable of acting as a responsible owner. Often it seems that the state lacks knowledge to perform the management functions in companies owned or co-owned by the state or that it lacks clear interests and objectives related to these companies (Jeras and Belak 2014; Belak, Jer. 2014).

One should note that difficulties in these companies' management are also reflected in their performance. When seeking the possibilities of remedying the situation over the long run, one tries to use a change in the ownership structure or privatisation as an appropriate solution frequently. This should result in the companies with transforming the "non-optimal" ownership into the "normal" companies with known ownership, thus changing the governance arrangements. Typically, the difficulty resulting from that transformation is that the key stakeholders in a company are against it, namely both internal (mainly the employees) and external (users of services), since one cannot say whether the managing the commons will give all (interested) users the right to use.

4.3 Informal and Formal Measures of Business Ethics and Credibility Implementation

Informal methods are essential in the socialization process. In it "other employees" or people, co-workers, etc., are influential as "sources of, or references for ways of thinking, feeling, perceiving, and evaluating, and as an audience which may be physically present or absent in any interaction, but towards which actors orientate their conduct" (Casell et al. 1997). Mechanisms of informal control may include a social dimension through which superiors regulate the subordinates' behaviour, or employees regulate their peers' behaviour in daily interaction to match the company's norms or values. Adam and Moore (2004) argue that

informal methods such as the company's social norms may reflect the company's values and ethical rules. Other group members, peers or superiors may coerce company members to conform to social norms. If not, they risk disapproval, or even rejection. In such a way, the social group press their individual to match norms—but only to some degree. Various relationships (e.g. between co-workers, superior vs. team, superiors and subordinates, etc.) may develop in the frame of non-formal meetings such as coffee breaks, lunches, sport, etc. We can see that informal social norms are influential in forming the company's social order (Adam and Moore 2004).

Companies can employ diverse mechanisms of control including documents used during job training that specify the ethical code of conduct, employee performance reviews, and enforcement procedures (Adam and Moore 2004). Some controls (e.g. those used in selection and recruitment routines) appear early in the process of evaluating a candidate's actions and attitudes. The three routines of formal methods (recruitment, selection, and training) are very important in the process of employee socialization, which takes place in the first year of their organizational membership (*ibid.*). Sims and Keon (1999) also supported the importance of formal measures of business ethics implementation; they argue that such measures are important forms of communicating a company's expectations for employee decision-making. This high importance belongs to the formal measures of business ethics implementation especially according to the research on correlation between formal measures and performance (Morris 1997; Verschoor 1998; Wu 2000; Ye 2000; Fang 2006); they reveal that businesses with well-developed formal measures have better images and reputations and yield higher long-term interests. The research shows that employees' ethical awareness and decision-making intent are influential for the company performance; in the absence of ethics, individuals tend to promote their self-interests at the expense of others in the company when resources are unevenly distributed.

Therefore, we especial emphasize the Corporate Governance Code and the Statement of Corporate Governance as key formal measures for companies' implementation of ethical and credible functioning and,

consequently, for their success and higher quality of corporate governance.

4.3.1 Slovenian Corporate Governance Code

The first corporate governance code was adopted just before the accession of Slovenia into the EU in 2004—titled the Management code for publicly traded companies (the “Code”). The Code was adopted through the collaboration of the Ljubljana Stock Exchange, the Directors’ Association and the Managers’ Association. Since then, it was amended in 2005, 2007, 2009 and 2016. The last revision has been in use since 1 January 2017 and substantially modified the text of the Code in order to implement the EU Recommendation.

The Code contains 23 leading principles laid down in 112 recommendations, organised in the following chapters: (i) Corporate governance framework, (ii) Relationship between the company and shareholders, (iii) Supervisory board, (iv) Management board, (v) Independency and loyalty, (vi) Audit and internal control, and (vii) Transparency of operations.

In 2011, the first corporate governance code for state-owned companies was adopted. Substantial changes in management of capital assets of the state in the later years, made it superseded by the Corporate Governance Code for Companies with Capital Assets of the State in 2017. As already suggested by its name, it applies to all companies with state ownership, regardless of their legal form and shareholding level held by the state. This code follows international guidelines for good corporate governance practice, and particularly, the EU guidelines and recommendations, the OECD Guidelines on Corporate Governance of State-Owned Companies, and the OECD Principles of Corporate Governance.

As mentioned below, according to the latest amendment to the Slovenian Companies Act of 13 July 2015, all non-public companies with annual reports subjected to audit were obliged to provide a corporate governance statement since 1 January 2016. In 2016, the Ministry of Economic Development and Technology, the Directors’ Association,

and the Chamber of Commerce and Industry of Slovenia adopted a new Corporate Governance Code for non-public companies. Their main objective tackled improving the competitiveness of the Slovenian economy. Further on, we discuss and introduce the importance of Statement of corporate governance in a frame of ensuring socially responsible corporate governance.

4.3.2 Statement of Corporate Governance as Important Formal Measure of Corporate Social Responsibility Implementation

A corporate governance statement outlines the information on corporate governance in companies. This data matters for stakeholders dealing with the company (suppliers, creditors, employees, government, banks, and investors), letting them discover how the company is managed, before they commence cooperation. The key role of the corporate governance statement is to provide a transparent, efficient and clear governance system inspiring confidence of investors, employees, and the general public in the corporate governance. In this context, one should recognise that the overall success of a corporation is no longer measured solely on the base of its economic results, but also with its responsibility towards society.

The corporate governance statement was included in Directive 2006/46/EC as an integral part of measures aimed at restoring the confidence of the capital market and the general public in companies' annual accounts and reports following serious economic shocks and scandals (Tico, Enron, Parmalat, etc.). Enhanced and consistent specific disclosures and publication of information about performance should improve transparency of the financial management of companies.

Moreover, this Directive exposes the management bodies' liability to draw up and adopt annual reports, including their obligation to approve them by signature. The liability for drawing up and publishing

annual accounts, consolidated accounts, annual reports, and consolidated annual reports is based on the national law.³

The corporate governance statement was impacted, changed and adopted several times since its enforcement. For our research the impact of Directive 2014/95/EU matters, requiring the disclosure of non-financial and diversity information by certain large undertakings and groups (“diversity policy”). The main objective of this Directive is to improve social responsibility; to this end, companies should consider social and environmental issues in managing their business operations and adopting their strategy. The transparency of “non-financial information” may help companies better manage their non-financial risks and opportunities, thus letting them improve their non-financial performance and providing important sources of information for potential investors and civil society when assessing the effects and risks related to the company’s performance. Due to the increasing requirements of socially responsible and other investors for non-financial information, more and more companies decide to disclose such information in their annual or other reports. To ensure a level playing field for all businesses, thus enabling comparison between the companies’ position and performance, uniform rules on disclosure of non-financial information should be created at the EU level.

Diversity policy refers to the representation in management or supervisory bodies of companies with regard to aspects such as gender, age or education, and the objectives of that diversity policy, how it has been implemented, and the results of the diversity policy in the reporting period. If company applies no diversity policy, the statement shall contain an explanation of reasons.

Diversity means heterogeneity among board members having different dimensions ranging from age to nationality, from religious to functional background, from task to relational skills and from political to sexual preference (Van Knippenberg et al. 2004). Several arguments were put in favour (broad gathering of information, decision creativity and boldness) and against diversity (slowness in decision-making process, conflicts, in-group/out-group bias) (Hambrick et al. 1996). Some studies, focused on

³Point 3 in the Preamble to Directive 2006/43/EC.

examining the board diversity's effect on CSR, analysed these effects on overall CSR, while some covered only specific components of CSR. The most used diversity characteristics in the literature include board independence, age diversity, and directors' occupational background. Results mostly show the positive relationship between board independence and CSR. Independent board members are more concerned with the ethical aspects of the corporation (Ibrahim et al. 2003) and are more interested in matching regulations and responsible behaviour (Zahra and Stanaton 1988). Studies, researching the relation between age diversity among board members and CSR establish that the synergy of experience of older and energy of the younger managers is important in the decision making process. Older managers show more concern for societal welfare, while the younger ones are more sensitive to environmental and ethical issues (Hafsi and Turgut 2013).

The second requirement, i.e. the requirement on non-financial information disclosure was transposed into the Slovenian legal order by the amendment of Companies' Act in 2017. According to this amendment, prepared by the Ministry of Economic Development and Technology of the Republic of Slovenia, only large organizations that are public-interest entities employing more than 500 people on average, shall prepare non-financial statements. Moreover, companies obliged to draw up consolidated annual reports and employing on average more than 500 people on a consolidated level, shall also have to prepare non-financial statements in compliance with the draft. In accordance with the new Article, 70b, of the Companies' Act these companies shall include non-financial statements in their business reports. This statement contains information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. The above indicated information refers to the previous period of operations. Directive 2014/95/EU explicitly stipulates that small and medium-sized undertakings shall be exempt from this obligation, which is considered in the amended Companies' Act. In light of the foregoing criteria and publicly available data of the Agency of the Republic of Slovenia for Public Legal Records and Related Services, fewer than 50 companies

established in the territory of the Republic of Slovenia shall be obliged to prepare non-financial statements (Amendment of Companies' Act, 2016).

Disclosure of non-financial information significantly challenges management and supervisory bodies. Corporate managers and directors are often exposed to conflicts of interest between responsibility for ensuring maximized firm value (as a legal obligation to shareholders) and specific duties to society. Hence, their decisions require compliance with regulation/law and cooperation with the underlying spirit of regulation/law (Rose 2006).

As the content of the statement expands, so does the responsibility of the management and supervisory bodies obliged to report thereon. Moreover, reporting is becoming more comprehensive. Along with the responsibility imposed on the management and supervisory bodies by the general rules of national corporate law, gradual extension of the auditorial work includes increasing attention in the review of the annual report to the corporate governance statement; this constitutes an additional responsibility. Therefore, for the management and supervisory bodies, the extension of an auditor's competence is another reason to perform their duties with responsibility and due care.

4.4 Specific Characteristics of Governance and Management of Organisations, Public Sector Companies

Specific features of organisations, public sector companies may be noticed at the time of their establishment. When establishing a company as a realisation of a business idea, the attention is on the entrepreneur—the founder, who sets up a company based on the business idea focused on the fulfilment of the needs in the environment (Belak, Ja. 2002, 2010).

Similarly, the establishment of organisations, public sector companies also arises from the needs of the environment; in this case, companies/organisations act as instruments meeting the needs of their environment. An important difference between the two is that the entity separated from such needs does not act as the entrepreneur; rather, this function belongs to the community (public) as such. We could say that in this case the company is “a company for communities’ own needs” or if we use the Kralj’s definition (2001) needs to fulfil the needs are identified by the entities having such needs.

Moreover, Tavčar (2005) notes that most non-profit organisations are based on the expressed central idea, examples, ideology and values, reflected in their vision. As the vision expresses the interests of influential participants, he continues, the visions of profit-making and non-profit organisations differ considerably. Non-profit organisations operate on the point of intersection of several social subsystems and hence, they often must pursue objectives that may contradict one another. Typically, there is a dilemma between the content and cost-effectiveness. As Badelt (1997, in Tavčar 2005) points out, the use of only one of these criteria is unacceptable. Tavčar (ibid.) notes that this dilemma often manifests itself directly, when the interests of key participants differ from the basic idea, if it is followed too closely. Therefore, pursuing the primary purpose of these organisations is the key question of their governance, or to put it differently, behind the problem of performance lies the problem of purpose (Chait et al. 2005).

The problem of the so-called agent arises along with the increasing complexity of the public sector organisations. Authors most frequently link the occurrence of the agency problem in managing a company to its growing complexity and to the increasing number of owners, which leads to the separation of ownership and management (Kim et al. 2010, based on Duh 2015). Managers, becoming authorised agents of the owners (principals), constitute a potential risk of a conflict situation: they can focus on their own interests in making strategically important decisions to the detriment of the interests of the owners and other groups of stakeholders (Müller-Stewens and Lechner 2005, based on Duh 2015).

The agency problem is somewhat different in companies owned by the state or local communities. In addition to the above described

potential conflict between the management and the owners, another agency problem exists in such companies, namely inside the very ownership or management structure. Citizens, residents of local communities, members of societies etc. are the original owners of these companies. Therefore, the key question regarding the management is: who represents the interests of the original owners and how; or: do the actual managers consider in an appropriate manner those people's interests, in respect of whom such companies were established, or the interests of other stakeholders prevail in management decisions.

Due to such complexity, typically the conditions for establishment and operation of public sector organisations are defined in more detail in specific legislation. The administrative authorities of the state are typically regulated in accordance with their political and administrative role, arising from the constitution. In addition to such conditions for specific other organisations, having a special role in the public sector, authorities are defined in more detail in special regulations. This is true of e.g. Pension and Disability Insurance Institute of Slovenia, regulated in accordance with the Pension and Disability Insurance Act (ZPIZ-2, 2012), the Bank of Slovenia regulated by the Bank of Slovenia Act (ZBS-1-UPB1, 2006); etc. Moreover, the conditions are determined through special regulations for specific types of organisations operating in the public interest. Typical examples are societies operating in the public interest, for which the Societies Act defines in more detail both the conditions of establishment and the governance method, whereby the role of managers is primarily allocated to all members who may, however, agree on another representative system of management through their founding act. The same applies to the institutes, yet somewhat more restrictively, where the Institutes Act (ZZ, 1991) sets out both the methods of management and administration. Article 29 of the ZZ provides that a council or another collegiate management body shall govern an institute. The council has a tripartite structure; it includes representatives of the founder, of the employees of the institute, and of the users or interested members of the public.

One can conclude that in the examples of public sector organisations, indicated above, the legislator has recognised the appropriateness of the retention of the management method and coordination of interests,

allowing more equal inclusion and direct participation in management to a wider range of key stakeholders.

4.5 Services of General Economic Interest

The definition of services of general economic interest is based on the Services of General Economic Interest Act (ZGJS, 1993). The Act defines that the services of general economic interest materially ensure public goods, such as products and services, whose permanent and undisturbed production in the public interest shall be provided by the Republic of Slovenia or a municipality or another local community. Their purpose is meeting the public needs, if they cannot be satisfied in the market (Article 1 of the ZGJS). Furthermore, the Act provides that the services of general economic interest shall be determined by means of laws in the fields of energy, transport and communications, public utilities and water management, and management of other types of natural resources, environmental protection and laws regulating other areas of economic infrastructure.

The types of organisations related to the performance of public service may vary. Article 6 of the ZGJS defines the following types:

- In a public utility unit, if, due to a small scope or due to characteristics of the service it would be uneconomical or irrational to set up a public company or award a concession;
- In a public utility institute, when one or more public services are to be performed which, due to their nature cannot be performed as profit-making or if that is not their purpose;
- In a public company, when one or more public services are performed on a larger scope or if this is required due to the nature of monopoly activity, defined as a service of general economic interest, but it is an activity that can be performed in a non-profitable way;
- By awarding concessions to private-law entities;
- By investing public capital in an activity performed by a private-law entity, where such a form is more appropriate than the forms referred to in the preceding indents.

As regards the above indicated organisational types, it is necessary to point out a circumstance highlighted by Brezovnik (2009): a public company has no own legal form and hence it takes it directly from the arrangement concerning the companies. Thus, it may be established solely in one of the legal forms of those legal entities. This raises some (controversial) corporate issues concerning the status of a public company, particularly in terms of management and capital relationships.

Therefore, a public company may be established solely in one of the legal forms of the legal entities as provided for by the Companies Act (ZGD-1, 2006), and hence, it does not differ from an “ordinary” company (Brezovnik 2009). The distinctive difference lies only in management entitlements, whereby the state or a self-governing local community as a founder has special founder’s rights to such a company. This results in the fact that the state or the local community holds a dual role in the company, namely as a regulator of the public service activity performed by a public company and as its founder or owner of capital entitlements in public company, frequently regarded as monopolies (*ibid.*). Therefore, such legal regulation of a public undertaking, providing no clear separation of the regulator and founder roles, is inappropriate (*ibid.*).

One can agree with the above assessment, particularly when special laws, under which such companies are established, fail to ensure the separation of these roles, leaving the issues concerning their appropriate management unaddressed.

These issues are particularly critical if the state transfers a part or most of such entitlements to one or several other organisations under its control. Therefore, management in these organisations gives priority to the achievement of their own partial interests before the fulfilment of the public interest.

4.6 Governance of State-Owned Companies

State-owned companies, classified as non-financial companies under public control in accordance with the above described public sector classification, constitute a specific part of the public sector. This specific

feature is evident mainly in constant search of an appropriate model for their governance.

It soon became evident in the 1980s, when demands emerged for more efficient governance of state-owned companies, that privatisation, initially offered as a universal solution, had its limitations (Rus 2011). The state, mainly due to the need to stabilise large systems, where it acts as the owner, will most probably retain the ownership also in the future (ibid.).

In order to improve the governance of state-owned companies, the Organisation for Economic Co-operation and Development (OECD) published the OECD Guidelines on Corporate Governance of State-Owned Companies in 2005 (revised in 2015). It is integrated into the system of governance of state-owned companies in Slovenia through the adoption of the Policy on corporate governance of state-owned companies. The Government of the Republic of Slovenia explained at the time of the adoption of the Policy, that the definition of the terms state property and state property management is incomplete and vague. This is reflected in the appointment of members of management and supervisory bodies, in strategic decision-making and in the sale of shareholdings. In practice, such decisions frequently demonstrate the specific groups' interest, while the interest of real owners are given secondary importance, all affecting the development of the society as a whole (VRS 2009).

The Government of the Republic of Slovenia gave further clarifications at the time of the integration of the Policy on corporate governance of state-owned companies into the Management of Assets Owned by the Republic of Slovenia Act (VRS, Vlada Republike Slovenije, 2009). They show that the aim was to alter the existing governance system, characterised by extensive fragmentation as regards asset management at various ministries. There sectoral policies and property management emerged, causing conflicts of interest. Interconnection of sectoral policies with governance caused a poor transparency and inconsistency between individual asset managers, inefficient and unprofessional governance as well complex decision-making procedures at several decision-making levels concerning the exercise of ownership rights in companies (Government of the Republic of Slovenia).

The Capital Assets Management Agency of the Republic of Slovenia (AUKN) was established aimed at unifying the governance of state-owned companies. AUKN is supposed to act, according to the explanations by the Government of the Republic of Slovenia, as an autonomous and independent body (2009), carrying out its tasks autonomously and independently in line with the adopted strategy, annual management plan and the code of corporate governance. In this way, AUKN should efficiently dispose of the assets, without any complex and lengthy procedures at several decision-making levels, based on previously approved documents. Subsequent developments (VRS 2012) show that the implementation of the law caused considerable difficulties, primarily concerning the adoption of strategic documents providing a basis for the AUKN's operation and different interpretations of the AUKN's terms of reference.

After operating for two years, the Agency was dismissed and its duties were temporarily given to the Slovenian Restitution Fund (SOD), and later to the Slovenian Sovereign Holding (SDH), still managing the state-owned companies.

Despite the above changes, the SDH's key role, compared to its predecessors, is unchanged. SDH remains the central manager of state-owned companies. However, if compared to the previous period, its operation is additionally regulated by certain basic documents, the most important being the State Assets Management Strategy. The latter constitutes, as indicated in the Decree on its implementation (OdSUKND 2015), a basic tool for active state ownership. Through the Decree, the state communicates its goals related to the management of the state-owned assets, to the manager of the state assets, to the shareholders, the larger capital market, and the general public. As the authors of the Decree indicated, a clear pre-defined ownership policy means that there will be no need for the Government's interventions into current affairs of managing the companies with state capital interests; the performance of the management is, namely, supposed to be measured periodically concerning the achieved predefined goals.

Despite the improvements in certain areas of the formal corporate governance regulation in state-owned companies, one can conclude that certain areas still remain inadequately addressed. They definitely include

inappropriate approach to setting up the companies classified as strategic and being, at the same time, one hundred per cent state-owned. As far as these examples are concerned, there are no reasons why all shareholders should be treated equally, thus limiting the influence of the owner (state) over the management, as there is only one shareholder or owner. In this context, the problem of balancing two key objectives must be highlighted: implementation of sectoral policy (attaining the basic purpose of the company) and its expected profitability. As can be seen from a number of SDH's documents, e.g. its vision, mission, strategic orientations and values (SDH, SDH—Vizija, poslanstvo, strateške usmeritve in vrednote, 2014), particularly from the criteria used for the assessment of the performance of the companies (SDH 2015), financial evaluation of the performance still prevails in the SDH.

The practical examples also evidence this. In 2016, one of the most typical was the inconsistency of the concept of the state asset management concerning the issue of managing the state-owned forests following the expiry of the twenty-year concession agreements. At the time of the adoption of the law, it was obvious that the lack of understanding of the basic assumptions and therefore unclear vision, causes the weaknesses also in other stages of governance and management process design. The outcome was that the lawmakers entrusted the management of the company Slovenski državni gozdovi, d. o. o. directly to the Government of the Republic of Slovenia (ZGGLRS, 2016) rather than to the SDH (ZGGLRS, 2016). Apparently, additional innovations are required for managing the state-owned companies, especially those owned exclusively by the state and operating in the general interest.

Therefore, services of general economic interest and the majority of the companies in state (co-)ownership should be treated as parts of the system providing the public goods, which means that all key components of the system have to be taken into consideration, irrespective of the formal organisation. Treating a company simply as a legal entity—a company, is too narrow in the case of state-owned companies. The mechanisms of coordinating the stakeholders by interest should be developed accordingly—i.e. no longer solely of the companies but also of the system. As a result, systemic approaches to the governance and management must be developed, by taking into consideration the system

as a whole, including its subsystems as holders of specific interests of individual groups of key stakeholders.

4.7 Concern for Sustainable Governing the Commons

As stated above the socially responsible corporate governance in both public and private sectors must include the companies' responsible behaviour towards the environment, which consequently includes the responsible treatment of the commons. The last legal requirements on non-financial statements of corporations help to emphasize this kind of thinking as the correct one.

Therefore, the presented chapter introduces a unique example of the protection of the right to drinking water in Slovenia, which was accepted in 2016. It concerns the protection of the right to drinking water at the highest i.e. the constitutional level. Following the adoption of a constitutional law, the right to drinking water became a constitutional right. Moreover, the constitutional law provides that water resources with which one supplies citizens with potable water and households with water should be exploited in the form of a non-profit public service. In this way, private business corporations (national and international) are completely excluded from the water supply.

How innovative was Slovenia when enshrining the right to drinking water in the Constitution is demonstrated in some recent developments concerning this right at both the EU and the international levels.

At the EU level, we highlight the European citizens' initiative "Water and sanitation are a human right! Water is a public good, not a commodity!" ("Right2Water"). That was a successful initiative of the EU citizens having gathered the required number of signatories, who submitted it to the European Commission on 20 December 2013. In response to the initiative, the Commission adopted a number of commitments on ensuring more efficient and universal access to good quality water, increased transparency in the water supply sector; etc. EU defined universal access to safe drinking water and sanitation as a priority area for sustainable development goals. The commitments at political level were

followed by concrete actions, including the adoption of legal acts, e.g. Commission Directive (EU) 2015/1787 of 6 October 2015 amending Annexes II and III to Council Directive 98/83/EC on the quality of water intended for human consumption (European Commission, European Citizens' Initiative—Official Register, 2016). In its resolution of 8 September 2015, the Parliament called upon the Commission to table appropriate legislative proposals and amend the Water Framework Directive, if necessary, to recognise universal access and the human right to water.

At the international level, an important agreement, i.e. the 2030 Agenda for Sustainable Development was adopted at the United Nations Sustainable Development Summit in September 2015. It balances the three dimensions of sustainable development: the economic, social and environmental, and lays out seventeen sustainable development goals to be achieved by 2030. Defined as one of the goals was the right to water or more precisely, the right to access to water, sanitation and sustainable management of water resources.

4.8 Inclusion of the Right to Drinking Water in the Slovenian Constitution

Sixty-four members of the Slovenian Parliament (National Assembly) voted in favour of the inclusion of the right to drinking water in the Constitution. For this constitutional act to be adopted, two-thirds of constitutional majority in the National Assembly, i.e. at least 60 votes out of 90, were required. A new Article 70a was added to the Constitution.

The existing Article 70 of the Slovenian Constitution is no subject to amendment. It provides that the conditions under which natural resources may be exploited, shall be established by law and that under specific conditions “natural resources may also be exploited by foreign persons”. According to the new Article 70a, drinking water will be excluded from this rather liberal arrangement due to increasing pressures leading to privatisation. Therefore, the rights of ownerships to water resources cannot be obtained. As it is evident from the interpretation

of the text, the state will not be the owner of water resources, but will simply manage the public good.

Nevertheless, companies, including the foreign ones, will still be able to exploit water resources, though only to the extent that the supply of water to the population is not jeopardised. "Only water surplus may be marketed, not intended to supply citizens with potable water and households with water." The amendment to the Constitution does not imply that the state will be obliged to provide to everybody a connection to the water supply network. "The right to drinking water shall be guaranteed in two ways: through self-supply or through access to a water supply system guaranteed to any beneficiary." In areas where self-supply is reasonable or in real properties not meeting the legal conditions for obtaining a connection to a water supply system, the state will not be obliged to ensure the water supply.

A lot of effort was needed to agree on paragraph four of the new article of the Constitution. Initially, only the state was responsible for drinking water supply, but later all municipalities protested due to the alleged subtraction of competences. According to the new article, water supply can no longer be a commercial activity. Therefore, it will be excluded from the rules concerning the internal market of the European Union and the municipalities will no longer be allowed to award concessions to private companies for the water supply system management. Providers of public services will have to be one hundred per cent publicly owned. The amendment to the Constitution should not affect the current concessions owned by private individuals (there are 16 of them in Slovenia). Nevertheless, when the concessions expire, their renewal will no longer be possible.

Due to the inclusion of the right to drinking water in the Constitution, the Slovenian legislator will have to further regulate the area of drinking water supply, primarily by transferring these competences from the current concessionaires to a non-profit public service. Below, different ways of managing water resources will be dealt with and the most commonly used regulatory models in the world will be presented. In this context, the focus will be on Slovenia, which means that the types of water resources management and regulatory frameworks for the provision of water supply, related specifically to the situation in Slovenia, will be highlighted.

First, various types of property rights regimes will be presented, established for managing the water resources.

4.9 Property Rights Regimes

There are numerous dilemmas in the literature concerning the most appropriate type of managing the commons, ranging from common property and open access regime, common-pool resource and common property regimes to resource systems and resource-property regimes (Ostrom and Hess 2007). In our case, the common property concept in natural resources management and open access regime must be highlighted. The maxim “everybody’s property is nobody’s property” from the 1950s and 1960s, summarised the concept of common property as a social institution, when a given natural resource is physically and legally accessible to more than one resource user. But the common property does not mean simply everybody’s property, because the property rights, particularly the rights to use the resource, belong just to the members of distinctly determined group in common property regime, which depends on conditions of institutional arrangement. The users of natural resources (commons) have the legal right to exclude the non-members of the group from using a resource, while in the open access regime no one has the legal right to exclude anyone from using a resource (Ciriacy-Wantrup and Bishop 1975). Some open-access regimes lack effective rules defining property rights, while others are the result of precise public policies to enable all citizens to use a resource within political jurisdiction. The concept of “*ius publicum*” refers *de jure* to the formal status of natural resources, but these resources are *de facto* open access (Ostrom and Hess 2007).

As pointed out in the explanatory memorandum to the Slovenian draft constitutional law, Slovenia decided that water will be a public good. As regards the envisaged water-resource management method, the common property regime is expected to be used.

4.10 The Water Regulatory Framework

Bodies, responsible for regulating the provision of drinking water (water regulators) are generally established to protect the public interest as a part of a broader public policy. The results from the report of OECD survey on the Governance of Water Regulators (2014) indicate that water regulators generally express legitimacy, the clearness of role and responsibility grounded in legislative documents. Coordination with other bodies, involved in this process, is usually established on ad hoc basis rather than on systematic grounds. Water regulators play a significant part in ensuring transparency and accountability of the water sector to the public (OECD 2015a).

States adopted several regulatory models to ensure water services (service delivery, network...) and to provide regulatory functions such as setting quality standards for drinking water, promoting the efficient water resource use, monitoring of service delivery performance, auditing the business plans of utilities, customer engagement, consumer protection and dispute resolution. Four regulatory models prevail generally: regulation by government, regulation by contract, independent regulation (independent decision-making, financing, and management), outsourcing regulatory functions to third parties (OECD 2015b). In the first case, State provided water regulatory functions directly on different levels, such as federal, regional or local levels. The water services are ordinarily transmitted to public water operators (public companies). This model prevails in the Netherlands and partly in Germany, where the water operators, beside the public companies are also private companies. The share of public-private partnerships in the German water sector has increased during the last several years. Even if the legal form of companies was changed from public law to private law, the municipalities remained the owners of the new firms under private law by holding a majority stake (Wackerbauer 2009). In one of the dominant models, the “French model”, the public authorities are responsible for regulatory framework, while water services can be provided by public companies or delegated to private companies, through the contracts, concluded based on public tenders. Regulation is carried out at the local level (municipalities), the obligations and rights of both parties (water operators and

municipalities) are determined in the contract (Marques 2010). Such system, when the water service is provided on the terms of concession contract, still exists in Slovenia, but it has to be changed because of the new constitutional right.

Water regulatory framework in Slovenia: Until the adoption of the constitutional law, the area of waters was regulated relatively well in Slovenia. The Waters Act (ZV-1, 2002) defines water as a natural public water asset (paragraph one of Article 15) for which the Act specifies the general use. This means that water may be used by anyone under the conditions set out in the law, if this does not have adverse effects on waters, the water regime and the natural balance of aquatic and semi-aquatic ecosystems, and does not restrict the same rights of others (paragraph one of Article 21). If this is compared to the above property rights regimes, we may conclude that the Slovenian regime is a combination of the common property and open access regime. The state manages water resources and is the only to grant a water right that must be obtained for every use of water that exceeds the limits of general use. In accordance with the Environmental Protection Act (ZVO-1, 2006), drinking water supply is a mandatory municipal public utility service (paragraph one of Article 149), which means that it cannot be freely performed as a commercial activity. A water permit, falling within the competence of the state, needs to be obtained for the provision of water supply services. Water supply as a public service, however, falls within the competence of municipalities, and the municipalities choose a public service provider. The municipalities may decide whether they will manage waters on their own or grant a concession to a public or a private company by issuing a deed of concession. As indicated above, the current water management system most closely resembles the “French model”.

As a result of the entry into force of the new Article 70a of the Constitution, explicitly defining water supply as a non-profit activity, the transfer of the management to non-profit public services, either new or existing public companies, will have to be regulated after the expiry of the current concession agreements.

4.11 Conclusions

One can conclude that, through the corporate governance statement, the legislator constantly increases its pressure on management and supervisory bodies regarding their awareness of ethical values (environmental, social, etc.). Initially, it was conceived as a recommendation measure (soft law), but is gradually turning into a legal concept with increasingly more established legal effects. Moreover, the statement has educational effects. Since drawing up a corporate governance statement is becoming an annual practice, the management and supervisory bodies repeatedly face these issues and must make increasingly more ethical decisions. As a result, their corporate social responsibility is increasing. As regards the review of the corporate governance statement, the conclusion is that control over reporting is certainly a correct and a necessary measure, but auditors as experts in accounting and financial matters usually lack the necessary skills. They are hence unable to assess the parts of the corporate governance statement outside the area of their work (social and environmental issues, respect for fundamental human rights, etc.). To make these aspects of social responsibility in the field of corporate governance even more explicit, it would be reasonable to consider the option of engaging an independent expert in non-financial corporate governance matters to control the reporting in the future.

The important guideline or solution regarding the quality of corporate governance and, consequently, its influence on the success of corporations, is a consistent stakeholder approach to doing business. In order for a company to be successful in the long run, it must consider the interests of all stakeholders, even the least powerful ones. Of course, these interests would have to be negotiated and accepted by all stakeholders, especially the key stakeholders—the owners. Furthermore, institutionally speaking, there is a need for companies to report their nonfinancial information in their statements of corporate governance, where the activities and the companies' goals, considering the interests of all other stakeholders besides the owners, would have to be explained in detail. This way, the interests of all company stakeholders would be considered, or at least presented to the key stakeholders—especially the company's owners. In our opinion, the standardization of corporate non-financial reporting

is necessary in order for authorities to be able to reinforce the monitoring of the quality of such reporting.

About the responsibility to local or even global environment and to a responsible treatment of commons as well, a case of Slovenian protection of drinking water is an appropriate example of implementing CSR in the public sector.

By enshrining access to drinking water as a constitutional human right, Slovenia protected it at the highest level. This means that it is no longer possible to affect the substance of this right in a more straightforward way that has applied up to now, namely by amending the legislation (for which a simple parliamentary majority suffices), given that the Constitution, as the supreme law of the country, may be amended solely through a qualified two-thirds majority. Formally speaking, Slovenia overtook a number of countries as regards the protection of the right to drinking water. However, knowing that water is a common good of all people on this planet, that it is limited and irreplaceable, in short, an example of common goods as such, it is necessary to do much more for its efficient management, including on an informal basis. This includes raising awareness of the citizens and employers to treat water as a precious resource. The aim is to make all stakeholders understand, through soft laws (codes of ethics, codes of conduct, standards of corporate social responsibility), that they themselves bear the primary responsibility for achieving environmental and social sustainability, which should be one of the most important values of every contemporary corporation, citizen, and government.

In view of the above, our opinion is that the decision of the Slovenian legislator was correct, because due to the significance of this natural resource, its management should be left to private companies under no condition. The primary purpose of private companies is to generate profit (too often now and here only, regardless of consequences) and that is absolutely out of the question as regards the management and exploitation of water resources. By enshrining the right to drinking water in its Constitution, Slovenia demonstrated its attitude towards this good and laid the foundation, at the same time, for equitable and efficient management of water resources. In our view, the position that the water regulatory framework belongs primarily to the state is correct; however,

the ownership over water resources does not belong to the state and water still remains a public good. Moreover, water services may solely be provided by public companies in the form of services of general economic interest, which, naturally, means pursuing other values rather than making money. Management of public companies and ownership of the stakes in these companies, on the other hand, is exclusively in the hands of the state or local communities.

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5

Model of the Code of Ethical Cooperation Between Millennials and the Employers

Magdalena Graczyk-Kucharska and Małgorzata Spychała

5.1 Introduction

The low unemployment rate on the labor market made entrepreneurs seek new solutions and motivators to keep their current Employees. The Employee has the opportunity to choose among a variety of job offers,

Editorial comment: Corporate social responsibility is a must for the particular Employer, who is distinguished by professionalism, commitment and respect for Employees. The Employer's professionalism is based on the ethical nature of conduct, which is why his/her actions are based on mutual trust, responsibility and credibility. The instrument that regulates such activities is the *Code of Ethics*. It provides values and principles that Employers and Employees follow when carrying out their tasks. An especially crucial case is an ethical code of cooperation between the *Millennials* and the Employer, because they are different and the coming generation.

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to frequently change Employers and to choose a professional one. For many young Employees, the Employer's professionalism depends on the ethical nature of the proceedings, so they want the activities in the organizations to be based on mutual trust, responsibility and credibility. They look for jobs, where there is a clear *Code of Ethics* that Employers and Employees follow when working. A particular group of Employees are the *Millennials*, who greatly differ in competences and features from the X Generation; they have also other expectations concerning their job. If one wants to effectively manage *Millennials*, one should know their values and perceive the situation on both sides: Employees and Employers.

Do Employers know *Millennials'* expectations? Do they know what motivates and demotivates *Millennials*? Are they aware of why do young people change jobs so often?

As a part of empirical work, the problems related to management of *Millennials* were focused. The main goal of the research presented in this chapter is to develop an *Ethical Code* of cooperation between the *Millennials Generation* and the Employer, prepared based on the results of own research.

The chapter presents a review of literature in the area of the thesis, a description of the research method and the results of research carried out in several dozen selected key enterprises of the Wielkopolska Region, young Employees of companies and future Employees at various levels of education.

5.2 Literature—Ethical Code of Cooperation—Problems of *Millennials* and Employers' Cooperation

A skillful management of Employee relations is critical in today's enterprise. "The enterprise is an organism that creates and protects value based on human relationships (H2H), and financial indicators are the result of the quality of this cooperation" (Sedlak 2017). Employees' departures

resulting from negative relationships cause many costs of the business (Table 5.1).

Table 5.1 presents the costs related to the last stage of human resources management (HRM)—letting an Employee go and the first stage—employment of new Employees. In addition to these costs, one can also distinguish lost benefits related to all areas of HRM and company operations:

- The cost of lost knowledge which a departing Employee has not transferred;
- Downtime in the performance of certain duties (if the old Employee has left and company still has to wait for a new person);
- Temporary relocation of other Employees to the departing person's duties;

Table 5.1 Costs of employees' departures

Expences before employee's leaving	The costs of searching for a new Employee	Costs of new employee's introduction
Decrease in the commitment of the person who decided to leave the job	The cost of preparing and issuing job advertisements	Time the person will spend to get acquainted with the company, responsibilities and procedures
Time that the departing persons will devote to sharing their knowledge and responsibilities	The time needed to select the incoming applications	The time of other Employees needed to train a new person
The time of the departing person, ad the team devoted to saying goodbye and talking about changing jobs	Time needed for interviews (often in several meetings)	The cost of buying individual work equipment, e.g. business clothes or his/her own earphones
	The time needed to check the reference, agree the terms with the selected person and prepare the contract	

Source Own; based on Sedlak (2017)

- Lost benefits because a new Employee will not achieve as good results as a person who has left, for a certain period of time;
- Decrease in customer satisfaction (internal or external) caused by a lower level of service caused by the Employee's departure;
- The Employee's leaving negatively affects the mood of the people remaining in the team;
- An Employee who has left can recruit former associates to his new company (Sedlak 2017).

It is estimated that the turnover costs range from 30 to 200% of the Employee's annual salary (Philips and Edwards 2009, cited in Sedlak 2017). If the costs of leaving Employees are so high, each organization should take special care of its internal stakeholders. However, high remuneration will not sufficiently motivate Employees, if they perceive organizational culture as destroying their development—not only professional, but also personal, when their sense of dignity is violated, there is no participation in the preparation of changes in the company (Sedlak 2017). The factor allowing to reduce the costs associated with the Employee's departure is the introduction of corporate social responsibility (CSR) activities in relations with the Employees. According to the EU Commission (2002, 347 final: 5) "... .. integrate social and environmental problems in the business environment." It is a process of managing relations with external and internal stakeholders of the company, which contributes to the growth of its competitiveness and development, while at the same time shaping favorable conditions for economic and social development, creating social and economic value (Buczowski 2016, p. 15). Corporate governance should be based on long-term and strategic solutions beneficial to all interested parties, i.e. stakeholders.

A special group of internal stakeholders are *Millennials*, who in ten years will constitute 50 percent of the labor market (Argenti 2016; Sedlak 2017). Each generation has a unique experience that is aware of the behaviors and attitudes (Bannon et al. 2011). The *Millennial* generation has been defined as impatient and results-oriented, using modern technology and social media (Kilber et al. 2014). Some authors are very

Not attaching to the workplace	Do not like to wait, tend to be impatient	Quit when asked to deliver more
Enforcing flexibility and openness to changes in companies	They did not get to know the world "from behind the scenes"	Know "how" but don't know "why"
More issues with non-standard problems	Work – life balance	Noncredible, lazy, narcissistic

Fig. 5.1 Examples of Millennial behaviors and features (Source Own; based on Stein [2013], Kilber et al. [2014], and Gabrini [2016])

critical about this generation as a generation comprised of lazy, narcissistic pseudo-adults, who are largely out of touch with reality. Figure 5.1 (Stein 2013; Kilber et al. 2014; Gabrini 2016).

Studies were performed identifying generational differences in ethical attitudes. The Institute of Business Ethics (IBE) and Verschoor describe the work ethic of *Millennials* as goal-oriented and entrepreneurial. The generation Y needs immediate feedback and recognition for their efforts. They seek meaning in their work and want their organizations to make a difference. *Millennials* are not primarily motivated by monetary rewards. They place a high value on relationships with colleagues and immediate supervision. They prefer working in a relaxed and informal office environment. They enjoy working alongside others, perceived as bright and creative like themselves (Gabrini 2016).

Millennials prefer a participative style of interaction. They are technology-savvy and like using their computers, cell phones, tablets. They communicate indirectly using social media and prefer using digital communications over a direct face-to-face communication. This generation looks into social media to both consume and influence information and opinions. Social media are more delicate instruments where companies receive real-time feedback from their audience. *Millennials* expect to have their opinions listened and responded to, meaning that companies must engage in more two-way conversations with their constituents (Argenti 2016; Gabrini 2016).

A 2014 Nielsen survey showed that *Millennials* are significantly more responsive to CSR in both consumption and employment decisions.

Millennials were about half of those surveyed who would pay a premium for sustainable products, verify packaging and choose a company with a higher CSR reputation as Employer. These *Millennials* are choosing to spend their resources—be it time or money—on organizations that appear to represent a set of values (Argenti 2016; Nielsen Report 2014). For *Millennials*, honest treatment, Employee satisfaction and ethical principles are much more important than, e.g., process quality, efficiency and customer focus (Sedlak 2017). *Millennials* are more demanding, more in touch and more skeptical. It requires CSR, as internal and external stakeholders will sniff out and publicize anything that smells of hypocrisy (Argenti 2016). What's more, it resulted in companies adapting to being more entities. Companies that have strong corporate responsibility are also expected to attract highly-motivated and purpose-driven Employees (Wang et al. 2016, pp. 534–544).

Research on CSR and Employee engagement established a positive relationship between CSR and Employee engagement (Glavas and Piderit 2009; Caligiuri et al. 2013). Specifically, CSR lets companies go beyond formal values statements, which tend to be more words on paper than actually living on these values (Glavas 2016).

Companies develop and increase ethical awareness by implementing *Codes of Ethics*. *Code of Ethics* is a document with information about values that matter for the company and information about accepted and expected behaviors of companies' members. (Gilman 2005, p. 3; Branowska and Sychała 2014, p. 28).

The norms in the codes apply to all Employees of the company regardless of their position in the service hierarchy. The basic values and general principles contained in them should remain unchanged, while more detailed rules must be current and updated (Gasparski et al. 2002, pp. 9–31). Some codes of ethics include sanctions—rewards and punishment for ethical and unethical behavior (Gilman 2005, p. 4). *Codes of Ethics* cannot detail solutions for every ethical situation, so corporations provide trainings in ethical reasoning (it is ethical education). Those are structured programs that help participants understand ethical aspects of decision making and help people deal with ethical issues under pressure. (Schermerhorn 2005). The *Code of Ethics* observed in a given company contributes to reducing costs and to increasing profits. This is

done because cases of corruption, embezzlement and other bad practices are reduced (Lewicka-Strzalecka 1999, p. 163). From the perspective of the organization's Employees, the positive effects of implementing ethical codes include:

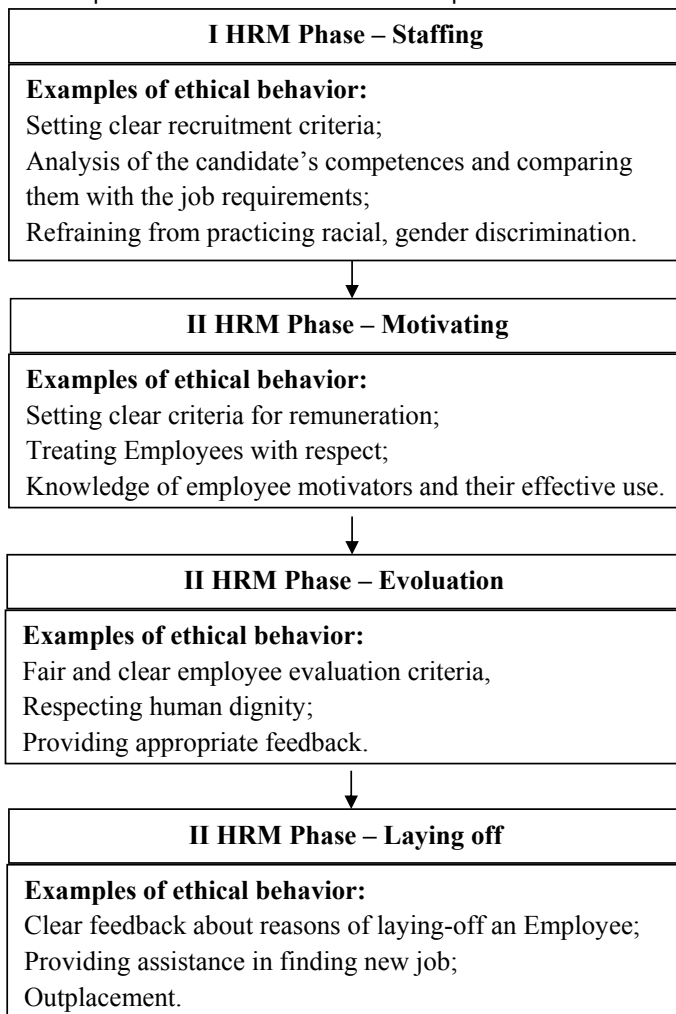
1. Facilitating the avoidance of errors that occur more frequently when acting intuitively;
2. Equal treatment of all Employees, defining the framework of activity, indicating authorized and forbidden activities;
3. Protection of those, who ethically expose themselves to their superiors and colleagues;
4. Facilitating the interpretation of Employees' duties (Rybak 2007, pp. 139–140).

The main benefit of introducing *Code of Ethics* is the increased credibility of the organization in the partners' eyes, and the facilitated gaining environmental support. There are limitations of situations in which there are conflicts of interest. The customers, contractors and partners trust increasingly, the credibility of the staff and the loyalty of Employees are deepened (Lewicka-Strzalecka 1999, pp. 163).

Table 5.2 shows examples of ethical behavior in different HRM phases. "Organizing is par excellence a moral activity, because everything that people do together, has a moral dimension" (Kostera and Kozminski 2002, p. 191). Therefore professional handling of tasks planning, hiring Employees, motivating, evaluating and controlling the Employees' behavior is an ethical, lawful behavior matching the standards set by the organization (Spychała 2012). But "the ethics of HRM is about more than treating people sensitively or being fair and measured" (Pinnington et al. 2007). This corporate culture based on trust and respect makes company socially responsible.

When designing the *Code of Ethics* for Employees of Generation Y, one should start from the basic values for each generation: respect for human rights, concern for Employees' safety and health, recognition of Employees' diversity, providing a fair remuneration and the possibility of reconciling work and private life. However, each generation is different, has different goals, expectations and experiences. Therefore, one should

Table 5.2 Examples of ethical behaviors in HRM phases



Source Own, based on Branowska and Spychała (2016, pp. 31–42)

learn these requirements and complete up the code of ethics with new rules on intergenerational communication.

5.3 The Needs of the Millennium Generation—Own Research

5.3.1 The Scope of Research

Our own research for the purpose of creating a code of ethics for *Millennials* was conducted in 2017 on a group of 120 students and representatives of 10 key Employers from the Wielkopolska Region, employing over 150 people per company. The data was collected electronically and in the case of Employers the issue of motivators and de-motivators was also extended to include individual interviews in order to diagnose the challenges of enterprises regarding recruitment and cooperation with the *Millennials* based on the *Code of Ethics*.

Individual interviews were conducted with 10 Employees of companies participating in surveys and 30 other companies (40 companies in total). Interviews were conducted with representatives of Human Resources Departments responsible for Employee recruitment. Individual interviews were also conducted with 20 *Millennials* born in 1985–2000. The individual interviews stage enabled diagnosing the challenges of Employers and *Millennials* in relation to the *Code of Ethics* and clarification of the questions contained in the questionnaire. The survey indicated two areas of research (Table 5.3). The first referred to factors motivating *Millennials*, another to demotivating factors. The Likert scale from 1 to 5 was used for the scale of the assessments, where 1 means low significance or incidence and 5 high significance or incidence.

5.3.2 Analysis of the Challenges of the Millennium Generation in the Workplace

From the analysis of literature one can conclude that young workers from the *Millennium Generation* do not get attached to the workplace; they tend to be impatient and give up work when the Employer requires more. Young Employees often enforce flexibility and openness to changes in companies, which may be a positive aspect in the development of the company. In a negative sense, they are often described as unreliable,

Table 5.3 Scope of research

No	Sample group and the objective		
	Research method	<i>Millennials</i>	Employers
1.	Deeper individual interview	Analysis of current challenges of recruitment and cooperation from the <i>Millennials'</i> viewpoint	Analysis of current challenges of recruitment and cooperation from the employers' viewpoint
2.	Survey	The degree of influence of factors motivating <i>Millennials</i> to operate	Declarative opinion on the assessment of the extent of the <i>Millennials</i> motivating factors' influence on the operation
3.	Survey	Assessment of the degree of impact of demotivating factors on taking and implementing <i>Millennials'</i> activities	Declarative opinion on the assessment of the degree of influence of <i>Millennials'</i> demotivating factors

Source Own research

lazy and narcissistic, people who deal worse with non-standard problems, who value the balance between work and private life (Argenti 2016; Gabrini 2016).

Individual interviews with Employers coincide with the analysis of secondary sources. One can conclude that Employers must cope with the large requirements posed by the younger generation of Employees, despite the fact that the approach to work in a group of people with different ages differs. Young people require at work an indication of a higher idea and legitimacy of the tasks being performed (Van Tyne & Brunhart-Lupo 2014).

In turn, the young generation describes themselves as people with a passive attitude but with high financial requirements. They require quick promotions at work, commitment, loyalty to Employees and transparent communication. They focus on ideas, goals and building important solutions.

5.3.3 Motivators of the Millennium Generation

The degree of influence of motivating factors on *Millennials* according to ‘Employers and *Millennials*’ was assessed similarly. In the research, the hierarchy of motivators in the opinion of *Millennials* and Employers was made. The factors that *Millennials* refer to as the most important motivators are: the ability to do the work you like (average rating at 4.63), the possibility of personal development and professional development (4.53), friendly atmosphere in the team (4.52), clearly defined goals and tasks (4.48) and the possibility of promotion (4.45). In turn, the Employers in their opinion indicated as the most important motivators for action for *Millennials*: a friendly atmosphere in the team (4.72), access to new technologies (4.63), flexible working time (4.63), non-standard, free time (4.63), the opportunity to do a job they like (4.45), and a high standard of work (4.45).

Out of the motivators identified in the study, rated by both *Millennials* and Employers, five motivators were significantly different (differences at the level of a minimum of 15 ranking positions) in terms of hierarchy and perception of motivators as significant for *Millennials*. The biggest differences occurred in subsequent motivators:

- Job security—difference of 27 ranking positions—in the ranking of Employers only on the spot 33 and *Millennials* on the 6th place;
- Sense of financial security—difference of 22 ranking positions—in the ranking of Employers only on the spot 30 and *Millennials* put it on the 8th place;
- Non-standard working time—difference of 22 ranking positions—in the ranking of Employers on the spot 4 and *Millennials* put it only on the 26th place;
- Monthly perms—difference of 17 ranking positions—in the ranking of Employers only on the spot 28 and *Millennials* put it on the 11th place;
- Praise on the forum of the entire team or company—the difference of 15 ranking positions—in the ranking of Employers on the spot 13 and *Millennials* put it on the 28th spot.

Considering the above analysis, Employers should pay more attention to: job security, sense of financial security, monthly bonuses, clearly defined goals and tasks and promotion opportunity, as opposed to: non-standard working time, praise on the forum of the whole team, free or discounted entries for recreation and sports facilities, remote work opportunities or flexible working time. Figure 5.2 presents a comparison of motivators assessed by *Millennials* and Employers. Motivators are indicated on the abscissa axis, while the ranking of the given motivator is on the ordinate axis. The lower the value, the position of a given motivator in the *Millennials* or Employers ranking is higher, eg 1 means the most important motivator. The continuous curve is marked by differences in method rankings in the *Millennials* group and Employers, which means that the higher the value, the difference in *Millennials*' and Employer's rankings for a particular motivator is more divergent.

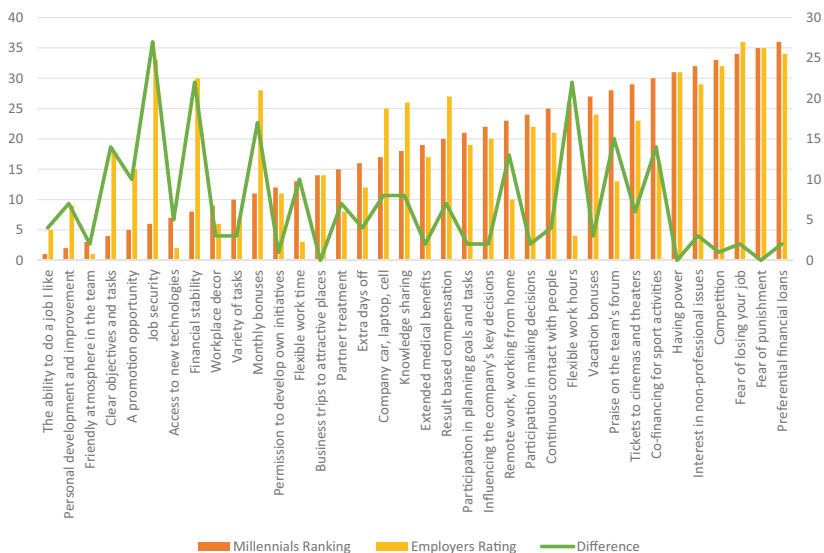


Fig. 5.2 Discrepancies in the ranking of motivators for *Millennials* in the assessment of students and Employers (Source Own research)

5.3.4 Demotivators of the Millennium Generation

In the study of the assessment of the melting of the impact of demotivating factors on the *Millennium Generation* in the opinion of Employers and *Millennials*, the hierarchy of motivators in the opinion of *Millennials* and Employers was made. The factors that are indicated by *Millennials* as the most destructive demotivators in the organization of work and organizational culture are: bad atmosphere in the team (average rating of 4.53), bad communication between teams (4.49), low base rate (4.32), setting unachievable goals (4.15) and lack of professional promotion prospects (4.12). In turn, the Employers in their opinion indicated the next demotivators, as the most destructive in the work organization and organizational culture of *Millennials*: bad atmosphere in the team (4.45), bad communication between colleagues (4.45), no feedback on the tasks carried out (4.27), no increase in the basic rate (4.18), monotony of work (4.18), and too many duties (4.18).

Six of the demotivators indicated in the study, rated by both *Millennials* and Employers, differed in a minimum of 4 ranking assignments in terms of the hierarchy and perception of demotivators as significant for *Millennials*. The biggest differences occurred in subsequent demotivators:

- Carefree approach to work on the part of colleagues—a difference of 8 ranking positions—in the ranking of Employers on the spot 18 and *Millennials* on the 10th place,
- Lack of feedback on the tasks carried out—difference of 6 ranking items—in the ranking of Employers on the spot 3 and *Millennials* on the 9th place,
- Too many duties—difference of 6 ranking items—in the ranking of Employers on the spot 3 and *Millennials* on the 9th position,
- Low base rate—difference of 5 ranking positions—in the ranking of Employers on the spot 3 and *Millennials* on the 9th place,
- Lack of prizes (eg Employee of the month)—difference of 4 ranking items—in the ranking of Employers on the spot 14 and *Millennials* on 18,

- Lack of professional promotion perspective—difference of 4 ranking items—in the ranking of Employers on the spot 9 and *Millennials* on the 5th place.

Taking into account the above analysis, Employers should pay more attention to: careless approach to work of other team members, lack of feedback between the Employee and the Employer, too many tasks and fair remuneration. Figure 5.3 presents a comparison of demotivators assessed by *Millennials*' and *Employers*. On the abscisse axis, the demotivators were indicated, while the rank of the given demotivator is on the ordinate axis. The lower the value, the position of a given demotivator in the *Millennials*' or *Employers* ranking is higher, eg 1 means the most important demotivator affecting *Millennials*' work. The continuous curve is marked by differences in method rankings in the *Millennials*' group and *Employers*, which means that the higher the value, the difference in *Millennials*' and *Employer's* rankings for a particular motivator is bigger.



Fig. 5.3 Discrepancies in the ranking of demotivators for *Millennials* in the assessment of students and *Employers* (Source Own research)

5.4 Code of Ethics Between *Millennials* Generation and Employers

A *Code of Ethics* is an instrument for ethical standards of organizations (Ho 2012). A *Code of Ethics* has regulatory, educative and cultural functions, covering basic ideology and ideals (Pedraza 2012). When designing an ethical code between the *Millennials Generation* and *Employers*, the following should be taken into account:

1. Determination of purpose and applicability;
2. Specification principles and values;
3. Define ethical framework;
4. Definition of formal and Informal Communications;
5. Prevention of unethical practices;
6. Additional organizational policies.

Each *Code of Ethics* should have a clearly defined goal and applicability. In the case of a *Code of Ethics* between the *Employer* and the *Millennium Generation*, the goal should address defined challenges, e.g. the purpose of the *Ethical Code* between the *Millennials Generation* and *Employers* is to improve ethical behavior in this communication between *Millennials* and *Employers* from the stage of employment planning and recruitment to cooperation and staff development.

The principles of Code of *Ethics* and values should be based on values relevant to the *Millennials* group (Fig. 5.4), including:

- Support and assistance when needed;
- Sense of security so that the *millennials* would happily go to work;
- Trust in young employees in such a way as to give credence to the fact that they will do their job and go beyond expectations, but also minimally control employees when performing their tasks;
- Partner behavior, treating with respect and appreciating the contribution to work and creating a friendly atmosphere at work;
- Taking into account the needs of maintaining the balance between work and private life of Employees.

CODE OF ETHICS	PRINCIPLES AND VALUE	Support	Partnership Balance at work
		Security	
		Trust	
	MOTIVATORS	Clear objectives and tasks	New technologies
		Development of own initiatives	Creative position
		Defined career path	Bonuses and travel
	DEMOTIVATORS UNETHICAL BEHAVIOR CONSEQUENCES	Bad atmosphere	Creative position
		Bad communication	Unachievable goals
		Inappropriate Compensation	No room for improvement

Fig. 5.4 Values, Motivators and Demotivators of *Millennials' Code of Ethics* (Source Own research)

The code of ethics should also contain developed incentives for *Millennials* to improve work efficiency. They include:

- Creating opportunities to develop their competences, including participation in training,
- Introducing flexible working hours that enable a balance between professional and personal life.

Millennials are pointing to more motivators encouraging them to work (Fig. 5.4):

- Carrying out tasks in accordance with interests,
- Personal development and improvement, e.g. through mentoring and learning from the best in the company,
- Clearly defined goals and tasks, using in this objectives the definitions of the task over time and the form of its result,
- Clearly defined career path, taking into account the required competences on each position and the possibility of financial remuneration,

- Access to new technologies, support at work and developing professional skills,
- A creative and modern workplace, eg a comfortable seat, a relaxation zone, an attractive choice of colors, an aesthetic building,
- A variety of tasks, even their interdisciplinary nature, allowing them to meet new challenges,
- Monthly bonuses,
- Consent to carry out own initiatives, e.g. in the form of several hours a week,
- Business trips to attractive places.

The *Code of Ethics* should be a document written and made available to all company Employees. It should also include the method of formal and informal communication, including during the recruitment period—the place of publishing offers, reaction time, keeping the word during recruitment, feedback or help with implementation in the workplace. *Millennials* pay very much attention to openness and availability to bosses, the possibility of periodic talks with the boss to exchange the way and organization of work as well as communication.

The *Code of Ethics* should also include actions to prevent unethical behavior. Among them should be such behaviors as lack of will and willingness to take initiatives, throwing tasks on team mates or not keeping the word, deadlines, working time, failure to perform the duties entrusted. Pay attention here to the factors that demotivate *Millennials* for work, among which we can mention (Fig. 5.4):

- Bad atmosphere in the team caused primarily by unethical behavior towards colleagues in the team;
- Bad communication in a team, lack of sharing information, for example through newsletters, cyclical meetings or other direct contact, also lack of feedback from supervisors;
- Financial aspects, including: low base rate, no increase in the basic rate;
- Delegating to the team the implementation of unattainable goals, predestined to fail, which may cause additional conflict in teams;

- Lack of professional promotion perspective and lack of clearly defined career path;
- Lack of opportunities to develop your skills and improve your skills;
- Monotonny at work.

Additional entries in the ethical code may refer to organizational and detailed matters of proceedings and updating the ethical code. It is not recommended that the ethical code changes frequently. This document should be about the company's values, which has been guided for a long time and based on it will be its further development and method of cooperation, both between Employees and contractors, suppliers and distributors.

5.5 Conclusions

Designing a *Code of Ethics* between the *Millennials* generation and Employers covers improving ethical behavior, implementing each HRM stage. The principles of *Code of Ethics* and values should be based on values relevant for the *Millennials* group, partnership behavior, respect and appreciation of the contribution, and creating a friendly atmosphere at work.

Do *Employers* know *Millennials'* requirements? Unfortunately, Employers very often assume that the *Millennials* will adapt to the organizational culture, but they want to build this culture, participate in defining the organization's goals. The Employer must know that ignorance of their requirements will be a high cost for him, because *Millennials* do not get attached to the workplace, they are impatient, they give up their job when the Employer is unreliable. When designing an ethical code, one should recognize *Millennials* requirements, but also their motivators and de-motivators.

Do Employers know what *Millennials'* motivators and de-motivators are?

The main motivators, very important for the young generation are: a sense of financial security, monthly bonuses, clearly defined goals and tasks, and the possibility of promotion. On the other hand, Employers

believe that the most important for *Millennials* is: non-standard working hours, praise on the forum of the whole team, free or reduced entries to recreational and sport facilities, remote work opportunities or flexible working time.

The main de-motivators include: bad atmosphere in the team caused primarily by unethical behavior towards colleagues, poor communication in the team, poor sharing information, and insufficient feedback from supervisors. Proper communication enables recognition of Employees' needs, abilities, and potential. As research shows in companies in which effective communication takes place, the level of Employee involvement is 4.5 times higher than in organizations with weaker communication. Thanks to the good transmission and reception of information, the duties are performed more effectively, Employees know and understand their duties, and the communication in the enterprise runs smoothly (Baruk 2008, p. 127).

The development of organizational *Code of Ethics* is not enough; it should be respected first of all. Then the Employee, seeing activities based on mutual trust, responsibility and credibility, identifies him/her-self with such an organization and wants to achieve goals with it.

Employees might be willing to consider the *Code of Ethics* more seriously, if they become co-owners, e.g. in the style of the Mondragon co-operatives with some additions that are discussed in the next chapter.

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6

Social Responsibility—Either with Precariat or with Employees' and Citizens' Ownership?

Matjaž Mulej and Dejan Avsec

6.1 Introduction

The 4th industrial revolution indicates many crucial technological novelties; they might cause a big technological progress without a serious addressing of humankind beyond seeing humans as tools of profit rather

Editorial comment: Corporate governance must face this fact and innovate the employees' and citizens' rewards and ownership in order to fight the dangerous precariat status of the non-owners in a socially responsible and hence profitable way. Model includes methods of ESOP and USOP, employees' internal capital accounts, citizens' internal social capital accounts, normal pay-role, innovation-related rewards, universal basic income, shorter working time, national strategy on promotion of social responsibility, and NGO's initiative for more social responsibility.

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than human beings (James 2018), and beyond seeing the consequences for the owning and the non-owning parts of humankind (see Schwab 2016). Promoters of the 4th industrial revolution do not seem to ascribe much importance to social responsibility (Šarotar Žižek and Mulej 2018). On the other hand, on the global level, humankind's crucial bodies decided that humankind needs social responsibility in order to survive (see more in the chapter by Mulej and Bohinc in this book, and references in it). The dilemma hence asks: "*is humankind able to stand the progressive division into the small owning and the large non-owning parts of humankind?*". History shows a clear response: this division causes abuse by the owning part and rebels against the owning part, all way to e.g. end of the slaves-owning society, end of the feudal society, the French and other similar revolutions, the so-called socialist and/or communist revolutions, and wars. In the chapter by Mulej and Bohinc, there is Bohinc's overview of the given and the not given, but needed legal changes in ownership and government. Here we are adding one more suggestion, which has been published and disregarded for thirty years (Avsec 1987, 1994, 2009); to it we are now adding a novelty that was not known then (Avsec and Mulej 2018) and some others.

6.2 Briefly About the Relation Between Social Responsibility, Precarious Employment and Survival of the Current Humankind's Civilization

Poglajen, expert on precariat stated (2017a, b): Social responsibility is a base for sustainable development. In some areas it is legally defined, but its definition is manly vague and left to the interpretation by an individual or a company. As Dr. Rado Bohinc (2016, 2017¹) stresses, there is no legal leverage that could make social responsibility a norm, and sanction those who would behave in socially irresponsible ways. The reasons for that are complex and multi-layered, but the most important

¹See more in the chapter by Mulej and Bohinc in this book, Volume 2.

are the power of neoliberal economic strategies and the preservation of the abusing elites.

The lack of social responsibility can be visible on several levels. Our political and economic systems lead to series of cyclical economic crises, yet they do not change. Even though growing inequalities among social groups can be visible and measured, the state's central focus remains on securing the survival of businesses, i.e. owners. The government uses public funds to secure the wellbeing of those, who follow narrow interests and are often in direct contradiction with the principles of social responsibility. The remaining status quo is the main reason for the growth of social inequalities and stratification.

The evolution and growth of precarious work belongs to the clearest expressions of a lack of social responsibility. It indicates that states lack vision and accountability, and companies do not have socially responsible leaders and that they do not understand, what the shifting of responsibility to an increasingly depressed worker means, in the long run (including themselves as the elite). It means a serious danger to the existence of the current humankind, including the abusing rather than socially responsible elites.

The problem of precariat is not simple. Owners maintain with full right that they cannot hire workers, if they have insufficient orders. Workers say with equally full right that acquiring the orders is not their task, but the owner's task. Owners are influential and one-sided and taking their right of irresponsibility, e.g. about the societal consequences of their behavior. Workers can hardly take care of their families with no permanent jobs, e.g. with a precarious status. The state cannot collect funds for social services, e.g. medical care, education, safety, old-age care, social care, if the precarious status applies to many, or even most jobs. Perhaps, making everybody an owner can solve the problem, rather than rebelling like all over the history. The foreseen 4th industrial revolution might otherwise cause very bad consequences for humankind.

6.3 A Possible Innovation of Rewarding and Ownership of Employees and Citizens—A Precondition for Acceptability of the 4th Industrial Revolution

Human responsibility is a natural precondition of success in families, organizations, countries, other communities. It can develop without special stresses in a legally ordered social environment. It needs as its basis a biological, external and internal motivation (Pink 2011). There are as many perceived human needs as humans, but the shared need of all is survival (Bergant 2017a, b). The currently developed technology, especially the one foreseen in the 4th industrial revolution, may cause employment problems rather than solutions (Šarotar Žižek and Mulej 2018), benefiting the profit of a tiny percentage of humans—the global monopolists. Chances for employees and citizens to feel alienated rather than interested in the organizational success, are many even without this problem. An ownership stimulation can improve their interest. Ownership of many can enjoy support of

- The Employee Stock Ownership Plan (ESOP) and Universal Stock Ownership Plan (USOP) models,
- Support to them with employees' internal capital accounts (ICA), and
- Citizens' internal social capital accounts (ISCA), and
- Innovation, and
- National strategy on social responsibility, and
- NGO's initiative for more social responsibility, and
- Social responsibility economic measurement, and
- Universal basic income (UBI), and
- Many other ideas and practices, which other authors covered in chapters in this book; etc.

This matters because humankind sees in social responsibility a way out from the current socioeconomic crisis. This is visible in the globally passed documents (ISO 2010; EU 2011; Zore et al. 2016; Dernovšek

and Rušt 2018, interview with V. Korošec 2018; Avsec 1987, 1994, 2009; Avsec and Mulej 2018). Short descriptions will follow in the subchapters to come.

6.4 Crisis, Social Order, and Renewal of the Ownership Model

As we have seen after 2008, not only in 1914–1945 (double World War, linked with the global economic crisis), socioeconomic and financial crises can last longer times or return every some years like over the entire period of capitalism. Today humans are facing the ‘war on terrorism’, making room for the weapons market, in which the UNO Security Council’s permanent member countries sell the biggest share, USA alone one third of several billion USD a day; more than ten wars are fought today over oil, gas, metals, water, room for food production etc. (Mulej and Dyck 2014). The richer 15% of humans only have at least six USD a day, other 85% live very modest lives; humans are facing the crisis of affluence: supply is tremendously bigger than demand (except the fictitious ‘needs’) (Gerzema 2010). Nature is increasingly destroyed, which means that the current generation behaves like enemy of the future generations (Mulej et al. 2017). Tourism and forbidden drugs markets are flourishing because have more ambitions to have free time than to work hard due to possessing everything they really need.² The other 85% of humankind live modest lives of the abused and misused ones. The issue of stimulation for a high quality and innovative work along with human well-being is open again: people do not feel sufficiently considered (Avsec 1987; Šarotar Žižek 2012).

²At the beginning of the Winter Olympic Games in South Korea on 12 February 2018, RTV Slovenia was showing a TV documentary on South Korea life. They enjoy a very high material standard, very long working hours; even for pupils there is hardly time to sleep; and there is a very high number of suicides. Such life style hardly makes sense, but it can be expected all around the world soon due to the 4th Industrial revolution (Šarotar Žižek and Mulej 2018). Social responsibility is less important than the owners’ profit, so are humans.

The small percentage of humans in the decisive positions are too few, too one-sided and too busy to consider all real needs of all humans globally; they cannot decide on a requisitely holistic basis and beyond their own needs and wants of the richest few persons.

In order to find an answer about the way out from the crisis, one must promote social responsibility, the global humankind's political and professional bodies suggest (ISO 2010; EU 2011). But, they do not tackle the issue of ownership as a basis of social responsibility in practice, which one must consider a potential innovation covering stimulation for it. One can and should combine all three motivations: the biological (for one's existence), external (for the societal and organizational benefit), and internal (for the effort to make sense to doers) one (Pink 2011).

Therefore, we are here briefly addressing a new model of the ownership relations, supportive of social responsibility, which is a new socio-economic order as the modern alternative to the end of humankind, disappearing in the 3rd World War. The triad from ISO 26000 (ISO 2010)—(1) one's responsibility for one's influences on society, (2) interdependence, and (3) holistic approach—makes the end of the rights of irresponsibility, of dependence and independence, and one-sidedness that are typical of the current and previous crises. This can be the basis of human well-being based on creativity and innovativeness (Šarotar Žižek 2012), which the currently dominating neo-liberalism can obviously not provide except for a too tiny minority. A society made of owners only might be a better solution.

Politicians have had chances to listen to suggested models, including the one that is included in a more holistic model here, but they ignored it (Avsec 1987, 1994, 2009) and others that are not the topic here. The point is a new society, a new social contract.

6.5 The Essence of the Ownership-Based Stimulation of Employees and Citizens

In business terms, the models of ESOP and USOP enable closing the financial construction of organizational working and investing. ESOP is an abbreviation denoting the 'employee stock ownership plan'.

Employees become their organizations' shareholders by buying shares in order to assure their own employment.

In Slovenia, e.g., the case of Domel Železniki is a clear one (Bertoncelj, in Naglič 2016, pp. 130–137). In 1996, the factory got new owners threatening its independence. Employees had the courage to prevent selling of their factory. The voting right was limited to two percent; nobody could become a single majority owner. From the opening balance of 31 December 1992 on, the employees' taking the ownership of Domel in their hands lasted ten years. Legally it ended on 17 December 1996. The internal distribution of company capital took place, the internal buying of it via certificates, was the next step, followed by internal buying with real investments; a share was provided also to the persons entitled to denationalization, members of the co-op Niko. In this way the employees, former employees, retired employees and small shareholders took the 53.11% share. Shares were freely transferable and named. The external competitor's offer was quite high, but refused. The first Domel's assembly nominated a new supervisory board preventing the foreigners from buying the company. Shareholders organized themselves in their club becoming their association, which attracted 1300 small shareholders and Niko co-op as a legal entity entitled to denationalization. To overcome the big shareholders' opposition, they established the first ever 'authorized society' Domel Holding d. d. on 19 March 1998, which owned 42.14% as the biggest owner of Domel, because most employees and retired employees established it. In 2001, Domel Holding became the majority owner. In 2007, it bought all Domel shares from the parastate funds to own 99.47%. Employees and former employees behave as serious shareholders on this basis, having their job, developing Domel to a world-top company, and receiving their dividends. The employees' ownership and share in government reflect in the organizational culture, values and climate.

The other component in Avsec's (1987) model is USOP, i.e. the universal stock ownership plan. The idea is coming from USA. USOP should make every citizen an owner. The banks should grant investment loans to investing organization via individuals who would invest and repay their loan from a part of dividends from their shares in the invested-in organization.

Avsec (1987) quoted researches showing existence in good working of ESOPs and USOPs in UK in USA. The USA Congress is said to have found in 1974 and 1975 that the employees' ownership prevents losing of jobs. Domel proves it. Government should recognize and use it. "The solution is not in making enemies from the ranks of owners, but in making owners from the ranks of non-owners" (Kurland 1984).

Practice is proving a positive impact of ownership and the workers' and citizens' effort to keep the organization alive, including the policy of inventions and innovations promotion in enterprises of any size, if there is an ESOP and USOP. Banks, too, trust such enterprises; ESOP or USOP is a plan taking loans for its organization, which on other hand accepts the obligation to provide ESOP and USOP with sufficient means for repayment of loans. The entire realization of the enterprise may not be smaller than the ESOP's and USOP's yearly obligation to repay the loan.

The point includes the organizational government and authorization for experts and managers and control over them. The employees and citizens owners have the duty to choose a high-quality manager achieving a higher productivity and smaller cost via innovation and rationalization. The dividends' part of the net income and profit is partly divided to the owners and (partly or totally) used for new jobs and the innovation-based development of the firm.

Seeing Domel as a very successful exception in the Slovene practice of denationalization and privatization shows that the process has not run done. But this is not the topic here. Let us address a financial-technique issue instead; let us learn from Mondragon as an exemplary case of a co-operative organizing the entire life in a local community, not only an enterprise (see, e.g., Dyck and Mulej 1998, chapter by Lutz; Avsec 1987; Wikipedia on Mondragon, visited on 12 February 2018). We will not talk its financial and other impressive data, its democratic government, its extending the co-operative concept outside the original enterprise, its units in 41 countries, etc., but only the mentioned financial-organizational technique.³

³On 1 March 2018 M. Mulej received from Marija Mikuž via internet a new example: a small town Marinaleda in Andalusia, Spain has no criminal, no police, no unemployment; it has

6.6 The Employees' and Citizens' Ownership—The Financial Organization Viewpoint

Perhaps ESOP and USOP are not enough on their own. They might need a financial organization support. One can learn about a well-working practice from the Mondragon coop model. Money can become capital by organizational concentration. For this reason, there are the so-called 'internal capital accounts' for employees, and the so-called 'internal social capital accounts' for citizens (for details, see Avsec 1987; Wikipedia on Modragon⁴). They reflect the fact that “Mondragon cooperative is based on a commitment to solidarity and on democratic methods for its organization and management,” says Mikel Lezamiz, manager of Mondragon's cooperative dissemination unit. Mondragon demonstrates an alternative to the 'business as usual' mantra of shareholder-owned

free homes for its few thousand citizens. The basis is a cooperative socio-economic relation with no consumer society. The comment calls Marinelada a small social democracy utopia. The Mayor Gordillo, jailed 7 times earlier, who has been in demonstrations and hunger strikes often became mayor after 12 years of fight. During the crisis of 2008, he distributed stocks from the local supermarket to citizens. Then he built a city in which everybody has everything necessary. They have an agricultural cooperative in which practically everybody works. They share income on an equal basis; their pa is about 1200 Euros. Everybody receives a piece of land and support from the town office to build a home. Then, they contribute 15 Euros a month until their death. They may not sell their home for a private benefit. They want no consumer society.

⁴In Wikipedia (accessed 17 February 2018) one can read: The **Mondragon Corporation** is a corporation and federation of worker cooperatives based in the Basque region of Spain. Graduates of a local technical college founded it in the town of Mondragon in 1956 led by a local priest, who established their school and a cooperative bank, the Caja Laboral. When he came there, Mondragon had a population of 7000. Before establishing the school, he worked with the local population since 1943 on education about a form of humanism based on solidarity and participation, in harmony with Catholic social teaching, and the importance of acquiring the necessary technical knowledge before creating the first co-operative. Its first product was paraffin heaters. It grew to the tenth-largest Spanish company in terms of asset turnover and the leading business group in the Basque Country. At the end of 2014, it employed 74,117 people in 257 companies and organizations in 4 areas of activity: finance, industry, retail and knowledge. By 2015, it employed 74,335 people. Mondragon cooperatives operate in accordance with the Statement on the Co-operative Identity maintained by the International Co-operative Alliance. Its framework of business culture has its structure based on a common culture derived from the 10 Basic Co-operative Principles, in which Mondragon is rooted: Open Admission, Democratic Organization, the Sovereignty of Labor, Instrumental and Subordinate Nature of Capital, Participatory Management, Payment Solidarity, Inter-cooperation, Social Transformation, Universality and Education.—These practices are not our central topic here.

companies. “Our mission is not to earn money; it is to create wealth within society through entrepreneurial development and job creation.” Outsiders cannot buy any control. Still, Mondragon needs capital and normally paid employees.

There are hence the ‘internal capital accounts’ and the ‘internal social capital accounts’. The difference between the two is double. Employees only can own the ‘internal capital accounts’ and their labor-owned and professionally managed organization controls these accounts. The employees’ income depends on success of their organization. The ‘internal social capital accounts’ have no link with employment and are not in the enterprise, but in the Mondragon saving bank that collects savings from all Mondragon organizations into which owner of these accounts have co-invested. Here, USOP might find its place (see Avsec 1987, 2009). In Wikipedia, one can read: “Mondragon also has something to teach other cooperatives in its approach to capital, always an issue for businesses not using equity-based capital markets. Employee members are required to make a financial investment in their business, typically of €14,000, which is automatically deducted from salary over the first three or five years of their membership. Profits paid across to members are also retained in the cooperative, being distributed only at retirement or if a member of staff leaves. Interest on members’ capital is paid, however, when businesses are profitable.”

And (Quoting Lutz): “The members ultimately have control over the firm. They meet in an annual general assembly and elect their officers who then hire a team of managers. Each member has a membership certificate that entitles him or her to a vote in the general assembly and a share of the annual profits (or losses). There are no shares in this corporation, instead, each member worker has an individualized capital account into which every year retained earnings are credited by a formula based on pay that tries to reflect the relative productive contribution of each worker. Through this formula, most of the profits are reinvested; however, they do not belong to the corporation, but are equivalent to long-term loans by the workers themselves. The overall moneys in these accounts trace the net asset value of the Mondragon Coop Corp. When the worker retires, he or she is cashed out of what amounts to the reinvested fruit of their labors as long as the worker had been active. The

departing worker is replaced by a new member, at least under normal conditions, who then opens a new account in his or her name.”

Social responsibility has, thus, a better chance than in the current division of people in the owning few persons and the non-owning vast majority of humankind. Our next issue tackles the modern need for innovation, to which a solution is also necessary along with ownership.

6.7 The Owner-Employees' Payment Model

Now, we are trying to add a socially responsible and model of pay-roll composition supporting social responsibility. For this purpose, one needs a combination of all three kinds of employee activity: regular work on one's daily tasks, inventing and innovating, to which the income from ESOP and USOP is added. The fixed part covers the efficient and effective normal work and provides about 50–60% of an employees' income. The further 40–50% should come from innovation awards and—as an owners' revenue—from ESOP and USOP in the part that is not accumulated (Avsec 1987, renewed). The innovation-based income here does not include the authors' income. The suggested formula of division of the new value stemming from innovation foresees namely that

- A half of it goes into the organization's fund for further promotion of the invention-innovation-diffusion process, and
- The other half to its authors and co-authors, e.g. 30%, further 10% to all in the unit in which innovation was created and the last 10% to all in the organization, including the managers (see, for details, Mulej et al. 2013).

One needs a societal tool for avoidance of the lack of equality and of a too poor life of the unemployed, ill, children, poor retired persons, etc., now-a-days complicated social care services that are quite costly and bureaucratic quite often. (Hočevar 2017; Dernovšek and Rušt 2018). Therefore, the Universal Basic Income (UBI), covering the poverty line income, is becoming necessary. In addition, the 4th industrial revolution is reducing the number of jobs, not only replacing the currently

normal jobs with jobs one does not know much or even anything about now. Precarious, i.e. insecure jobs' number is growing. Owners have a better chance to avoid this situation. UBI helps, too. Social responsibility becomes societal responsibility toward citizens. UBI can replace the currently usual social transfers and allowances to the individual income tax (Dernovšek and Rušt 2018).

6.8 Preconditions for Organizations to Be Appealing to Potential Owners-Workers and Citizens Investors in ESOP and USOP

Changing an organization into one with ESOP and USOP requires investment for employees and future employees, citizens and banks to join. Any investment is risky; so is any ownership. Trustworthy organizations can attract more investors and owners, because they are more socially responsible. We suggest the following dialectical system to include all and only crucial criteria:

1. Normal and regularly provided salaries following the model discussed here earlier;
2. Normal investment funds and actions for the business program to be up-to-date;
3. Business excellence matching the EFQM criteria;
4. The managers' and owners' revenues that are as high as acceptable to the population rather than causing bad feelings, envy, and wondering 'what do they need all this big money for in reality, rather than for demonstrating that they are compensating for frustration of those with a minor-value complex'⁵;

⁵In Mondragon the difference between the highest and lowest income is five to one; there is not necessarily the same relation in its units abroad (Wikipedia, accessed on 20 February 2018). On the other extreme Felber (2012) reports (with citation) about a manager of a hedge fund receiving 10 billion USD a year.

5. A stable list of supplying and buying business partners that are excellent in EFQM criteria and socially responsible in ISO 26000 criteria;
6. No legally disputable business activities;
7. Prevalence of the long-term and broad criteria of business success over the short-term and narrow-minded ones;
8. No abuse of one's influence over people and the natural precondition of humankind's survival, including a big care for the preventive measures supporting health of employees and all other persons in the entire business chain;
9. Payment to the influential ones on a long-term basis, including ESOP and USOP models and Mondragon practices;
10. The organizational, managerial and ownership relations that are very close or even equal to the Mondragon coop model;
11. Employment on the influential positions in line with the model/practice of the 'visionary companies, reaching from good to great' (See: Collins and Porras 1997; Collins 2001, 2005);
12. Five pillars of total quality (including products' and processes' total quality, co-operative management, employees' devotion, all four being linked by total quality of organization);
13. Methods of creative cooperation in all teams, especially in management teams, e.g. 'Six thinking hats', 'USOMID', their synergy, or others (see M. Mulej and N. Mulej, in Mulej and Hrast 2016; briefed here in the next subchapter);
14. Permanent renewal of one's business practice, e.g. by the model from the questionnaire related to the Slovene HORUS award for social responsibility (see www.horus.si);
15. Enjoying the governmental support with a national strategy on social responsibility, which EU suggests all its member states to have and practice (Hrast et al. 2017).

An organization can best meet all these criteria, if its top-person matches criteria that Collins and his team empirically discovered (Collins 2001); the criteria describe the fifth level leader's attributes as follows in Tables 6.1, 6.2 and 6.3.

Table 6.1 Difference between leaders of different levels of excellence

Leader' level	The basic attribute
5	Level 5 leader: Building a long-lasting excellence with an amazing mix of personal modesty and professional proving
4	Efficient leader: Full of energy with a clear and appealing vision; encouraging higher standards of doing one's job
3	Competent manager: organizing humans and resources for pre-set objectives
2	Cooperating team member: contributes as much as possible in working with the entire team
1	Very capable, talent, knowledge, work habits are OK

Source Own, based on Collins (2001)

Table 6.2 Only the level 5 leader combines the following attributes

Professional will	Personal modesty
Creating exceptional achievements, directing from good to great	Charmingly modest, refusing flattering, no boasting
Total determination to do everything for the best long-term results	Working with a silent, controlled decisiveness, motivating with standards rather with being a beloved person
Setting standards for long-term excellence; only excellence is good enough	Ambitious for the organization, not for one-self
Searching for responsibility for failure in one-self, not the others; bad circumstances are no excuse	Setting the successors for the organization to be even more successful in the next generation
	Merits for success ascribed to others and conditions, not one-self

Source Own, based on Collins (2001)

The lower level leaders might be OK on the lower levels of the organizational hierarchy.

Thus, before investing in an ESOP or USOP, it makes sense to discover how holistic and professional its managers are: they might be better or worse.

On such as basis one has a better chance to succeed due to

Table 6.3 Attributes of leaders in terms of holism

Better	Worse
Specialist for development of the organization rather than a product	Specialist for a single profession
Specialist for interdisciplinary creative cooperation and a source of information	Specialist in commanding without listening and hearing the others
Cooperative and role-model in social responsibility beyond charity	Abusing one's influence on coworkers, partners, broader society and nature
Author of synergies of ideas of coworkers	Author of ideas, disregarding the others

Source Own, based on Collins (2001)

- Overcoming self-sufficiency, professional blindness and limits of single professions, lack of adaptation, and unrealistic expectations,
- Application of interdependence, clear definition of the situation, objectives, tasks and procedures, realistic summary of findings, linking of everything essential and all phases of the process.

6.9 USOMID and '6 Thinking Hats'—Supportive of the Briefed Attributes of Modern Requisitely Holistic Behavior

It is not enough to be workers and/or citizens owners; the management process must attain the requisite holism (see, for details, Mulej et al. 2013). This means that all and only crucial viewpoints (e.g. professions, specializations) matter and do so in synergy. Both Mulej's Dialectical Systems Theory (DST) and de Bono's '6 thinking hats' (6 TH) (de Bono, 2005) are about equally old, without authors' knowledge of each other for decades. See Tables 6.4, 6.5, 6.6 and 6.7 for a summary (see, for details, Mulej et al. 2013).

What has been in discussion so far, needs in every organization a responsible officer, like all crucial organizational attributes do, be the point in general management, marketing, finances, technology, research,

Table 6.4 Comparison of essence of DST and 6 TH

DST—basis = dialectical system of viewpoints = all essential professions that complement knowledge of participants toward a shared synergy of knowledge	6 TH = essential directions of thinking—focus thinking in turn to human attributes in terms of different emotions and values toward a shared assessment of importance
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Source Own research

Table 6.5 Shared points of the essence of DST and 6 TH

<p>Both DST and 6 TH oppose the practice of un-holistic/un-systemic thinking—e.g.:</p> <ul style="list-style-type: none"> • Using a set rather than a (dialectical) systems of views, data etc.; this leads into a one-sided “argumentative thinking”, hence to a arguing of ‘infallible’ ones, providing partial rather than requisitely holistic insights and thus causing oversights and troubles • Analysis provides partial insights, which matter, but are not enough; they oppose each other with no synergy, hence no real solution to considered problems
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Source Own research

Table 6.6 Essence of each of the six thinking hats

<ul style="list-style-type: none"> • White = neutral, objective, facts without interpretation, like a computer; • Red = feelings, emotions, intuition, irrationality, unproved feelings, no justification; • Black = watching out, caution, pessimism, search for danger, doubt, critique; it all works well against mistakes and weak points of proposals; • Yellow = optimism, search for advantages of proposals, search for implementation ways, sensitivity for benefit of the idea, and constructive approach; • Green = energy, novelty, creation, innovation, in order to be able to overcome all obstacles; • Blue = organization, mastering, control over procedure, thinking about thinking^a
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^aIt is extremely crucial that all team members use the same hat at the same time, i.e. in the same phase of the creative cooperation process. Then, all of them switch to the next one, together again

Source Own research

development, innovation, security, human resources etc. In this case, the human resources management should be the coordinator of all crucial efforts.

Table 6.7 Synergy of USOMID/SREDIM and 6 TH methodologies in procedure of USOMID

		SREDIM phases					
USOMID steps inside SREDIM phases		1. Select problem/opportunity to work on in an USOMID circle	2. Record data about the selected topic (no 'Why')	3. Evaluate recorded data on the topic ('Why is central')	4. Determine and develop chosen solution/s to the topic	5. Implement chosen solution to the topic in reality	6. Maintain implemented solution for a requisitely long term
1. Individual brain-writing by all in the organisational unit/circle	All 6 hats	White hat	All 6 hats, red, black, yellow, green first of all	All 6 hats, red, black, yellow, green first of all	All 6 hats in preparation of implementation	All 6 hats in preparation of maintenance	
2. Circulation of notes for additional brain-writing by all	All 6 hats	White hat	All 6 hats, red, black, yellow, green first of all	All 6 hats, red, black, yellow, green first of all	All 6 hats in preparation of implementation	All 6 hats in preparation of maintenance	
3. Brain-storming for synergy of ideas/suggestions	All 6 hats	White hat	All 6 hats, red, black, yellow, green first of all	All 6 hats, red, black, yellow, green first of all	All 6 hats in preparation of implementation	All 6 hats in preparation of maintenance	

(continued)

Table 6.7 (continued)

		SREDIM phases					
USOMID steps inside SREDIM phases		1. Select problem/opportunity to work on in an USOMID circle	2. Record data about the selected topic (no 'Why')	3. Evaluate recorded data on the topic ('Why is central')	4. Determine and develop chosen solution/s to the topic	5. Implement chosen solution to the topic in reality	6. Maintain implemented solution for a requisitely long term
	4. Shared conclusions of the circle	All 6 hats	White hat	All 6 hats, red, black, yellow, green first of all	All 6 hats, red, black, yellow, green first of all	All 6 hats in preparation of implementation	All 6 hats in preparation of maintenance

Source Own research

Let us now briefly tackle the societal level that creates the general conditions and preconditions of the processes on the organizational and individual levels.

6.10 National Strategy on Social Responsibility in Slovenia—A First Draft

Unlike several other EU member states, Slovenia has only in 2017 seriously worked on her national strategy (Hrast et al. 2017). The effort is not finished; the draft was submitted to the government. The basic concept is as follows:

The European Commission presents a new definition of CSR as “corporate responsibility for their impact on society”. The condition for assuming this responsibility is to respect the existing legislation and collective agreements between the social partners. Companies should have, in order to consistently fulfil social responsibility, a procedure for integrating social, environmental and ethical issues, human rights and consumer issues into their business and a central strategy. This requires a close co-operation with stakeholders, in order to maximize the creation of common values for owners/shareholders, other stakeholders and society in general; and to identify, prevent and mitigate possible negative effects.

The European Union stated that, in the spirit of the 2020 Strategy, each Member State should adopt a National Strategy for the Development of Corporate Social Responsibility, which should be prepared in the Republic of Slovenia too. Corporate Social Responsibility (CSR) is important because it:

1. Is in the interest of the companies—CSR provides significant benefits for companies in risk management, savings, access to capital, customer relationships, human resource management and ability to innovate;

2. Is in the interest of the economy—CSR makes businesses more sustainable and innovative, which contributes to more sustainable economies;
3. Is in the interest of society—CSR offers a set of values with which we can build a more closely integrated society and a fundamental transition to a sustainable economic system.

In Slovenia, the corporate and civil society recognized social responsibility as a useful instrument of competitiveness and as an important tool for achieving sustainable development already years ago. Therefore, Slovenia undertakes to prepare in this spirit a national strategy in this area, if possible, at the latest by the end of 2017. For this purpose, the Government of the Republic of Slovenia started a multi-stakeholder debate on the topic of drafting the strategy, and created a cross-sectoral working group (representatives of the government, the economy and civil society) that prepares the basics for this strategy.

We will not go into any details here. We will rather brief another effort, which a group of interested intellectuals started in Slovenia after publication of the draft strategy at the 12th IRDO conference held in October 2017. The effort is called ‘Movement for social responsibility’. It published it in a conference that the ‘State Council’ (constitutionally a representative body aimed to double-check the Parliament of Slovenia; its members are no professional politicians, but representatives of regions and interest groups). It passed ‘Ten demands for social responsibility’ (Bohinc and several ten signatories [2017](#)).

6.11 Movement for Social Responsibility—Ten Demands for Social Responsibility

6.11.1 Preamble

We are starting from the tradition of the enlightenment and rationalism that have enabled an unimagined technological, economic and social development of the contemporary world. We see a socially responsible

acting toward the future generations, as the basis of the social and political working. Its basis is the establishment, more decisively than so far, of freedom and dignity of the individual, knowledge, education and creative work the price of which is formed on the principle of one's contribution to the value added, first of all, and less in the labor market. Social responsibility is everybody's responsibility as individuals and as groups to act in their life- and social-roles in a way letting also others have equal quality conditions of life, and not interfering in the rights of others by realizing their own rights. Social responsibility is especially a responsibility of corporations and bearers of capital and political power (state organs and political parties) to practice their societal power inside their authorities to the benefit of all people and the natural environment and to assure equal quality life conditions to humans of the current and future generations. This means their responsibility for the economic and social development, for the societal status of humans and for overcoming of the too big income and hence societal inequality that stems from the labor exploitation to the benefit of capital, and for implementation of the human rights and dignity in the relation between labor and capital, too, both locally and globally. One must assure the socially responsible behavior by a suitable education, implementation of rule of law, quicker response of state bodies, ethic of mutual respect in the daily and political lives, and more knowledge. The common denominator of the ten demands is: humanity will either develop social responsibility as a daily practice, or sunk soon, because it ruins its own preconditions of existence without social responsibility?

6.11.2 The Ten Demands

1. Social responsibility toward the future generations.
2. Social responsibility toward the elderly and ill ones.
3. Social responsibility toward labor (stepwise diminishing of the precariat).
4. Social responsibility toward labor includes returning the societal value to employees.
5. Social responsibility toward entrepreneurship.

6. Social responsibility of corporate governance.
7. Social responsibility of public property governance.
8. Social responsibility of public governance.
9. Social responsibility of foreign relations and security.
10. Social responsibility toward history.

6.12 Conclusions

Social responsibility is a globally accepted, but locally too poorly supported attempt for humankind to find a new way out of crisis that looks like a financial one, but it is actually a socio-economic one. It includes the need for a real democracy and its basis in new ownership relations. The general level of education is growing, making people less willing to be passive rather than equal-footed. The practice of the current times makes the percentage of the rich and hence decisive persons too narrow for all the others to be happy rather than envious and angry all way to potential rebelling. The rebelling happened often in history.

The model we are suggesting in this chapter might help humankind find a new way to overcome the pressing problems of the modern society:

- Everybody should have a chance to be an owner via ESOP and USOP
- Instead of a precarious, kind of slavery life, but
- With the necessary organizational support, including
- A 5th level leader,
- Measurement of the economic level of social responsibility practice,
- Innovation and other creative cooperation, as well as
- Societal support, including
- UBI,
- National and
- International social responsibility strategy, and
- Demands for its realization in the basic fields of the socio-economic life.

The current rapidly growing population and the currently expected diminishing number of jobs due to the 4th industrial revolution are not

matching each other. A shorter working day may free room for some jobs, but potentially not enough. It will require sufficient income for people to survive and sense-making contents of the additional free time. The latter is also a crucial topic of implementation and promotion of social responsibility. It demands a new investigation with details about political, sport, art, culture of many kinds and other contents of the free time. A further necessary investigation tackles the issue of needs. Traditional economic theory supposes permanent needs with some minor fluctuations. The current innovative phase of the socio-economic life is leading more and more people into affluence, which means a growing lack of the real needs and a growing ruining of the humans' natural environment.

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7

Integral Andragogy as the Selected Driving Force of the CSR Development in the twenty-first century

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7.1 Introduction

CSR is a voluntary concept of responsible approach towards entrepreneurship, which imposes specific requirements on managers and owners of SMEs. SMEs are diverse in their characteristics; the differences are in their size, history, field and ownership, which leads to different CSR strategies (Džupina and Mišún 2014). Their CSR activities are based mostly on the sense of solidarity, mainly the solidarity with the community and region in which they operate and not on the knowledge of the topic of CSR; the activities are realised rather randomly, they are

Editorial comment: The above mentioned novelties require education of employees. Integral andragogy deals with a functional and intentional form of activation and animation of adults throughout their life career in their environment of a social change. Andragogic understanding and grasping of the CSR concept has the potential not only to increase the awareness of CSR, but also to improve the quality of the business and management environment in a non-violent and non-repressive way. Education does not have only a social and individual framework and dimension, but also an impact. The traditional andragogic approaches to intentional and functional education interconnect and go beyond the principle of the so-called everyday learning. With the 'day-to-day' approach, adults change. The case covers SMEs as the most numerous organizations in Europe.

not always a part of their strategy and are not usually presented as CSR (Petříková et al., 2008, own research 2016). For the sustainability and further development of CSR both now and in the future, it is essential to find such a driving force that would ensure that. Lifelong learning has the potential to maintain, develop and adapt the knowledge and skills of adults. It is therefore a suitable approach to the development of CSR in the twenty-first century.

The theoretical framework, the methodological framework, and the research-processual framework for the interconnection between the andragogic process and CSR is intentionally linked with the small and medium-sized enterprises because these are typical for European countries; they influence the community they live in and the region they operate in through their activities and their tendency towards habitual (customary) behaviour is greater. The way the concept of CSR is understood and used in andragogy has a potential to raise awareness in the field of CSR in SME, to explain the importance of its values and to show the possible strategies of both intentional and incidental lifelong learning in this area. As a result, it is possible to seriously assume that the way the concept of CSR is used in a wider context in andragogy (i.e. such as integral andragogy) and its application in the current and future practice leads to the improvement of the business and management environment (Pokorná 2012).

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The voluntary and limitless nature of the CSR requires a day-to-day activity (Thomas 2017), i.e. the everyday self-awareness evaluation. Only in this way it is possible to achieve a gradual value maturation of a person and to overlap purposeful and functional learning into the ideological goods of all structures of the company management. Everyday perception of the meaning of CSR and own activities will naturally make the CSR concept not only a separate department of the company but an integral part of its entire business activities. The integral mix of andragogic methods has the potential to link all organizational structures.

7.2 Small and Medium-Sized Enterprises (SMEs) as the Backbone of Regional Development

Most of the economically active businesses in Europe are currently set up by SMEs that form the backbone of the EU economy; more than 95% of the total number of enterprises are SMEs (Ayyagari et al. 2011 in Edinburgh Group 2012). In terms of GDP creation, they presented more than 40% at the beginning of the 21st millennium (Havlíček and Kašík 2005). These are the most dynamically developing enterprises; in 2015, 23 million SMEs generated 3.9 billion EUR of added value and employed 90 million people (Annual Report on European SMEs 2015/2016). According to Wymenga (2012), every second job position is created by SME. An increasing economic importance of SMEs is also confirmed and stressed by other authors (Džupina and Mišún 2014; Mulović et al. 2015; Wickert 2016).

The definition of a small and medium enterprise is based on the recommendation of the European Commission, no. 1422/2003 (Eur-lex 2003). The size of an enterprise is determined on the basis of the number of employees, the annual turnover and the annual balance sheet total. We distinguish the following types of enterprises within the category of small and medium-sized enterprises: a micro-enterprise that employs less than 10 persons and its annual turnover or annual balance sheet total is EUR 2 million or less; a small enterprise that employs less than 50 persons

and its annual turnover or annual balance sheet total is EUR 10 million or less; and medium-sized enterprise that employs less than 250 persons and its annual turnover is EUR 50 million or less and its annual balance sheet total is EUR 43 million or less. The European Commission regularly monitors the practical impact of the definitions. An independent study from the year 2013 concluded that there is no need to reset the criteria (Eur-lex 2016).

The Czech Republic showed her support to SMEs in the Act No. 47/2002 Sb., on support to small and medium-sized enterprises. The areas that will be supported are projects in regions with focused support from the state and in other regions in which the state's support is desirable for other reasons. SMEs play a significant role in the development of the endogenous potential of individual regions in the Czech Republic because they are significantly connected to the given region and form the regional business backbone. Only 0.2% from the total number of companies in the Czech Republic are big corporations (Válová and Formánková 2014). According to Vojík (2010), big companies participate in the development in regions only to a lesser extent, however, they have the advantages that are neither necessary nor needed in the region.

The amount of publicity concerning SMEs, the interest in SMEs and discussions about SMEs and reflections on it are definitely not coincidental. Havlíček and Kašík (2005) state that the interest in SME grows, paradoxically, at the time of global economy characterised by supranational corporations and unprecedented growth of hyper competition. The main reasons are threefold:

1. In the environment where supply many times exceeds demand, SMEs can be more flexible; they can promptly respond to a change in demand, adapt and modify their product according to the immediate wishes and needs of the customers, do their business in a cost-effective way and thus create affordable prices supported by personal approach and other premium services.
2. The globalisation was at first perceived very positively as merging of enterprises, providing extensive and concentrated business services, and lowering the prices was also accompanied by lowered quality of products and impersonal approach towards the customers; it is

becoming for some customer too much of a “herd” behaviour and these customers tend to look for smaller, specialised manufacturers and products and services providers and thus create a new lifestyle.

3. The behaviour of the key players in the current markets changed, such as banks that recognised the risks of excessive focus on big corporations.

The unprecedented boom of SMEs has, however, also some pitfalls: impetuous investments, unpreparedness for European competition, low managerial skills, lack of marketing skills (Holátová and Doleželová 2014).

7.3 The Concept of CSR and Small and Medium-Sized Enterprises (SMEs)

The concept of CSR originally arose as a response to the negative effects of the typical large multinational companies and this issue is increasingly associated with big companies (Jenkins 2009). Yet there is a noticeable shift in the importance of CSR as a way of sustainable development for SMEs over the last decade. According to Hine and Preuss (2009 in Dalíková 2015, p. 59), the differences in the approach to CSR between large companies and SMEs are mainly in the areas of ownership, type of stakeholders, planning, expertise of management, organisational structure and organisational focus and in operation. SMEs have their characteristics and according to Enderle (2004 in Dalíková 2015), they must daily fight for survival and therefore their availability in terms of time and resources that can be invested in CSR is limited.

The cause of the possible failure of SMEs and consequently their disengagement in CSR is usually, according to Vojík (2010), the reluctance to voluntarily deal with some responsibilities above the obligatory framework of their activity. Activities that are not directly related to the subject of their business are for them burdensome and so are other requirements set by the state. As another factor of the more difficult position of SMEs Johnson et al. (2008) mention the fact, that these enterprises operate usually in one area of the market or in a limited

number of areas, typically also with a limited range of products or services; their decisions concerning the management tend to be strongly influenced by the experience and the personality of the management, typically the owners. Fitjar (2011) presents the experience he has from his research conducted in Norway, where the companies he studied are more driven by external pressure to be active in CSR than by their own beliefs. Based on his results, he points out the need for more information about the possibilities and ways in which CSR could be done in SMEs. As he says, it may otherwise happen that SMEs behave as “small large enterprises”, which is very exhausting for them.

However, according to Jenkins (2009) and Dalíková (2015), SMEs have natural predispositions for fulfilling the principles of social responsibility, because they are, by their very nature, more responsible in comparison with large enterprises. They are more closely connected to the local community, more responsible because they deal with the consequences of their activity themselves, they represent the local capital and the effects arising from their business stay in the same region or area.

Pajerská (2016) investigated in her research what motivates the activity of SMEs within philanthropy or what would motivate them to deepen their charity. According to the results of her questionnaire survey, most companies are active in philanthropy because of their desire to help others and to support a good cause. Dalíková (2015) says that three quarters of the SMEs in her research sample, either consciously or in a supplementary form, actively engage in CSR. Based on the analysis of the relation of the level of CSR to their financial situation, she examined whether CSR is of benefit for these companies in the current enterprise environment. She proved that, from the point of statistical significance, socially responsible enterprises can be considered as financially more effective and healthier than other examined enterprises. The enterprises applied CSR mainly due to the strengthening of employee morale and the overall increase in the efficiency of entrepreneurship together with the strengthening of the image and relationship not only with business partners that is related to this.

The knowledge of the concept of CSR and its main principles is usually directly affected by the size of the company. SMEs in the Czech Republic, even though they realise many activities that can be considered

as activities within the concept of CSR, do not have all the necessary knowledge about the issue of CSR (Kašparová and Kunz 2013). The survey of the Business Leaders Forum “Social Responsibility – A New Factor of Corporate Competitiveness” conducted in 2008 showed that larger enterprises know more about the concept of CSR than SMEs. The results showed that small enterprises encountered the concept in 37%, medium-sized enterprises in 61% and large enterprises even in 97% (BLF 2008). Ratajczak (2015) investigated the degree of knowledge about the concept of CSR in small and medium-sized enterprises in agribusiness in Poland. The purpose of his paper is to present the issues related to the knowledge and defining the concept of CSR in SME from the agribusiness sector engaged in business activities in the rural areas of the Warmia and Mazury. The results showed that more than half of the surveyed entrepreneurs do not know CSR at all. Most information about corporate social responsibility was shown by entrepreneurs with a higher level of education—as they often were confirmed to have entered the mission of companies in CSR. Since entrepreneurs lack the knowledge of CSR, there is a need to supplement these shortcomings by providing knowledge and information, in particular on examples of good practice in the field of agribusiness.

There is no key institution that would focus only on dealing with the issue of CSR in the Czech Republic. These are the authorities and institutions that deal with social responsibility within the scope of their competence: The Ministry of Industry and Trade and in some areas also all other ministries, the Quality Council, special non-governmental organisations such as the platform Business for Society, Association of Social Responsibility, Business Leaders Forum, Czech Business Council for Sustainable Development and Global Compact Network Czech Republic. The Government’s policy toward CSR in those institutions is based on the transfer of information and incentives from the European Union and the creation of their incentives for the development of CSR in the Czech Republic. CSR comes into the practice of entrepreneurial organisations with large international corporations after 1989 in the form that was developed in the West (Bernardová 2016).

Kašparová and Kunz (2013) state that a fundamental shift in spreading the ideas of CSR in the Czech Republic was the entry into the Organization for Economic Cooperation and Development (OECD) and its integration into the European Union. A tool for the management of sustainable development at the regional level are the so called Local Agendas 21. Chapter 28 of Agenda 21 says: *“A great number of issues and solutions contained in Agenda 21 has its roots on the level of local activities; participation and cooperation of local authorities will therefore be the decisive factor for the successful realisation of their objectives. The local authorities create, manage and maintain the economic, social and environmental infrastructure, oversee the planning, form the local environmental policy and regulations, and assist in the implementation of national and subnational environmental policy. Because these are closest to the people regarding the levels of government, they play a central role in educating, mobilizing the public and in responding to its complaints and thus assist the achievement of sustainable development.”* Regarding the document, the official website of Information system of the local Agenda 21 also states *“because it is participatory, i.e., participative, there is a need for cooperation with various components of local society – local non-profit organizations and associations, entrepreneurs, service providers or schools, health care institutions and several other bodies, including the public”* (O MA21 2017).

Vojík (2010) includes mainly the collaboration of non-profit organizations (NOs) and SMEs into the supporting activities that have an impact on the development of the region. The reason is that many NOs operate locally and influence the lives of people living in the area through their activity. NOs have various ways to get funds and they often turn to local entrepreneurs to ask for financial, material or other assistance. This can gradually result in a mutually beneficial bond; such activity is tax deductible for SMEs; these amounts are also rather small and can influence other potential donors. There is a certain relationship between those, who approach the entrepreneurs in the area where the NOs operate; they usually know each other. The entrepreneur thus has a good feeling that he contributes to the right thing, and they may see how the resources are used at any time. The entrepreneurs also try to build positive image through the cooperation with NOs because supporting NOs is appreciated by the public.

According to Weber and Srpová (2008), the handicaps of SMEs can be reduced by creating entrepreneurial networks starting from establishing partnerships to various forms of creating alliances or even merging companies. Two types of business networks are important for the realisation of the concept of CSR: clusters and alliances. Clusters and alliances of SMEs are unique because their market area is usually much more local and compact; they operate in many small areas with a strong dependency on the local environment, most of their employees come from this area, as well as most of the customers. They have a relative space for investing in activities that are directly aimed at in their local conditions, they have shorter planning horizons, and the benefits arising from the investments will soon manifest themselves in obtaining contracts. The stability of SMEs then strongly influences their commercial success and benefits the local area (taxes, employment, etc.); the owners/managers of these enterprises are able to influence the competitive environment more easily than in the case of large enterprises. The case is similar with the possible influence on corporate culture. According to Srpová and Řehoř (2010), the communication in SMEs is more continuous, open, and the gap between ideas and their implementation is smaller than in large enterprises. People in these enterprises learn responsibility and at the same time, the entrepreneur in a small or medium-sized enterprise always faces the consequences of failure since they bear such consequences personally and cannot escape them.

Based on researches in SMEs, Szczanowicz and Saniuk (2016) are thus trying to design models for assessment and reporting on CSR that would be specific for SMEs. They show that for the development of CSR in practice, it is important to put emphasis on the efficiency in two ways: the first one must deal with social security and sustainable development, and the second with CSR as a competitive advantage. This, according to them, new approach is based on flexible tools for the assessment and reporting on CSR, which may also act as a reference model for the improvement of responsible entrepreneurship. Džupina and Mišún (2014) also appeal to the generalization of the recommendations for SMEs that would allow them to adopt appropriate strategies that match their visions and missions and corporate values.

7.4 Andragogy as a Scientific Discipline

Andragogy belongs to humanities, in the group of scientific disciplines dealing with education. Andragogy focuses on a grown-up human, more specifically a human with completed development, particularly the social one (besides the somatic and psychological ones). According to Dopita and Poláchová Vašátková (2017), andragogy is defined as a practical science, distinguished from pedagogy by its target group and method (Lindeman 1926; Knowles 1970 in Dopita and Poláchová Vašátková 2017). There are, however, also definitions that do not see any fundamental difference between pedagogy and andragogy and they do not even look for them. In this direction, the difference is seen only in the target group, which is reflected only in calling the andragogy “the education of adults”. In the Czech environment, some authors distinguish andragogy from education of adults, others use these terms as synonyms. Dopita and Poláchová Vašátková (2017) and also Šimek (2006) do not address the differences among the individual approaches mentioned above and consider andragogy to be an umbrella term for the education of adults in different social and historical contexts. Both scientific and practical applications of andragogy can be therefore treated as tools that form an adult person in the context of social changes.

During the learning process, an adult still forms his or her personality, adapts to the changing conditions, improves the way he or she performs in his or her roles and prepares for new roles, constantly forms their personality, attitudes, values (Jochman 1992). Education as a process is not a central issue in andragogy, more important is “the process of development and self-formation of the adult, i.e., the process of changes for which education serves as a tool and andragogy is therefore interested in the methods through which one can influence adults” (Šimek 2006, p. 98). Andragogy deals with the formation of an adult person as a social being and all the factors that are involved in the process of education of adults (Beneš 2008, pp. 11–12).

Within the concept of andragogy as an umbrella term, there are relatively permanent changes in the behaviour of a person caused by the process of all forms of education (Jochman 1992), together with the

processes of personalisation, socialisation and enculturation.¹ The result of the educational process is both specific knowledge and skills, as well as ambiguous outcomes, such as values, customs, and behaviour. Learning is a lifelong process. In adulthood, it is necessary to understand learning as a person's ability to productively create or change his or her ideas, customs, behaviour, abilities, and skills. The changes in behaviour, i.e., **more broadly education** occur based on the interaction of a person with his or her surroundings or as a response of a person to a particular situation. The changing conditions of the environment and the creation of new situations serve as stimuli for the learning of a person. Learning can be seen in **a narrower sense** as the transfer of knowledge, practical skills (Beneš 2008; Jochman 1992). It is a subject of scientific discussions whether andragogy has all the essentials of theoretical science or is focused only on reflecting the practice and therefore is a practical science, praxeology, technology or even art (Beneš 2001; Brezinka 2001).

Learning is closely related to the concept of education. Bruckley and Caple (2004, p. 5) belong to the people who define learning in this relationship. "Learning is the process through which individuals acquire knowledge, skills and attitudes with the assistance of experience, reflection, study, or instructions. Education is a process and a group of activities that are aimed at helping individuals to absorb and develop the knowledge, skills, values and understanding, which are simply not connected to just one activity, but make it possible for a wide range of problems to be defined, analysed and addressed". Put simply in the words of Truneček (2004, p. 91): "Education is an activity, learning is a personal result, increasing the skills and abilities of a worker." Education takes place as a deliberate process of intermediation and acquisition of knowledge and skills. Another important part of the education is also the transfer of habits necessary for performing social roles, absorbing the culture and incorporating of a person into the cultural system. The result

¹**Personalization** "... shaping the personality of a man as a social being, capable of self-realisation in practice" (Jochmann 1992, p. 13). **Socialisation** is "...the incorporation of an individual into the norms of behaviour and interpersonal relations that arose during the development of the society and are transferred from generation to generation" "**Enculturation** is the incorporation into the culture of the given society. It's actually the adoption of all cultural norms and values" (Bartoňková and Šimek 2002, pp. 13–14).

of the process of educating is education gained by those who learn. The issue of adult education is organised within the complex of educational activities oriented to adults, in the system of institutions that perform and assure them. The transfer of knowledge and experience relating to roles, cultivation and development of one's personality occurs also in adults. According to the authors cited, the development of one's personality is the focus of the education of adults. The following activities develop one's personality and are the subject of the education of adults in the broad sense: the mediation of scientific knowledge, the abilities to work with the gained knowledge, to further develop the knowledge, to create it actively, to learn, to be responsible, to establish social contacts, to assert oneself as a citizen, to increase one's price in the labour market, to work with IT.

In a narrower sense, education is in the current practice the entire educational system; in the education of adults it is the system of life-long learning. In adult learning, Beneš (2008) uses also the concept of **intentional** learning for deliberate, organised learning, i.e., for specific educational events, and **incidental** learning for the unintended and accidental situations in which learning also takes place as a part of some other activity. The incidental form of learning occurs mainly in practice when doing some work activities, delegating or coaching that is not intended to be an educational activity. Incidental learning might be more efficient for the educational objectives in the field of CSR than intentional learning and it can be surely used in educational practice through choosing optimal methods for education.

For learning in the broadest sense for which we use the term **integral andragogy**, the subject can be defined as the mobilisation of human capital (Šimek 2006). Integral andragogy includes not only the theory of education of adults, but also the identification of the environment in which the process of education of adults occurs. Integral andragogy can be described as “the science of the ways in which an adult person deals with social institutions” (Bartoňková 2004, p. 10), or as “the formation of a person through a wider social environment” (Jochman 1992, pp. 12–14). Integral andragogy deals with the education of adults in the sense of care, forming and directing them in a way so that the changes in social, cultural, economic, political and other dimensions have a minimal

negative influence on both the person and the whole society (Bartoňková 2004).

The term integral andragogy is specific for the Department of Andragogy at Palacky University in Olomouc where it was introduced by Ass. Prof. Jochmann. His broad concept of education as a social phenomenon includes, besides education of adults, also intentional and incidental forming of one's personality within the lifelong process and in all aspects of human life (Bartoňková 2004). Šimek (1996, p. 3) explains the usage of the term integrating andragogy stating that andragogy includes not only scientific disciplines, processes, and phenomena but also "integrates all the stages of the life of an individual". He stresses that "integral andragogy is a science of both formal (intentional) and incidental activation and animation of a person during his or her whole life in the environment of social changes." Although the term is not used in other countries, the way Jochmann perceives integral andragogy is close to approaches of other scientists (Pastuović, Savicevic, Notten), who perceive andragogy as having an integral character.

Pastuović (1995) deals with mutually useful and beneficial relationship between education and other scientific disciplines. Savicevic (2008) claims that the ignorance and non-use of lifelong learning in the society results in a negative impact on the development of this society in economic, social, cultural, and individual areas. According to him, the transformation of culture and social relations needs lifelong learning. Education has not only its social and individual framework and dimension, but also its impact. Notten (2002) then identifies the following three basic types of andragogic ambitions: (a) functionally-integral and technical ambition focused on learning the methods facilitating social integration, (b) social and moral ambition focused on obtaining moral capacity for the society, (c) expressive and aesthetic ambition focused on expressing the individual and group identity.

7.5 Teaching, Education and CSR

We can see two forms of the relation of the concept of CSR to learning and education from the perspective of integral andragogy. In the narrower sense of learning, the concept of CSR is a new topic in

the contemporary life and the citizens have to learn to understand it and apply it either as employees or managers of various organisations or in their private life. In the broader sense of learning, the concept of CSR is a natural part of moral values of a person. These are the values every person should hold, towards which everyone is formed and guided within the process of lifelong intentional and incidental learning.

According to Beneš (2008), lifelong learning of adults has, besides the well-known function of **increasing the qualification** and **assigning the social status**, also a function important for the whole society, i.e., **fulfilling the objective educational needs defined by national interests and economic necessity**. Education adapts individuals to the given socio-economic system, it carries social integrity, equal opportunities, and respect for the rights of other people. Last but not least, it is the agent of social and cultural changes.

The epicentre of education leading to the development of socially responsible approach in working environment is the education of managers. Managers are the bearers of procedures, approaches and values applied in organisations. One line consists of Business School and MBA educational programmes at universities as transversal preparation of managers that, already in the basic curriculum, has to lead the managers to the perception and recognition of the broader social context in the managerial practice. Another line of education consists of educational programmes targeted specifically on CSR. These also include MBA study programmes and programmes of Business School but with direct specialisation on the issue of CSR and also a specialised course for various target groups of managers, entrepreneurs, and employees (Crane et al. 2008).

Among the specialised educational programmes for managers, we can list for instance the MBA programme focused on CSR at the university in Nottingham, UK (http://pgstudy.nottingham.ac.uk/postgraduate-courses/mba-in-sorporate-social-responsibility-mba/sourse-content_134.aspx, accessed 7 December 2017),² the programme CSR in

²Curriculum—the educational content consists of economy and finance, business ethics, business management procedures and respect for social interests, CSR, management of informational systems, business economics, human resources management, marketing, operating management, strategic management. The curriculum of the Master study programme contains subsequent study of CSR, business ethics, CSR in the context of global economy, research methods, social

Harvard Business School in the USA (<https://www.exed.hbs.edu/campaign/pages/corporate-social-responsibility-programs.aspx>, accessed 7 December 2017)³ or MBA in Sustainable Management in Anaheim University (<https://www.anaheim.edu>, accessed 7 December 2017).⁴ There are also other specialised educational CSR programmes at Stockholm University in Sweden, Haas School of Business University in California, Tuck School of University in Dortmund or Jesuit Herzberg School of Management, Rockhurst University in Kansas. The basis of the curriculum of the educational programmes building socially responsible approaches are based on the education of ethics in business, the implementation of values into economics, management, and human resources. The experts (Putnová and Seknička 2007; Crane et al. 2008) observe a noticeable difference among the approaches towards education in the USA and in Europe. In the USA, the area of education of ethics and establishment of values is refused by economically minded teachers since it is hard to define and measure. Ethics is reduced here to only schematic presentation of models from practice, compiled Codes of Ethics and memorisation of the principles connected to rights. In Europe, ethical education of managers is based more on the stakeholder theory, the issue of ecology, and understanding sustainable development, it is more theoretically oriented based on the needs of the education of students.

Education of adults in the broadest sense has four levels. The first level is taken from the perspective of macro social development and reacts to the economic and social issues. CSR connects here with education in the form of obtaining the knowledge about CSR from practice,

and environmental responsibility, CSR strategy; it is possible to focus on corporate governance, corporate strategy, strategy of product marketing and strategic management of human resources.

³The educational program is described only in outline, the curriculum includes case studies of CSR initiatives in the period of economic instability, demonstrates the risks when making decisions about capital investment, teaches how to implement CSR with regard to immediate and future business objectives, leads to the harmonisation of CSR and strategic objectives, shows the successful ways of cooperation with governmental and non-governmental organisations and key stakeholders.

⁴The curriculum is based on the principle of "People-Planet-Profit", has been elaborated in the fields of global economy, human resources management, managerial finance, "Triple-Bottom-Line" responsibility and management, marketing, environmental links in business, CSR and Ethics, sustainable development and leadership, innovations.

perceiving the reality in the practice of organisations and institutions on one hand and perceiving the problems of the society on the other hand. On the second, institutional and organisational level, it is education within concrete organisations and institutions. On this level, education within CSR can be realised through the influence of the environment of the given organisation, the standards created for CSR, the influence of the owners, entrepreneurs and top managers on lower-level managers and/or employees. On the third level of direct interaction, didactics and methodology, there is the organised and targeted education, both individual or in a group. On this level of education, it is necessary to stress for the critics of CSR educational programmes that besides organised educational events mainly in schools, other methods such as the methods of experiential learning, principles of a learning organisation (Tichá 2005), coaching, and delegating could be used. Education in the field of CSR can be more efficiently done through the methods mentioned above (Pokorná and Ivanová 2011). The fourth level of individual education is education in the field of a person's identity. This concerns the planning and realisation of one's own educational path, the development of personal career and competencies according to personal priorities; it reflects the relation of the individual to the perceived problems in life (Beneš 2008). The fourth level is reflected in CSR as the individual values of individuals and their attitudes (Pokorná in Pribula 2009, pp. 113–116; Pokorná in Olecká 2009, pp. 391–395). The importance of education at all levels, reflected particularly in the attitudes of citizens, employees, students of management and economics, and the managers themselves towards CSR, is documented by many researches that were conducted (Brekke and Nyborg 2008; Auger et al. 2007; Rodrigo and Arenas 2008; Lämsä et al. 2008; Sachs et al. 2006; Sobczak et al. 2006; Lloyd et al. 2008).

All levels of education concerning CSR in the broader sense mentioned above are based on the image of CSR presented in the society, in particular in organisations, institutions, media, and in public. It is not the created theories what decides, but the procedures and practices of interpretation used in practice, such as the distortion of the concept of CSR, partial interpretation or incompleteness of the definition of the real scope of the concept. The critics of education in CSR point

out concrete problems; according to Crane et al. (2008), the education is schematic, the methods used for creating values and attitudes of managers are inappropriate; according to others, the education is burdened by the stereotypes of former theories (Córdoba and Campbell 2008).⁵ The effectiveness of such education is problematic, if the managers should apply such approaches to CSR in practice based on the education they received.⁶

Education in CSR in the Czech Republic is currently at the level of special-purpose information courses realised in organisations within the internal educational system or realised by educational agencies, such as the Czech society for quality (www.csq.cz/kurzy/spolecenska-odpovednost/), Interquality (www.interquality.cz/VE%C5%98EJN%C3%89KURZY/SpecialistaproCSR/tabid/925/Default.aspx), Centre for education. CZ (<https://centrum-vzdelavani.cz/tag/csr/>). Ethics in business is already a part of the curriculum at economically oriented universities (www.mvso.cz/ustavy-a-kabinety-1/ustav-spolecenskych-ved-1/garantovane-discipliny-10, accessed 7 December, 2017).⁷ For example, the students of the Faculty of Economics and Administration in Pardubice expressed their attitudes to the newly established subject of business ethics in a survey in 2004: 81% of students found the subject interesting, 85% of the students see the business ethics as useful, 20% of students have never heard about business ethics until they took the subject. According to additional information, those who already came across the subject of business ethics had only distorted information, mostly from media (Dytrt 2006).

Society imposes clear requirements on entrepreneurial practice in the form of CSR. The education of managers shall meet these requirements of the society, which is done through economic-managerial schools and MBA study programmes. The critics of the quality of education in CSR

⁵The paper states that classic educational methods for education in CSR of the students of Business School are completely inappropriate and recommends methods developing systematic thinking.

⁶In this regard, MBA study programme is closer to the reality. Here the managers influence each other during their studies; they educate themselves in additional activities, such as meeting with former students of the MBA in graduate programmes.

⁷See the educational programme of Bachelor's degree study programme Economics and Management at MUCO.

might reflect the fact that education responds to the requirements set by the society, however, there is no deeper acceptance of the nature and significance of the idea. Already in 1970, Friedman, in his criticism of CSR, mentions that the requirements for the implementation of CSR approaches to business are fully placed on the managers, who were trained for performing technical functions and are being encouraged in particular to economic thinking. To ask them to understand the problems in the whole society without previous preparation is irresponsible and cannot work. According to Friedman (1970), it is very problematic to fulfil the objective needs of the society defined by economic necessity. Expert preparation of managers for managerial positions does not yet fulfil the defined needs.

Friedman's criticism correlates with the criticism of the current developmental phase of education in society in general according to Keller and Tvrđý (2008) and Liessmann (2008). According to them, the current education shows some imperfections that decrease the quality of education and attained education. The knowledge gained through education is not immediately used and therefore loses its topicality, it is schematic and formal knowledge is created without mutual links. Education is mainly of formal importance.

At this point, it is necessary to emphasize **the socially integrative function of education of adults**, which allows for the development of one's personality as a part of the society and certain communities (regions, organisations). Furthermore, the **democratic** function, which contributes to civil qualities. The **emancipatory** function, which develops the forms of social coexistence, increases the participation and self-determination in the economic process and public life. From the perspective of all three functions, it may be in the interest of future managers and all citizens to orient themselves in the requirements of the contemporary society and to know the options they can use thanks to the implementation of CSR. Thanks to the functions mentioned above, the education of adults could lead the individuals to want to orient themselves in the concept of CSR, which is a part of their work reality. Education can fulfil not only the **clear manifest functions** represented by the integration of CSR into the curriculum of managerial education, but also **latent functions**, manifested in the ability of social control of individuals, the ability to adapt to the authority.

7.6 Integral Andragogy as a Scientific Tool for Increasing CSR

Pokorná (2012) proved through research that andragogy plays its role in the concept in CSR. According to her, the andragogic semantic sequences and contents of andragogic expert papers describe the intersection of the concept of CSR with the scientific discipline of andragogy, in particular in the following areas: education of managers and students of Economics and management-economic schools in the CSR, influencing the attitudes of managers and employees to the CSR, the identification of appropriate methods of education in CSR, the ability to implement CSR strategies in organisations. Based on a secondary analysis of 75 expert papers, Pokorná determined the individual disciplines that construct the final form of the nature, content and scope of the concept of CSR. The role of andragogy in CSR can be derived from the final graphic representation—see Fig. 7.1.

Figure 7.1 shows the role of andragogy in relation to the concept (as well as practice) of CSR. Andragogy does not interfere in the nature of the concept of CSR but in the content and in such a way that it reaches the level of other initial disciplines (ethics, management, economics, and politics). The disciplines the topics of which form the concept of CSR are specifically analysed in Fig. 7.2.

From the thematic analysis of the concept of CSR arise the key categories (in the middle of Fig. 7.2) that determine the main contribution of the concrete discipline, i.e., rationality in economics; doing good in ethics; the way of implementation in management; responsibility and power in politics, **implementation of changes in andragogy**.

As we mentioned in sect. 7.4, integral andragogy forms and directs an adult person in a way so that the changes in social, cultural, economic, political and other dimensions have minimal negative influence on the person (Bartoňková 2004). An adult is, from the perspective of integral andragogy, in particular a social player who handles his or her human capital in different ways, especially in critical situations or when there is a problem in the course of his or her career (Šimek 1996). For the integral andragogy therefore the time perspective is also important, both of

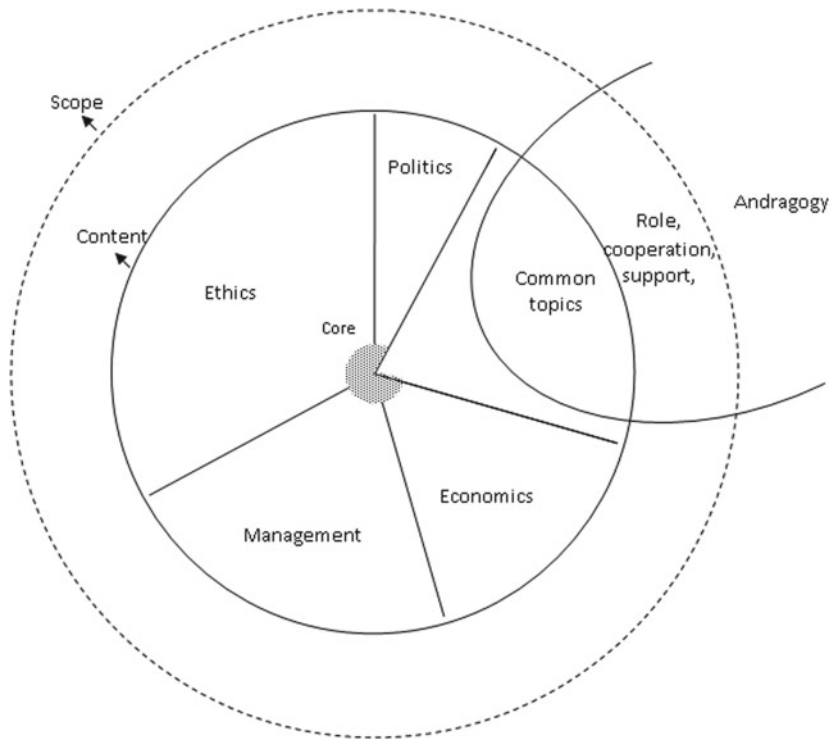


Fig. 7.1 The relation of the nature, content and scope of the concept of CSR to individual disciplines (Source Pokorná 2012, p. 175)

an individual (Zimbardo and Boyd 2008), and of the gradual development (and changes) of the social understanding of the concept of CSR. The time perspective of an individual is a specific way of perceiving time in the mind of a person, it includes three dimensions, or time frames, i.e., past, present and future. The time perspective helps to structure the experience of an adult and gives it a meaning (Lukavská et al. 2011).

The change in the social understanding of the concept of CSR that has a formative effect on an individual and consequently on SMEs can be inferred from the time analysis of the definitions of the concept of CSR. In 1954, Bowen (1953, p. 6) states that CSR means “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the

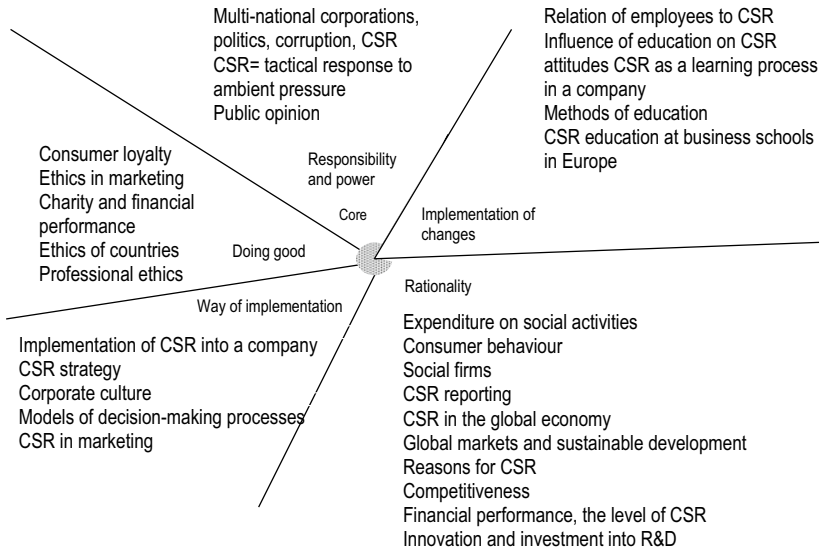


Fig. 7.2 Thematic analysis of the concept of CSR in relation to individual disciplines (Source Pokorná 2012, p. 142)

objectives and values of our society”. Bowen follows the ideas of Oliver Sheldon, who already in 1923 responded in his book “The Philosophy of Management” to the public demand for social engagement and responsibility in business. The definition of the EU from 2001 (COM, p. 8) does not formulate CSR as an obligation, but stresses the voluntary integration of it into the activities of the social player (i.e., company): “... describe it as 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 definition of the EU can be perceived as a transitional understanding of the concept of CSR. The current definition of CSR from 2017 (Rasche et al. 2017) stresses the auto-evaluation and only on the basis of that the voluntary actions of the company: “The CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms.” It is possible to conclude that, according to the first definition, the concept of CSR is created prescriptively as the product of modern

society, the main concepts are obligations (norms), objectives, values, and society; the basis of the document of The Club of Rome from 1972 also follow this interpretation (O'Sullivan 2014, pp. 159–160). In the postmodern society, according to the last definition, the concept of CSR can be perceived and interpreted by different players in different ways, the main concepts are compliance and self-regulation. The transition between these fundamental concepts might be formed by the definition of the EU, in which the main concepts are voluntariness, integration and everydayness or according to ISO 26000 and its triple basic concept—responsibility for one's influences on society, interdependence and holistic approach.

The time analysis in relation to the concept of CSR shows the process of its development; the thematic analysis shows its scientific and conceptual composition according to individual disciplines (including andragogy). Based on these analyses, it is, according to Pokorná (2012, p. 32) possible to conclude that “CSR is a concept that is a part of reality, is actualised through different ways and can be perceived by reason.” It is a conventional concept the content of which was gradually created systematically in the course of historical development. The concept of CSR is also instrumental, which means that its content must be first identified and only then one can follow it, and then auto-evaluation and subsequently self-regulation come (Kubicová et al. 2017). The analytical procedures mentioned above show that the concept of CSR is a product of historical, cultural, social, and individual conditions, it is the resulting social construct, not ideology.⁸ As a construct, it evolved from a normative, via transitory, to interpretative understanding.

A construct is something man-made and abstract (an idea, **a concept**, a theory). The theory of social constructivism assumes that reality is not unchangeable, but is being created through social processes. Berger

⁸Ideology has the form of individual statements assembled into a system. These statements do not have to be true and may even cover the real state of the issue. The falseness of ideology lies in the fact that it is a thinking led by an effort to gain power, not to understand reality. The main function is to emotionally motivate human behaviour. It represents the ideals of a group, integrates certain groups and sets their system of values and norms of conduct. In the gnoseologic sense of word, ideology is perceived as a factor distorting knowledge and it is set against science, scientific knowledge (see Ottova všeobecná encyklopedie, p. 509; Velký sociologický slovník, p. 415).

and Luckmann (1999) claim that the ideas, practices and beliefs gradually gain the status of reality during the process of social exchanges. Social constructivism understands the meanings and reality as social constructs that are not permanent. They are constantly changing, dynamic processes, shaped by and dependent on human behaviour, which are through interpersonal interaction and understanding of the world constantly changed and passed on. The scope of integral andragogy provides the concept of CSR with methods for understanding it in all stages of its development and for dealing with the CSR practice in the period of social changes.

The probative statement that the concept of CSR is a social construct enables the determination of the general educational content of both CSR as concept and CSR as practice. The basis of the educational content should be the research results, based on three methodological approaches:

1. The description, analysis and comparison of historical and geographical development of the concept of CSR;
2. The deductive examination of the normatively set value and thematic parts of the concept of CSR;
3. The inductive investigation of the importance attributed by various players (big companies, SMEs, NGOs, individual citizens, public organisations) to the concept and practice of CSR (and its interpretation).

Constructivism is characterised by the fact that it perceives education as active, intentional, and social process forming one's interpretations from the information obtained and experience induced. Each student absorbs the information and experience in a different way according to the characteristics of his or her cognitive processes and it is also influenced by his or her opinions, expectations or emotions based on the student's previous experience (Pecina and Zormanová 2009). The application of constructivism in education is based on the premise that learning can be both individual and social matter. The key effort of the theory of andragogic constructivism is to overcome the transmissivity teaching (i.e. the transmission of completed knowledge) and to

highlight the process of constructing knowledge by the learning subject. The **constructive intentional & incidental education** is important for gaining knowledge about CSR and its voluntary application in practice. Learning is a self-regulatory process. Each individual learns in a different way according to the internal dispositions and with regard to the external factors. According to Nezvalová (2006), the new information may be subject to assimilation, i.e., new information is included in an existing schema, or if they are contrary to the experience or original concepts of the learner, accommodation occurs, i.e., a new scheme is created in accordance with the new information.

Learning is a social context activity developed in a stimulating environment, because the reconstruction of one's knowledge and the discovery of one's schemes may be supported by others. Language plays a vital role in the learning process. Constructivists emphasize the role of language as a tool, which allows us to create a link between what we have learned in the past and what is the result of learning, i.e., the very process of construction that results in individual knowledge (Hrbáčková 2006; Švec 2006). "Within the semantic fields created this way, it is possible to objectify, to retain and gather both personal and historical experience. Such gathering is of course selective because semantic fields alone determine what will be retained and what will be forgotten both from the overall experience of an individual and of the society. As a result of this gathering, a social store of knowledge that is passed on from generation to generation and which is accessible to the individual in everyday life is created. I live in the ordinary world of everyday life, equipped with certain sets of knowledge. And what's more, I know that others share at least part of this knowledge, and that they know that I know that" (Berger and Luckmann 1999, p. 46).

The andragogic understanding of the concept of CSR and the way it is perceived as a social set of knowledge has the potential not only to raise awareness in the field of CSR, but also the potential to improve the entrepreneurial and managerial environment in a non-violent and non-repressive way. Thomas (2017) proves that the traditional andragogic approaches of intentional and incidental education are brought together and extended by the principle of the **so-called everyday learning**. The conclusions of his research suggest that the effects of everyday learning

of adults are more complex and extend the scope of an individual more than has been previously demonstrated in traditional lifelong learning of adults. Through the “day after day” approach, adults are changing their approaches to values more naturally, and are more and more aware of them, and transfer them to their day-to-day work activities.

7.7 Integral Andragogy as a Practical Tool for Increasing CSR

The involvement of the organisation in the life of the region, and linking their activities with the activities of the regional institutions are essential for the development of the regions themselves (Etzkowitz and Leydesdorff 2000; Leydesdorff 2012). The meaning of the concept is expressed by the Tripple Helix model, which is based on the “pervasive communication” of three, to a certain extent different, subsystems—academic, industrial and of public administration. The role of SMEs is crucial for further raising of the awareness of firms, enterprises, institutions, companies, organisations, and citizens of the concept of CSR. Moravian University College Olomouc, as the centre of regional business education, applied the andragogic approaches in relation to CSR in two areas.

In the first area, it connected the formal (and intentional) education at the university with lifelong learning (intentionally incidental) in regional practice within the framework of a project funded by the Visegrad Fund. The Czech Republic, the Slovak Republic and Poland participated in the project. In the theoretical part of education, students prepare proposals for projects and arrange cooperation with companies. The best projects are realised (about 156 projects realised by students with 150 companies). Thanks to the introduction of this intentional form of education, the students have the possibility to incidentally spread the idea of CSR within the companies in the region, while practically making use of their knowledge and gaining a realistic view on socially responsible business. The questionnaire survey realised after this type of education showed that the chosen methodology fulfils the educational role because more than 61% of the company partners who did not know the concept of CSR

and the idea of socially responsible business are interested in further CSR activities (Kubicová et al. 2017).

The collection of the interpreted data was realised in 2015 and 2016 after the completion of the realisation of students' projects, always at the end of the summer semester. The instructions for completing the electronic questionnaire, evaluating this activity, were given to the students in the second year (combined form and full-time form of study), who filled in the questionnaire intended for students; the second questionnaire was passed by the students to their corporate partners. A total number of 62 questionnaires was obtained, 7 questionnaires were discarded because large companies not SMEs were involved, 1 project questionnaire was filled in by a company outside of the Olomouc region; 54 questionnaires were processed. The results from both years show that the connection set among SMEs and the academic environment was beneficial (see Table 7.1).

The output of the project was also to structure the benefits SMEs expect from further CSR activities, of which nearly 50% were related to building a relationship with the surrounding, which in fact supports importance of SMEs for the nearest neighbourhood and the region in which they operate that is repeatedly mentioned in the literature (see sect. 7.1). The following reasons were included in the relationship with the surroundings: the possibility to gain publicity, get a good reputation, or establish cooperation. The reasons most often mentioned by

Table 7.1 Did you know the concept of CSR before the event was realised?

Possible answers	Number of answers	Percentage
We knew the concept of CSR	21	38.89%
We did not know either the concept or the idea of CSR before the realisation of the project; we learned about CSR through the project	18	33.33%
We were aware of the idea of socially responsible approach, but we did not know the concept of CSR	15	27.78%
Total	54	100.00%

Source Own research

SMEs for further CSR activities were: good idea, interesting and positive publicity, warm cooperation with students. Most companies (25%) would continue, if it was a similar activity, or an activity with less organisational demands. These results may help to customise the offer of projects to the needs of the corporate partners in the region in the following years.

The most common way of establishing partnerships with companies in the project was the use of internal contacts from family and friends, or direct speaking to the selected business partner from the outside. Corporate partners themselves are not proactive⁹ in cooperation with students on CSR projects, they rather respond when someone talks to them in person. The student's projects covered various types of activities: the use of waste material, energy conservation, education of public, healthy lifestyle, blood donation, events for the disabled or children from children's homes. There is a clear prevalence of projects from the category "Community engagement and development", 54% of all activities for the two-year period. Furthermore, there is also a clear shift from activities focusing on human rights and working relations focusing on the environment.¹⁰ The lists of topics are always designed based on students' proposals and the consent of the managers of SMEs.

Building on this type of mostly intentional education, a less directive andragogic tool that would rather incidentally educate the shareholders in organisations of various kinds was prepared at Moravian University College Olomouc in 2017. It is a self-awareness tool setting the

⁹Holátová and Doležalová (2014) point out that signing up for CSR activities and their practice raises concerns of the representatives of SMEs. Declared obstacles may be the concerns about increased costs, lack of time and human resources, lack of internal motivation, fear of bureaucracy, lack of knowledge about the activities and the functioning of the CSR, ignorance of how to engage in these activities, and how to be beneficial.

¹⁰Holátová and Doležalová (2014) confirmed in their researches that the managers of SMEs have ranked the management of human resources as no. 6 and CSR as no. 8 in the order of importance of the 9 options offered. Their researches also indicate that only 13.2% of enterprises show the involvement of SMEs in social responsibility focused on the management of human resources and above-standard employment policy. According to their research, SMEs are more involved in these activities: donation, voluntary activities and donations 62.7%, minimising the negative impacts of the business on the environment 43.23%. Pajerská (2016) states in the results of their research that the most common philanthropic achievement of SMEs are financial donations, material donations, and services and time. She also says that almost half of the companies focus not only on one type of support, but combine them.

CSR index, available to the public, creating a scale according to the type of the company or organisation. This tool is based on the E-U-R educational method, which is based on constructivism. This three-phase learning model copies the way people learn naturally.¹¹ Andragogic self-awareness-raising effects, which are covered by the E-U-R method in the overall context of the CSR index, should lead to a change of the values of shareholders. These are:

1. Detailed familiarisation at one's knowledge pace with the content of the concept of CSR through a questionnaire (E);
2. Continuous improvement of knowledge about the concept of CSR through possible repetition of the electronic version of the questionnaire (E);
3. Putting the answers from the questionnaire to a public evaluative ranking of a particular type of organisation (U);
4. Inspiration from the data filled in by other companies of the same type (U);
5. Being aware of the possibility of being judged by the public (R).

The questions for the interactive and self-awareness-raising questionnaire were selected on the basis of the hypotheses of this set of knowledge: A standardised valid questionnaire CSR_EK¹²; Operationalisation of the definitions of individual areas of CSR by: Prskavcová et al. (2008), Pokorná (2012); Operationalisation of the topics of individual areas according to the standard CSR 26.000; Detailed searches in world literature; GRI (Global Reporting Initiative) methodology; two-round commenting by 8 independent experts; Pilot research among students of

¹¹The abbreviation E-U-R means: Evocation—the respondents reflects on what they already know about the topic, what they think about it, ask themselves what they want to know, organise their current knowledge—inner motivation after gaining further knowledge; Understanding of the importance of information—respondents work with the new information and link it to what they already knew; Reflection—respondents reflects on the process of learning they just underwent, what they learned and how effective the learning was (Košťálová and Hausenblas 2001).

¹²Available at://C:/Documents%20and%20Settings/Admin/Dokumenty/Downloads/questionnaire_en.pdf.

full-time (10) and combined (40) form of study of Moravian University College Olomouc.

The questionnaire was divided into 4 main areas and then identification: The first main area was (A) Sustainability strategy, which was divided into the following categories: Values of the organisation (A1); Reporting, certification (A2); CSR policy (A3). The second main area was (B) Economic part, which was divided into the following categories: Administration and management of the organisation (B1); Relationship towards the suppliers (B2); Relationship towards the customers/clients (B3); Marketing (B4). The third main area was (C) Social area, which was divided into the following categories: Treatment of employees (C1); Relationship towards local community beyond the statutory obligations (C2). The last main area was D) the environmental area, which was not divided further. The total number of questions A–D was 65.25% for each area of the questionnaire. The questionnaire was specified by weights for concrete types of organisations (municipalities, profit and non-profit). The weights were assigned by a conference of experts. The aim of the weighing was to capture the differences among the organisations and the differences in their possible self-awareness (see Table 7.2).

The experts followed these premises for weighing: For profit organisations, all the areas have the same importance and they may equally influence all the areas. For non-profit organisations, the lowest weight is set in environmental area because the focus of their activities is not production and they usually operate on rented premises without any possibility of influencing the environmental area. For municipalities, the lowest weight is set on sustainability and economy, the highest weight is put on social and environmental area. The reason is that they do

Table 7.2 The overall distribution of weights

The main areas of the questionnaire:	Profit	Non-profit	Municipalities
(A) Sustainability strategy	250	300	90
(B) Economic part	250	300	160
(C) Social area	250	300	450
(D) Environmental area	250	100	300

Source Own research

not set the strategy but have to follow the legal standards of the Czech Republic and their economic part is dependent on the state budget. On the contrary, it is in their competence (and it matters a lot) how they take care of their employees and social surroundings. They can also significantly influence the environmental area by their activity.

The overall Index of CSR is the result of 4 sub-scorings:

- A. CSR scoring based on the completed form of the CSR profile user and the **questionnaire** mentioned above (up to 70% of scoring influence);
- B. CSR scoring based on the basic data and metrics entered by the CSR profile user (up to 10% of scoring influence);
- C. CSR scoring based on the data about the CSR profile user and their reputation and strength of the brand (personality) in the online world (up to 10% of scoring influence);
- D. CSR scoring from the visitors of the user's CSR profile (up to 10% of scoring influence).

7.8 Conclusions and Recommendations for Practice

We can infer from the research mentioned above that the organisations, which are not continuously motivated to participate in CSR activities (e.g. the mentioned project V4) may over time completely lose the gained know-how in the field of sharing and sustainability of CSR. Low motivation for CSR activities reduces the effects of CSR in the region and generally leads to stagnation of spreading the ideas of CSR. Lifelong learning in the concept of CSR therefore seems to be necessary target as well as ongoing activity to maintain and promote ethical business. Kubicová et al. (2017) stress that the tool for the implementation of this idea is andragogy, the science that deals with lifelong learning. The results realised through the innovative education mentioned above at Moravian University College Olomouc prove that connecting theory and practice in a concrete region raises the awareness about CSR and motivates locals to participate in the realisation of activities. That logically

leads to changes in the quality of entrepreneurship in the region in the long term.

The advantage of SMEs in relation to the concept of CSR is that it is possible to expect personal engagement of all workers. As Homolka (2006) says, in SMEs, there is no anonymity and the employees are more aware of the importance of their job performance. Many employees are ready to exchange high income and comfortable working environment for greater flexibility at work and job satisfaction, in the atmosphere of small groups. From the application of new trends in this area benefit both the enterprise and its employees. When a previously underused potential of ideas of most employees is activated, various synergetic effects occur in teams, the management improves, gets faster and cheaper. The self-directed, multifunctional process teams become the basic units of the organisation. Everyone is involved in education, improvement, decision making, and also affects the results of the organisation in various forms.

The EU sees the activities of organizations that are known as socially responsible as voluntary activities. National action plan for CSR in the Czech Republic, which was approved by the Government of the Czech Republic on 2 April 2014, by the resolution No. 199, respects the principle of voluntarism and emphasises the educational dimension of CSR as one of its primary tasks. The intention of the individual activities that are contained in this strategy paper is mainly to motivate commercial enterprises, non-profit organisations, and state authorities to apply CSR, which is defined as “responsibility of the companies for the impact of their activities on the society” (MPO 2015). Voluntary adoption of CSR leads the organisations to acknowledge the responsibility for their operation and become aware of the intensity of their own influence on the society. The development of the voluntary concept of CSR is, however, dependent on the spreading, adoption and implementation of the idea of responsible business. Voluntariness predicts the path of incident education, however, without intentional approach, CSR becomes a diffuse phenomenon. A possible solution could be to strengthen the andragogic constructivist process of raising self-awareness self-regulation through the usage of interactive tools in the Internet environment (see previous chapter), or standardised interviews with the same content.

According to the MPO document (2015), the implementation of CSR as an integral component of the educational system of the Czech Republic to gradually mediate it to the pupils and students of elementary schools, high schools, technical colleges and universities, regardless of their focus (humanities, technical, ...) should be a natural thing. The same applies for the integration of CSR for other educational institutions, including entrepreneurial education. Strategic priorities in this area are (1) to raise awareness and competence in the field of CSR, in particular in the young generation, and the improvement of Czech entrepreneurial and managerial environment; (2) to raise the awareness of the public as a whole about the issue of CSR. These objectives can be achieved, in particular, by high-quality education at all levels and a more systematic approach in the field of CSR.

It is therefore a challenge for the scientific field of andragogy that arises from the document (MPO, 2015): "If we want to ensure that all attributes falling within the field of CSR, or CSV (Creating Shared Values), affecting the economic success of the Czech Republic (e.g. fair and ethical behaviour of managers and entrepreneurs, corruption perceptions index - the indicator assessed each year by WEF, sustainable development, environmental behaviour, respecting work discipline associated with wasting, etc.) change more significantly, far more effective forms of education in this area than at present are needed". Based on the facts mentioned above, a close cooperation among the expert sections of the Quality council of the Czech Republic is an obvious option for the near term. These sections could implement the creation of a comprehensive national strategy of education in the field of CSR, including the preparation of high-quality experts/pedagogues for this field, as one of their key priorities for the near term.

Moravian University College Olomouc as a non-state private school aimed at preparing the future entrepreneurs and managers for the Olomouc region, sensed these trends; since its creation in 2005 it leads students and enterprises in the region to a socially responsible business. The aim is to get the students and organisations not only to know the principles of responsible business but also, while respecting the principle of voluntarism, to behave naturally according to them. The voluntary aspect and the un-limitedness of the concept of CSR require

daily activity, i.e., daily self-awareness assessment. That is the only way to achieve the gradual value maturing of a person and the overlap of functional learning into the ideological possessions of all structures of the company management. Everyday perception of the importance of CSR and one's own activities allows, in a natural way, the concept of CSR to not just another department of the company, but an integral part of its whole life. Integral mix of andragogic methods has the potential to interconnect all the organisational structures.

The European strategy (COM 2011) aims to educate and motivate companies in the field of CSR and spread among them the idea of responsible business. Following the meeting in Lisbon (the effort to transform Europe into the most dynamic and the most competitive knowledge-based economy in the world), the European Commission released a Memorandum on lifelong learning in 2000. The aim of the memorandum was to start a debate about the effective strategy for the realisation of lifelong learning. The memorandum postulates 6 problematic areas for public discussion on which it is possible to build the principles and the system of lifelong learning in the field of CSR. These are: (1) New basic skills for all; (2) More investments in human resources; (3) Innovation of teaching and learning; (4) Appreciation of learning; (5) Re-assessment of consultancy; (6) Bring learning closer to home. In the sense of all those documents about CSR strategies and the Lisbon Declaration, the concept of CSR, as understood by andragogy, becomes not only the aim of lifelong learning (development of the moral profile of an individual), but also its educational tool (motivational support of entrepreneurs by society).

Not only the idea of increasing the profits of enterprises, but also the factor of sustainable development in the twenty-first century, becomes the current phenomenon. The public requires the companies (organisations) to abide by the rules, respect the environment, have a good relationship with employees, business partners, and be interested in what is happening in their surroundings. It is a philosophy, a concept and often also a realised strategy (Holátová and Doležalová 2014). As Jenkins (2009), Fitjar (2011), and Werther and Chandler (2011) show, SMEs are getting under an increasing pressure to engage in activities that are referred to as socially responsible, even though the philosophy of CSR is

based on voluntariness. CSR, as one of the ways of the globally promoted sustainable development, is thus becoming a trend in management and a way to gain a competitive advantage. According to Werther and Chandler (2011), it is necessary that corporate social responsibility penetrates and influences all aspects of corporate activities to achieve this goal. Jonkutė et al. (2011) state that the success of CSR strategies depends on the quality of performance of employees in this area, which is to a great extent related to the quality of education in CSR. Since there is a lack of know-how and experience for supporting the systematic integration of CSR practices in the process of SME management, it is necessary to have new specific educational materials and tools that would be modified in such a way so that they fit the needs and expectations of SMEs.

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Conflict of Interest

The authors confirm that this chapter content has no conflict of interest.

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8

Implementation of IT Governance: How Can a Common IT Strategy Create a Cooperation Network?

Elvira Kuhn

8.1 Introduction

At the international meeting of the world economic forum in Davos 2018, the French President Macron said in his speech: LET's move. This might also be the slogan for the intention of the introduction of CG. The

Editorial comment: Last, but not least, one may not forget about information building the possibility of cooperation, education and management. IT governance (ITG) is an integral part of general governance—irrespective of enterprises, public administration or private social networks with Corporate Governance (CG) in mind. A common platform along with fair Information management can cope with the CG-task. To improve this platform each player has to solve their separated views of CG as well as of ITG. The first step will be to hit a common IT-Strategy. The main task of ITG is the integration of business strategy and IT-Strategy. Nowadays, ITG is not included enough in the environment of the business world. New knowledge, new trends, new procedures and political changes will influence this common network and the underlying IT-Strategy. To understand the benefits of such a network, we present different synergies and strategies of cooperation, and provide a case.

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actual world situation is under impact of diverse problem fields. They include environmental issues, profit oriented enterprises, consequences and implications of globalization, like cultural frictions, competing religions, philosophies and other systems of orientation, garbage disposal, different levels of education, capacity overload of the welfare system, varying attitudes towards the free market economy. The most recent example is the buyout of SMBs by China's political office. There are also different stances on individualism and collectivism, equal status, work ethic, ideals of a fulfilled life, quality of life, provision with energy and water, IT-infrastructure, support for mobility, poverty among the elderly and political correctness.

All of this knowledge leads to the concept of CG. From a political point of view, the intention is to demand the social responsibility of each enterprise towards the civil population. We follow the definitions and objectives of CG and Corporate Social Responsibility (CSR) found in (<http://www.corporate-governance-code.de/index.html>). We define Corporate Governance from the perspective of CSR, where a responsible and sustainable business is a goal of Corporate Governance, where one of the tasks is creating core values for the business policy and strategies of an organization; CSR is implemented in the structure and practice of CG. Yes, we read "organization", and therefore not only the enterprises will be addressed by the favored structures and activities. Also public organizations as well as private social networks or meetings are asked to act responsibly and be mindful of CG, not only concerning internal, but also external tasks. With the help of IT, all the necessary activities and services are completed. Meyer, Matthias, Rüdiger Zarnekow, and Lutz M. Kolbe write in (IT-Governance, *Wirtschaftsinformatik* 45.4 [2003], pp. 445–448): "We understand IT-Governance as a collection of rules, guidelines, methods and measurements with the goal to secure the adherence to CSR with the assistance of the employed IT, the responsible use of resources and the constant supervision of risks."

Nowadays, ITG is executed separately within each organization. Everybody has to invest in the same activities to implement a culture of being considerate about rules and guidelines, in the same organisation structures and being open for new ideas for realizing CSR within the own

organization and to publish information intended for the civil population. In order to estimate the effort and cost, we will now show all the activities that need to be undertaken for ITG Management. Surely, ITG stands in reciprocity with the business strategy, and the business strategy will not be discussed in any public area. Therefore, we focus our discussion on the required information management and the activities to be implemented inside and outside of the company before the real integration within the enterprise culture, as well as the appropriate information for publication.

8.2 Essential Tasks for the Implementation of ITG with the Goal to Support CSR

ISO 26000 provides information on the responsibility and guidelines for actions of an organisation in relation to CSR. Freely adapted from the Latin adage: *quidquid prudis, prudenter agas et respice finem* (English: whatever you do, act wisely and consider the end), all organisations are responsible for effects on society and the environment in all decisions and activities. This is a common goal for all actors. There is no room for controversy. That means that a process for discussion is necessarily related to certain handling strategies. This in turn means the need for time and resources. It will be easier to install a special common management for common tasks. But: what are the general tasks of the CSR? They are described in ISO 26000 in an indirect way:

- Task 1: planning, deciding, managing and controlling the effects of all activities of organisations for society and the environment, minimizing risks and improving chances.
- Task 2: ensure transparency—information on the actions and effects—before and after the execution.
- Task 3: ethical behaviour—needs information, communication, controlling, education, and certification.
- Task 4: effects have to be related to sustainability, to health and to quality of life—building some criteria to observe the effects, analysing, controlling, managing, and education.

- Task 5: analysing the expectations of clients, incorporating the analysed results in all activities—establishing a ratio system in the process-descriptions, developing control-mechanism, and controlling.
- Task 6: the satisfaction of the demand that all activities have to be proper in regards to the applicable law and be concordant with international social standards; this leads to the following subtasks: Knowledge on the lawfulness of the processes, knowledge on the international behaviour standards, controlling, education, change-management, maintenance.
- Task 7: influence on the enterprise culture towards stable social values—values management (O’Sullivan 2014, p. 158 ff.), education, change the management or organisational form.
- Task 8: integration into the whole organization—team oriented work, support to events and processes, knowledge management, education, open communication.

These eight tasks describe the actions behind the merit-oriented actions, which are visible and comprehensible to clients. These actions may enjoy support from special IT systems, like:

- Workflow management as support processes (important for Task 1, Task 2, Task 5, Task 7, Task 8),
- Data warehouse for analysing data and decision support (Task 1, Task 2, Task 3, Task 4),
- Databases for permanent data storage and realizing view-concept on data (Task 1, Task 2, Task 3, Task 4, Task 8),
- Statistics and mathematics tools (Task 1, Task 4),
- Knowledge management concerning environmental protection (Task 1) and
- The law (Task 6),
- Social media—to collect behavioural data, social data, actual trends—and
- Agent technology to analyse (Task 1, Task 5, Task 6, Task 8),
- Platform for publishing information (Task 2, Task 8),
- E-learning (Task 1, Task 3, Task 4, Task 6, Task 7),
- Work-Group-Software (Task 1, Task 8).

All these IT Systems are standards used in any organisation and people can administrate all of them. They neither have the possibility to develop their knowledge bases by themselves, nor any capabilities to give orders to other machines, nor any tools to self-improve their own systems. They all addressed groupware-solutions, defined as seen in (Borghoff and Schlichter 2000) as “computer-based systems that support groups of people in a common task (or goal) and that provide an interface to a shared environment”. Found in (Zülch et al. 2006), communications—and collaboration IT-systems are used to send information, files, pictures, short information by E-Mail, Speech-mail, Web publishing in one direction. With IT-conference-tools, one wants to have a feedback in a short time or discussions. Conference-tools send the data streams over a network (Intranet, Extranet, or Internet). Speech conferences, Video conference-tools or Chatrooms, in combination with the use of collaborative IT-Management tools like electronic group calendar, project management tools, Workflow tools or Knowledge-base-tools are also part of this approach. One needs more than one person to manage, to administrate, to finance, to install, and to maintain all of this IT-equipment. Knowledge on System Design and System architecture is necessary too.

In COBIT 5, the 5 Principles of IT-Governance and IT-Management and 37 processes are defined. The control concept is Top Down. Based on corporate goals, IT goals are set, which in turn influence the architecture of IT.¹ Various certifications for participants are offered: Certified Information Systems Auditor (CISA), Certified Information Security Manager (CISM), Certified in the Governance of Enterprise IT (CGEIT), and Certified in Risk and Information Systems Control (CRISC). Normally, within enterprises, the review of the effectiveness of measures is checked by audits or, as part of the annual audit, IT systems are also assessed by external auditors.² Providing a suitable infrastructure

¹See: <https://de.wikipedia.org/wiki/COBIT>.

²See: Schwickert, A. et al., „IT-Governance“ in „Arbeitspapiere Wirtschaftsinformatik“ Nr. 1/2014. URL: https://wiwi.uni-giessen.de/dl/down/open/Schwickert/0c80a2d6ecd420ebad715c8fe15f767e7e3a523c561202226bef8a707f5aa0b55193e224d80e9510061a2537df4be548/Apap_WI_GI_2014_01_PDF_Download_gesch_tzt.pdf. Accessed on 16 January 2018.

like broadband expansion is an important prerequisite for the successful introduction of IT governance in a community.

As in COBIT 5, the opinion is often held that IT only helps to implement the corporate goals.

As seen in (Kessel and Vogt 2016), IT-managers can also influence the scope of visible actions. Here are some examples for merit (market)-oriented and visible actions for clients. Firstly, we will present the ideas of a manager (CSR aspect), then explain the point of view of an IT-manager. In order to do this, we need to separate the actions into internal and external actions.

The internal CSR is also called Corporate Volunteering (CV) sometimes, and its sub-goal is to ensure the satisfaction, loyalty and motivation of team members. To achieve this, the enterprise invests in the education of its own team members, takes regular surveys among the personnel or introduces a mentoring program. The effects on the team members include a deeper sense of satisfaction in one's own work, more money and a higher quality of life.

With the assistance of external regional CSR, an enterprise aims to fulfil its sub-goal to improve its image in its local region. It can fund school-equipment or support the regional football union. In this case, enterprises decide to give money to social institutions. Another example is the implementation of Social Days for team members instead of workshops for team development—like the company Daimler (<https://www.daimler.com/nachhaltigkeit/gesellschaft/mitarbeiter-engagement/aktionstage/social-days/>). Its sub-goal is to let the team members to get to know each other by working conjointly within a social project (e.g. in refugee camps). In global external CSR, enterprises counteract the social and environmental risks in their global processes. They report for example on the deficit in recycling computer hardware and introduce internal environmental protection standards. External-market oriented CSR is targeting societal problems with free market solutions. Examples are the safeguarding of work place conditions and human rights on the purveyor's side or faire trade.

The IT-manager knows what is happening in the market, and he/she can now influence the strategy by changing the handling of external CSR. One can say that the team members can realise external CSR by

themselves by using a Crowdfunding-platform for regional projects. One of these platforms (Fetscher, www.socialcode.de, 2017) supports the free choice of a project and enables each team member to invest 2% (or more or less) of their own salary in any project of their choosing. The enterprise pays the 2% of each salary, but the team members can collect points, and after some time have the possibility to win an object for private usage. With this system, the manager does not need to take the time to compare different projects and decide which one will be the best to invest in. Everybody is happy. In the case of changing the strategy from CSR-Tasks (exclusively management tasks) to CSR-Tasks supported by IT (Team-Member-tasks), the IT-Manager has to write a guideline to use the platform, sometimes to examine whether the platform will be used, and which kind of effects it will generate, to promote the platform and to check the content of the platform. These services are integrated in Information management (IM). The IM is not necessarily an integral part of the organization. The use of clouds is one example. Providers are not just offering data storage nowadays, but also additional tools for analysis.

This comparison of the benefits for enterprises in regards to the general goals of CSR also yields additional economic advantages (as seen in Scherer and others 2016), leading to a win-win situation. From an economic standpoint, risk management (including risk definition and crisis management) as well as anti-corruption regulations are relevant. The ecological viewpoint, on the other hand, necessitates a thorough coverage on the effects on the environment—both to clarify the handling of natural resources and to guarantee a positive self-image in regards to current and future employees identifying themselves with the company.

The social aspect unites internal topics, such as human resources development and personnel recruitment. While human resources development mainly deals with the aforementioned opportunities for further education for employees, with the desired effect making the company as a whole more efficient, recruitment and loyalty management use questionnaires and interviews to assess the employees' happiness with their work, find adequate bonus payments and introduce new ways to bring voice to ideas for improvement. It is already possible today to submit notes anonymously, with the staff department continuously integrating

them into ongoing activities in a constant improvement process. Examples for external topics are the policy of charity aimed to establish trust, Corporate Volunteering (CV) and the support of Corporate Citizenship as the entrepreneurial Engagement Corporate, and to minimize possible scandals and boycotts. As said before, companies use CV to support their employees within the corporate relationship to become active in working for public utility organizations or other societal functions.

Since all of these operations use a lot of personnel, time, energy and money, the idea is self-evident: to tackle as many common goals as possible with other companies, the government and private citizens. The additional costs for communication and coordination with these partners will have to be taken into account when assessing the merit of CSR. The factor of time and the possible risks are relevant as well. The question is: 'How can the merit be realised quicker and better in a win-win situation?' The balance of merit is important, in order to convince companies to start using CSR-tasks. There has to be a constant, conjoint search for smarter ways to improve an already good merit balance even further than the drafted outline. So, we will need the following non-functional IT-systems behind the value driven activities: information-, communication-, coordination- and cooperation-systems. In case of common events, a collaboration system is necessary, too. Tools for analysing the merit for all actors—as separately as well as common—are also necessary as tools for risk-management with the needed knowledge on methods and techniques and tools for policy of charity and special platforms for CC and CV.

The internal tasks have always to be discussed inside the environment, but may be influenced from outside. The external tasks may be tackled together with other enterprises under certain conditions. But, the same IT-tools and organisational structures may always be supported in the same way as the CSR tasks. In this subchapter, we named the necessary tasks for CSR and the possibilities of supporting these with IT.

8.3 ITG for Common Actions to Improve Win-Win-Situations

In this subchapter, we will discuss the ITG in details in order to find out the common actions and the risks of doing this. As mentioned before, our idea is to establish a special information management outside the organisation to improve the win-win situations for all stakeholders. Therefore, our first task is to identify possible stakeholders. On this base, we are able to develop business processes by using the method of I. Jacobson (1995). The enterprises and administrations as well as private persons are able to decide in which of the built processes they want to participate.

The basic idea is to work cooperatively with other companies (in a cooperative network [CN]) on CSR and to jointly develop and use the supporting ITG. As is customary in supply chain management (SCM), activities outside the core competencies of individual companies are to be transferred to other best-in-class companies. This creates a network that is effectively designed and controlled based on I. Okhrin (2015), Scholz-Reiter, Jakobza (1999, p. 8). Without risk management and crisis management, the ITG of the CN would not work. In a committee with the task of identifying, discussing, assessing and controlling identified risks, the risk reports are compiled, the compliance with legal requirements is checked and measures are pursued. This can be done with IT-support by a risk management system (<https://www.softguide.de/programm/kassandra-risk-management-system>, accessed on 12 December 2017). An advantage of CSR is the commitment of employees to the company. Thus, its image in the public will improve through the regional activities, which in turn leads to greater identification with one's enterprise. But the value-oriented corporate governance has also become important for clients (Meyer 2001, p. 60), so that the visible appearance of a company in CSR's serious pursuit of customer loyalty will be appreciated. In (Brendel 2002, p. 15) it is even considered that this is indispensable. IT-support can be found by using tools for questionnaires for team members or clients (<https://www.perwiss.de/tool-konzeptionshilfe-mitarbeiterbefragung.html>, <https://www.surveymonkey.de/>, accessed on 12 December 2017).

8.3.1 Advantages of Common Organisational Infrastructure for ITG

Because of the importance of CSR documentation and communication (<http://www.docount.com/>, accessed on 12 December 2017), ITG with its infrastructure has to ensure that the goals and strategy will be ideally supported as one can read in Mercury IT Governance Center (http://www.pooleyconsulting.com/docs/Mercury_OV_ITG.pdf, accessed on 12 December 2017). Another benefit from the proposed CN is that it relieves the burden on the Environment, Health and Safety Department (EHS) of an enterprise, or, if the latter does not exist, makes EHS entirely redundant, since the CN adopts the tasks of environment management, Health protection and occupational safety for its members. Therefore, the EHS Manager knows details about the planning and execution of environmental audits (<https://enablon.de/>).³ They are in dialog with stakeholders about sustainability issues and interact with the strategy-committee, Risk-management and Organisation of Corporate Citizenship. In doing so, norms and guidelines must be observed. The IT-questionnaires contain questions on IT architecture, trend scouting, i.e. whether evaluations of new developments in IT are carried out in the market, but also whether IT processes and data are constantly reviewed and improved. Further questions arise from the operation of a SW-architecture, as is customary in software engineering. Finally, the question of regular reporting needs its answer.

Our 25 master students conducted a study within their class *Information management* over 3 months and listed these essential stakeholders (Kuhn 2018).

- *Businesses*. These are divided into *small businesses* with a workforce number below 50 people and a sales revenue or balance sheet total below 10 million and major enterprises with an accordingly larger revenue or balance sheet above 10 million, and more than 50 people in the workforce. From our point of view, on the other hand, this

³See: UPJ (o.D.) [Glossar], <http://www.upj.de/Glossar.glossar.0.html>, accessed on 12 December 2017.

is for now irrelevant, since we already divide businesses into *locals*, *potential new foundations* and *start-up* enterprises. They have diverse needs for education and training (client of a service) or the possibility to offer training (presenter). They are also able to discern which aspects and projects need special support, or how to prioritize subtasks for a region, or a subject. This leads to the roles of decision maker, data security officer, contributor, training official and training participant. The application of IT leads to service providers that can be classified into the categories of Infrastructure as a Service (Microsoft Azure/Amazon Web Series), Platform as a Service (Wordpress) and Software as a Service (Office 365). A common element to all of them is the presentation of one corporate identity to the market. An opposing concept are software-agents as individual programs that retrieve content autonomously as a reaction to changing conditions and show it in the user's browser. Conversely, a user can subscribe to a certain type of content or receive it directly via App. The software producers are also included in this.

- *Residents of a region* are looked at separately according to their age. Elderly residents are at least 65 years old. Young people are in the age between 16 and 25 years. The age is important for the favoured social services; especially in IT exist many possibilities to support the daily life by special assistance systems. Independently of these parameters, one can add on services to a platform.
- *Prospects of moving to a region* are classified by their age as well. In order to convince them, it is beneficial to offer special services, such as information about the region, shopping possibilities, kindergarten, clinics and apothecia and general infrastructure. For IT-users, the necessary infrastructures for mobility consists mainly of the level of broadband extension, satellite coverage/dead spots and the availability of WLAN in public spots.
- The *regional administration* offices offer to people their services in the role of a decider, coordinator, secretary, IT-specialist (like Data Scientists) and administrator. The employees of an administration are always bound by instructions.
- The *federal government* implements regulations through the legislative process with the goal to influence economic actors, in order to

prohibit an undesired outcome. Some examples for typical regulatory measures are production constraints, quality standards for products and services, exemptions from competition laws, professional codes, as well as provisions for the price and pay scale policy. In Germany, the *Bundesnetzagentur* is an additional regulating body to the others in the electricity and telecommunication sectors. The governing politicians need to be mentioned separately as players. The *Bundesamt für Sicherheit und Information* is responsible for data security.

- *Financiers for material or immaterial support* to retain the sustainability of the ITG are bureaus on the state-, federal- and EU-levels, in Germany on the local level, banks, patrons, sponsors, service unions, such as Rotary club, Lions club, ZONTA, Round table, regional enterprises.
- *State commissioners for data security* are very important to ensure that the IT will be used.
- *Mediation bodies* (beNKP, Schweiz. National Contact Point of Switzerland—Seco, https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/NKP.html, accessed on 1 February 2018) prohibit disputes, when the participating stakeholders in a common IRG reach a disagreement.
- *Media* (journalists) includes people in organizations like newspapers, radio shows, internet podcasts/bloggers, social media influencers, YOUTUBE, Television hosts, but also printed media.
- *Special officers for Telecommunication* in the roles of officers of services, as providers, as cloud providers.
- *Data Scientists* analyse data sets with the goal to understand how the future management of an organisation will have to act.
- *Freelancers* in the roles of teachers (to support education and “permanent learning”), of lawyers, of notaries, of architects, of doctors analyse the state of health of patients and prescribe SMART medical equipment.

Based on the named stakeholders we deducted the following common actions, which are necessary for all processes that have a common IM for ITG:

- Procurement of money
 - *Starting Point*: information on funding possibilities. *End Point*: financial plan
- Broadband extension
 - *Starting Point*: analysing actual situation. *End Point*: extension completed
- Teaching IT Knowledge
 - *Starting Point*: offering IT-courses. *End Point*: IT-Courses concluded with best results
- Special Services for young citizens
 - *Starting Point*: needs assessment. *End Point*: services provided
- Data security/data protection
 - *Starting Point*: collecting information. *End Point*: responsibilities allocated
- Health care System
 - *Starting Point*: analysing Problems. *End Point*: feasible concept
- IT in schools
 - *Starting Point*: needs assessment. *End Point*: maintenance organised
- Living/commercial areas
 - *Starting Point*: collecting Information. *End Point*: financial rooms/areas provided
- Optimizing information flow between enterprises and the local administration
 - *Starting Point*: analysing actual situation. *End Point*: coordinated concept
- Communication Standards
 - *Starting Point*: Classification of communication (Types). *End Point*: implementation standards

- Support for people with disabilities
 - *Starting Point*: analysing individual problems. *End Point*: fitting IT-Support
- Enterprise view on CSR
 - *Starting Point*: favoured situation for CSR. *End Point*: changed enterprise CSR influenced by ITG
- Back to workplaces/work process
 - *Starting Point*: creating questionnaire. *End Point*: satisfaction
- Support external communication
 - *Starting Point*: offering possibilities. *End Point*: daily use of communication tools
- Online market place
 - *Starting Point*: needs of team members. *End Point*: offering actual APPS
- New construction of private/commercial buildings
 - *Starting Point*: Plan. *End Point*: completion
- IT Support
 - *Starting Point*: Plan. *End Point*: completion
- Mobility-Infrastructure
 - *Starting Point*: analysing the actual situation. *End Point*: coordinated concept

We allocated all stakeholders of these business processes, and we know what kind of information flow is necessary (read more in Kuhn 2018). Our next task is to discuss the measurements needed to minimize risks and to improve chances.

8.4 ITG-Subtasks Aimed to Handle Risk

First, we have to define which success factors for each process exist, before we can discuss how to minimize risks and augment chances. This action is the precondition to figuring out later the influences on having more or less success.

One key success factor of the process *procurement of money* is the number of finished financial plans for the corresponding number of enterprises within a certain interval that can be any multitude of months. In the process *Broadband extension*, we can compute the success as the number of supplied households and enterprises in relation to unserved households and enterprises of a certain region at a certain time. The process *Teaching IT Knowledge* is successful, if a high number of persons in relation to invited persons visit IT courses with an examined, positive result. In the process *Special Services for young citizens*, we achieve the desired success, if a number of the services covering the demand is installed within a certain (short) time (in months) after the needs analysis. The success of the process *Data security/data protection* will be measured with the number of failed software or operating systems within a time interval (in months). The bigger the number, the worse the outcome of this process. As a means of control, the tolerance number will have to be pre-set. The process *Health care System* aims at preserving or restoring of health of citizens within a certain region, and therefore we can call it successful if the number of ill people is small within a certain time interval. The success factor in process *IT in schools* is complicated to compute. It contains the percentage of satisfaction (X of teachers and students) with the software or hardware installation, the number of failures between time points (FT), the time needed for maintenance M (installing add-on functions, updates, reorganisation of data bases, administrative work like access, connecting to system architecture of school). The formula is: $(X \text{ DIV } 100)$ multiplied with $(\text{SUM}(\text{FT}_i * \text{effort}_i) + \text{SUM}(M_j))$. The value of this formula should be low (This means the real value \leq concerted value in the control interval $[T_i, T_j]$). The process *living/commercial areas* is created for the provision of affordable housing and commercial space. The price of m^2 in relation to the average income is crucial here. The process *Optimizing information*

flow between enterprises and administration means creation of an information flow between right partners with actual information duly and in the right quality with the right costs. The rights to access have to be installed and the information system must work. Therefore, the number of failed administration rights and the number of shutdowns of information systems are to be counted in a certain time interval. This number can move within a previously set range. The introduction of *standards for Communication* has the goal to reduce the time effort and costs. In comparing the effort before and after using standards, you can figure out the success rate. Here, we have to take into account the education effort too. With the process *Support for people with disabilities*, we want to augment their quality of life, to bring them back into the workplace and to reduce the cost of care. Success is defined here as the number of people brought back to the workplace, the cost of care before and after the installation of assistance systems or the point system used in the quality of life index. The intention of the process *Enterprise view on CSR* is to generate new ideas for CSR usage, both within and outside the enterprise (influenced by ITG). To reduce cost and time by an IM outside the company, the relation between costs and efforts has to be calculated. *Back to workplaces/work process* is the process, which will be installed to give information on job-possibilities and vacancies or offer workshops to figure out where you are in life and where you see yourself in the future. The number of mediated persons indicates the success. The success of the process *Support external communication* is measured by counting (by logging algorithm) how many people use the installed communication tools daily. A successful *Online market place* process means the possibility to offer a mobile workplace or home office to more people. They do not have to travel to an enterprise or other organisation to work. Thus, the environmental impact of exhaust gases decreases, the stress caused by standing in traffic jams decreases, which in turn has a positive effect on health and the work is completed quicker because the driving time is eliminated. The latter may be an economic advantage. With the support of the process *new construction of private or commercial buildings*, the possibility to augment private as well as industrial locations is given. This (increasing) number is the index for success. The process *IT Support* satisfies the requirements of clients; the results of a questionnaire

will show the success. Our helpful service process *Mobility-infrastructure* will be successful, if a concerted concept with all stakeholders is given.

As we can see, a great communication and collaboration is necessary. Not only the IT itself, but also the needed organisation structures should be discussed for minimizing risks and augmenting chances. To do this we can have a look at the organisation of multi-project management (MPM). In (Bircks et al. 2009) we find some solutions, which we transfer to our needed common ITG organisation (CIM). MPM is a concept, which one can adapt to the dynamic conditions of our time or the actual situation and thus make a significant contribution to improved, more holistic project work. With MPM, “a detailed consideration of each individual project enables a higher-level planning, control and monitoring of the entire project, thus accelerating the efficiency and effectiveness of this holistic project management” (seen in Bircks et al. 2009).

Instead of projects, we are speaking now about common tasks (CT). To implement the CT in the ITG (ITG-CT), we first need the ITG-CT control. It includes the definition of one’s own decision and authority in coordination with stakeholders, Know-how-Transfer with the help of implementation of knowledge management and a system similar to an intranet. Lack of qualification of stakeholders is addressed through training for the ITG CT control tools and for the established standards/methods. Subsequently, ITG-CT-Planning will create the prerequisites necessary for the ITG-CT prioritization of the upcoming tasks. To select projects, an objective selection procedure must be established in order to then carry out the task evaluations using this procedure. The available budget may not be exceeded. However, for this a procedure is necessary, which determines the costs uniformly. Monitoring compliance with this process, determining the total cost for each stakeholder, aligning the overall budget with all stakeholders per planning period, establishing clear decision making powers on resource allocation, establishing and implementing cross—process capacity planning are done in the phase ITG-CT-Planning.

The ITG CT prioritization ensures portfolios’ efficiency and effectiveness, and is further supported by the implementation of reports as an ITG-CT control activity. In order to prioritize the projects, a portfolio management must first be introduced, which is responsible for carrying

out the management tasks in the sense of controlling and controlling the project population and performing evaluation and visualization of interdependencies. ITG CT prioritization also includes the analysis of risks and their impact on the projects. Conducting regular checks on the entirety of all projects by depositing and using relevant data completes the task of ITG-CT prioritization. It ensures that a final check is carried out after the end of the project. ITG-CT control gains an overview of the progress of individual projects by creating a standardized reporting process and carrying out regular checks on the existence and completeness of the respective reports. It also ensures that a success check is carried out for each project.

To supply the interfaces between the ITG-CT and the public or private organizations with relevant data import and export functions are necessary. They are well known from usage of SAP systems and other international software standards. It may happen that sometimes organisations or private persons want to use tools of ITG-CT in their own tasks. To minimize problems in migration, the use of frameworks or reference architectures in addition to standards in modelling or analysing needed information and relationships is helpful. To minimize uncertainty for ITG we have to establish risk management. Here we use some tools and technics to detect risks and chances. SWOT Analysis is the most used technic to find out the right strategy for market. But in ITG we see other risks too: one of these is the acceptance of an unknown tool. Often the users do not use a tool because they do not trust the data security or data protection.

Acceptance can only be achieved, if the stakeholders are convinced that potential or already identified risks associated with these technologies – known as emerging risks – are dealt with in a secure, responsible and transparent manner. [DIN, www.ebn.din.de/cmd?level=tpl-rubrik&menuid=52976&cmsa, retrieval 2012]. In this context, those risks are identified as new and emerging risks

- That were not identified in advance and
 - Are only caused by new processes, technologies and work paths or
 - By social and organizational changes (risks, for example, with nano-, bio- or ICT Technologies, new chemicals, globalization effects, etc.),
- or,

- Due to changes in social and public perceptions (such as stress, terror, etc.) are at risk.

In Kuhn and Voigt (2012) the kind of IT-support for risk Management and the influences of decision under uncertain information on IT Management is shown.

In order to fight risks effectively the following three points are a “sine qua non”: the information has to be of utmost actuality, the relevant persons needed have to be at hand and decisions have to be realized in real time. This demands a well performing communication platform.

In this sub-chapter, we have shown many success factors as the wished outcomes of processes. We described the processes and we have shown before why we need the processes for CSR and the supporting IT with ITG as a big special management. In the next sub-chapter, we have to discuss the needed strategies to fight the influences with the risk that the success will not be reached.

8.5 ITG—Strategies

Definitions of strategies range from the description of a desired market positioning to the identification of a path to a desired goal, to reactive measures for problem situations. Here, we use the definition of a strategy as follows: A strategy describes how the target state desired by the vision can be achieved. To achieve this long-term strategy again requires a package of measures. They should ensure that necessary detours nevertheless achieve the intended goals in the vicinity of the vision. Methods for strategy development are described in (Kuhn 2001, 2010; Kuhn and Voigt 2012; Kuhn and Maier 2010; Kunz 2007). The most commonly used steps to develop an IT strategy are in:

- 7 steps to the sustainable IT strategy (Johanning 2014),
- Components of an IT strategy, consisting of 5 strategies (Schwab 2016; Kuhn 2001).

Volker Johanning starts with an analysis of the actual (existing) IT within enterprise, follows an analysis of the corporate strategy to establish the anchoring of the IT. Then, as an IT application strategy aimed to ensure sustainability, the sourcing strategy including IT-organization and ITG follows. ITG is concerned with structures related to IT-decisions and IT-management, and the relation to strategy and to IT-strategy. ITG has to enforce strategies. Budget plan, IT-Roadmap and IT-project-portfolio are instruments to support setting priority and plan of employment of manpower. At the end, the IT-strategy-cockpit is used to control the IT. IT-strategy itself consists of 5 strategies (seen in Schwab 2016): fixed details of strategy for infrastructures and of strategy for application, a strategy for innovations to evaluate new technologies for use. To choose one's own developing IT or buying IT, the sourcing-strategy is foreseen. With the strategy of investment, the effective and efficient employment of IT-resources will be ensured. Sourcing-strategy and investment-strategy have very strong relationships. The implementation of IT-strategy itself is named a continuous, dynamical process. As the first step, an inventory (IS/Desired/possibilities) is necessary. From these results, IT goals are derived and measurements built. At last, a strategy control is implemented. The comparison of the different strategies is described in (Kuhn 2016) under multiple criteria like degree of freedom or innovative, team-oriented and effective.

The IT strategy has every chance to both support the company and to avoid all risks. The recommendations for action presented here help to create competitive advantages. In the future, the forthcoming change in the workplace in terms of mobility, industry 4.0, use of cloud computing will determine the right IT strategy in the future. In (Kuhn 2016) a method for the development of IT strategies from the corporate guidelines is presented. If we apply this procedure to the ITG, we find that we already have such guidelines in the form of described tasks (see Sect. 8.1). Therefore, we can start here with our considerations. Particular attention is paid to dealing with change and its impact on the organization's behavior, its impact on communication and its impact on the use of methods in strategic management. Since different communication takes place according to a chosen organizational form, and the content differs

greatly from each other (Kuhn 2015a), a common network to implement ITG must also clarify the common communication channels with common ideas in dealing with one another. The ISO 26000 states that social responsibility should be assumed in the collaboration of management, teams and external partners and specifies the values and attitudes. This should be a duty of all.

Thus, a re-education process must take place by example and the observance of guidelines. This happens first by the introduction of an enterprise culture. We follow the definition of an enterprise culture (as seen in <http://geert-hofstede.com/organisational-culture.html>, accessed on 1 April 2017):

Organisational culture is defined as the way in which members of an organisation relate to each other, their work and the outside world in comparison to other organisations. The dimensions enable a tangible alignment of organisational culture and strategy. As William Schneider argues in his book “The Reengineering Alternative, McGraw-Hill Companies, 2000”, the four core cultures are control, collaboration, competence and cultivation. In the article „Vom Change Management zum Change the Management“, the traditional thinking patterns and procedures of change management are abandoned (Wüthrich and others: Stillstand im Wandel. Illusion Changemanagement, Herrsching, 2002). Change is “pulled through” over and over again in the form of larger projects. Change of enterprise is typically operated and enforced with considerable pressure from the top management as a reaction to serious weaknesses, or even crises of the enterprise. Not values, attitudes, behaviours change sustainably, but only the surface structure, i.e. systems, structures, processes. After a change in the company, you enter a stable phase. In the book *Stabilität durch Wandel* (Peter Scott-Morgan, Eric Hoving, Henk Smit, Arnoud van der Slot, 2001) we see that there is sometimes necessary to take direction from one organization to the wished organisation over an intermediate step because the team members are not able to follow a new direction. It needs time to replace enablers and triggers to others. *Employees* should take on future responsibility and self-responsibility. This is best done in a kind of cylindrical organization in which a small impulse already causes changes.

But in our subject *Cooperative Network* we have another situation. We have no fixed structures, no enablers, but the trigger is the common social spirit. This is the chance to make something new. Humans are social creatures. The frequency of our contact with others and the quality of our personal relationships are thus crucial determinants of our well-being. Helping others can also make you happier. People who volunteer tend to be more satisfied with their lives than those who do not. The amount and quality of leisure time is important for people's overall well-being, and can bring additional physical and mental health benefits. Another essential factor of employment quality is job security. Workers facing a high risk of job loss are more vulnerable, especially in countries with smaller social safety nets. If we take into account all this, we can build new teams with more responsibility for their work, having more freedom of decision and living their creativity, workplaces included. They are able to deal with the environmental changes independently. They can organize themselves and they can solve problems by themselves. Self-organization within teams leads to more participation in decisions, more room for creative ideas.

Rather than trying to micromanage all processes, give employees the chance to make necessary decisions within due time. By participation, active involvement and being taken seriously the team members have more motivation and identification with CSR. All employees are part of teams. No isolated workers exist. (Kuhn 2015b)

Nowadays we need these capabilities because we need rapid response to the changing environment. So, our new common network has to be organised like an agile enterprise:

Fast moving, flexible and robust firm capable of rapid response to unexpected challenges, events, and opportunities. Built on policies and processes that facilitate speed and change, it aims to achieve continuous competitive advantage in serving its customers. Agile enterprises use diffused authority and flat organizational structure to speed up information flows among different departments, and develop close, trust-based relationships with their customers and suppliers. (<http://www.businessdictionary.com/definition/agile-enterprise.html>)

The IT strategy must provide guidance to teams, handling how to effectively manage change processes, and support communication according to information logistics. The CIO brings ITG's IT capabilities into the general strategy; in our case it is something like support to mobility, opening more communication channels also for people with illness, observing and assistance functions for elderly people. With the help of SWOT matrix, we can find out strategies by looking for strengths and weaknesses (internal) and chances und risks (external).

With the help of SWOT-Analysis in combination with Portfolio-Analysis (Is vs. Plan) we can use chances in the market by developing a combination of strengths and opportunities through the targeted use of resources. Weak-risk combination must be avoided. In the case of the weakness-opportunity combination, it must be decided on a case-by-case basis whether the company wishes to seize the opportunities in this area. The strength/risk combination should consider strategies for limiting the risks, and even transform the risks into opportunities. Which strategies to choose are there at the enterprise level, we can read in direct manner; Fig. 8.1.

With the help of Portfolio Analysis, we see the actual state (in Fig. 8.2), and the wished state (in Fig. 8.3). To choose the right points in our Portfolio Analysis, we address the strategies based on our discussions.

As we have shown in our first step in Sect. 8.1, we have to look for our infrastructure, hardware, operating system and networks. Our strategy is

		clients	
		Old	New
Products	Old	Exit-strategy Skimming strategy	Expansion strategy
	New	Expansion strategy	Diversification strategy

		Competitors	
		weak	powerful
CN	weak	Manoeuver strategy (Negotiation, Network)	Evasion strategy Surprise attack (Innovation)
	powerful	Frontal attack (eliminate)	Manoeuver strategy (Negotiation, Network)

Fig. 8.1 SWOT analysis and strategies (Source Own research)

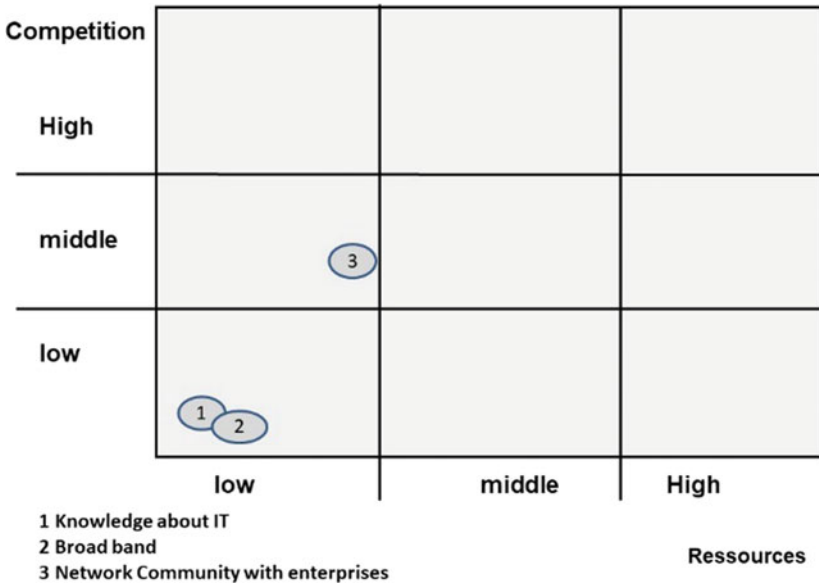


Fig. 8.2 Portfolio-analysis—actual state (Source Own research)

to achieve a high computing power, performance and bandwidth with the lowest possible cost.

In *shared infrastructures*, the costs will be reduced. If we find out *shared applications* for our network, the costs will be also reduced. Example may be CRM for customer loyalty or for personal management (related to events in CSR). With a common *Innovation strategy*, new technologies can be selected and evaluated, for the use in the common ITG. Because of the network with different enterprises, it may be possible that one enterprise decides to give more in a certain IM-subject as another. Therefore, if one company has more experience in this subject as others it is very useful and effective. On the other hand, the giver will win by another situation. However, we need a regulation to make sure that every member of the network will work in a faire manner; nobody has to bring more efforts than others do. We call this strategy the *sourcing strategy*. All these single strategies need decisions for investments. These decisions of IT-Investments are made by a committee aiming at effectiveness and efficiency of employment of IT-resources.

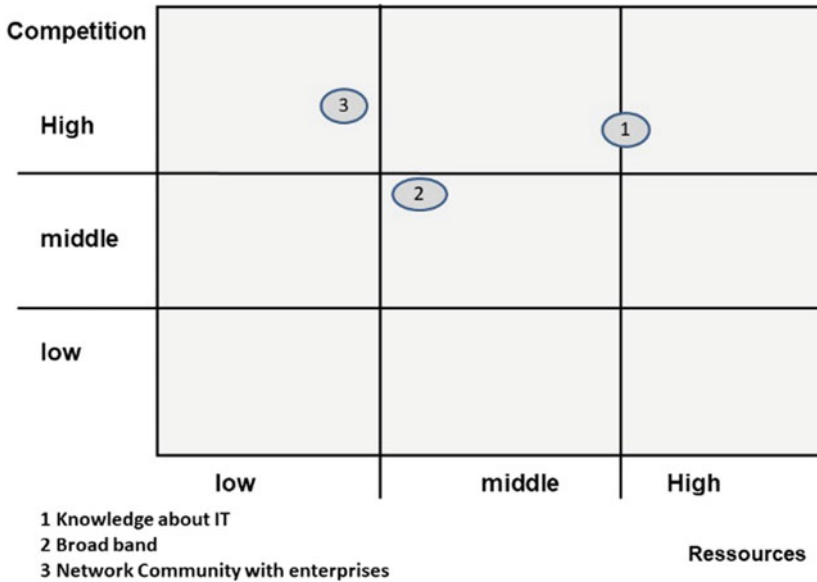


Fig. 8.3 Portfolio-analysis—wished state (Source Own research)

We can minimize risks and augment chances by formulation of measurements ensuring success. IT-Scorecard⁴ can help the overview of IT-Handling alternatives to control. As we read in (Kessel and Vogt 2016), alignment to CSR is needed in both directions: strategies from the strategic aspects of political and social responsibility and the strategic aspects of IT possibilities.

8.6 ITG—Cost-Benefit-Analysis

The possibilities of IT are bounded by the effort in relation to effects for each process. When looking at the benefits we have to take into account synergy too. Under synergy, we understand the benefits that come from

⁴See: Fleig, J. Dr. (o.D.). SWOT-Analyse. Retrieved from <https://www.business-wissen.de/artikel/swot-analyse-so-wird-eine-swot-analyse-erstellt/>.

cooperating with companies. To have high effects we discuss now the possible influences to success and the costs for these efforts.

Procurement of Money

The effort to find out relevant information on funding decreases over time. New concepts (like Sponsoring with social codes, Fetscher, www.socialcode.de) will be discussed and integrated in estimating the needed money. The possibilities to be actual and to reach the relevant persons may be fully automated. The underlying IT-Concepts are agent-technology, Data Mining, information broker, deep learning routines. The IT-maintenance for System, for Installation, for Administration or for actualisation will be constant, ca. 70% of the costs (Balzert 1997). With the employment of cloud computing, services, automatically installation of new versions will reduce the prices. Instead of each company having this position they can divide the costs by the number of members in Network. The highest position within this cost potpourri may be meetings to discuss the decisions of using services, to divide responsibilities, to install rules and guidelines for fair play. The meeting may be not too often, regularly once in half a year (FinPlan).

FinPlan = Leasing costs for using clouds and services in addition to meeting costs.

Broadband extension

Public organisations will analyse the actual situation. They give the order to extend and check if it is finished and working. The expansion is financed by tax revenue; the use then costs monthly fees. Bargaining to reduce user fees may result from the provision of business taxes or the benefits of providing regional workplaces (Costs see (SWT Trier)—expansion and participation of customers/estate).

Teaching IT Knowledge

The learning concept is independent of the region. IT-courses may be offered by persons (teachers) or by tutorials (special software), in open

rooms or meetings points or at home. By sharing the needed equipment, persons, rooms the costs will be divided in the number of networks partners.

Special Services for young citizens

Depending on the answers in a special questionnaire, services will be provided. This means you have to offer a special point (or more points) in your platform. The services may be used on demand.

Data security/data protection/special network

This point is essential to hold the trust needed by using computer and machines based on deep learning routines. This is crucial, as no one has written the programs for the services in a smart world but based on artificial intelligence. Responsibilities have to be clarified. These persons have to be equipped with decision-making powers. Decisions are necessary concerning the concepts for the special protection of data, which data should be protected, how to establish accessibility using state-of-the-art technologies and secure the transport of data as such. Everything should be as far as possible aligned with the latest technological findings.

As public organizations are also currently facing digital burglaries, viruses and data theft, considerations of techniques such as the use of communication protocols, the use of proprietary protocols (not Internet Protocols) and defence mechanisms are under discussion and should be made available to all who collaborate with them on social responsibility services. If we think across the EU, then the new IT concepts developed in Horizon 2020 will continue to be promoted as solutions by public organizations. These basic concepts also need to be further developed without the aspect of social responsibility, and therefore do not fall into the price structure of the IM to be created for the cooperative network. If additional benefits for society and the environment are to be found in special regional networks, such as the setting up of contact points for emergency assistance, these organizational measures can certainly be taken into account in terms of costs. These include providing premises, trained staff, and communication channels. Concepts such as those we

already know from providers; post offices and telecoms can serve as models for this.

Health care System

As described above we should also be considering the state of health of humans. In order to develop a feasible concept here, the actual analyzes must be carried out and evaluated in order to then develop measures. How much of this has to be spent, depends on the current infrastructure and the population structure, as well as on the set goals of the network. Should an intensive settlement policy be pursued? Or should the existing structure be preserved? Are there regional difficulties that can be overcome with eHealth and tele-Health? The extent to which insurances, health policy, food chains or medical equipment manufacturers and therapists can be involved here should also be examined. Time losses are minimized by all users, further benefits are seen in the less monetary and resource-burdened health care field as well as the increase in quality of life through self-determined actions in daily life. The provision of IT-based assistance systems or care persons can enjoy support from clubs, church organizations, health insurance funds or therapists through different cost structures. From the part of the IT, the inclusion of a selection button in the platform can be used to search for, find or submit search requests. There are already free platforms for such search/hiring requests and search for neighborhood help of any kind; however, the seizure of private metadata may be hidden and therefore used with the utmost caution. From the side of the IT, the inclusion of a selection button in the platform can be used to search for, find or submit search requests. There are already free platforms for such search/hiring requests and search for neighborhood help of any kind; however, the capture of private metadata may be hidden, and therefore used with the utmost caution.

IT in schools

Schools need IT-assessment, which IT the teacher will apply for the cooperative network organisation—like a project. After having the

surcharge, successful after installation, maintenance will be organised. There is ability to get a used equipment, or a new equipment for a lower price because of ordering a collection, sometimes because of education factors. Sharing the organisation in relation to maintenance and using clouds as data memory location or using grid computer for high computer performance, the costs for each will not be too high.

Living/commercial areas

If you want to establish young families or new companies, a financially good offer of rooms or areas has to be provided. This is a political view. The task to find funds (regional, supra-regional, or pan-European) is a task for public organisations. But all, the old as well the young people, have benefits. More people leads to more friendship, to more possibilities with friends to have the same hobby or leisure time as well as solidarity communities. E.g. in Trier, we have SOLAWI, a union of people to plant together Fruits and vegetables, to harvest and process. In the afternoon, there are stories about campfires and barbecues, the knowhow about growing and exploitation of plants of all kinds is constantly growing. There is therefore a high exchange of knowhow. In addition, it is only through the mixing of all generation that a real life balance becomes possible.

Optimizing information flow between enterprises and the local administration

Sometimes some mistakes between enterprises and the local administration may happen. A good platform and various communication channels will be helpful to clear situations. A continuous improvement process should be installed, the risks for failure is minimized, and a good atmosphere exists to coordinate new creative concepts. Doing so, a better discovering of new partners will be easier.

Standards of Communication

Many different communication types lead to use of many different communication channels. A mix of different equipment for the same

communication type requires reflection and the use of standards. Each network itself can set different standards. For example, workflow management systems are available today to handle processes. The variety is big, the functionality different and so are the prices. In a committee, one should agree on a standard. If this is not possible, then in the case described here, the minimum data exchange must comply with the WFMC standard.

Support for people with disabilities

In order to do justice to all, the solution of individual problems is also required. With digitization and fitting IT support, greater coverage can be achieved. Because today's assistance systems and their intelligent core, help people to meet the needs every day, provide care and supervision of elderly people and facilitate the daily life. Cost concepts can be developed individually; sharing equipment or renting assistance systems are just as possible as a stock exchange, such as a needless possession of a car exchange for monitoring purposes on the ground/traps or the like.

Enterprise view on CSR

Each partner in the cooperative network has his/her special imagination of the favoured situation for CSR. They have to decide at first, what they want to make alone and what together in a common network. Everybody must do the internal thinking process on his/her own. A Coach outside the enterprises helps to change enterprise culture if necessary. This coach is a fixed part of the general CSR-network. Sometimes, it is necessary to have an IT Coach too, because CSR will be under influence of ITG. Thus, the IT-knowledge transfer into enterprise's IT-architecture is not so far.

Back to workplaces/work process

In some regions in Germany, there are many persons without work. After identifying the number of persons without work and the image as well as ideas to return to work, the necessary training must be provided, the

placements set up and people motivated to return to work. Via a portal, their reaction to the question can be supported without a human technical assistance, so that the evaluations, the necessary instructors, places and work opportunities in the environment can be filtered out by means of agent technology, and framework conditions can be queried. Whether you are self-employed or employed, whether you are returning to the old job or something new, all these questions can be answered by information on specially created platforms. From a societal point of view, the particular benefit is the happiness and financial liveliness of each person.

Support external communication

Each enterprise, each family and each office have to communicate with external persons. Multiple possibilities are offered in the market, but not all are visible in such a way that you know what's happened behind. In (Kuhn 2017) you find some examples of what happens by using some smart objects, e.g. light management in combination with the GPS-Information of your telephone: You do not communicate with external environment with your explicit wish but also with the hidden information. In your daily use of communication tools, you need information what is there behind your smart objects and what is the price of your comfort like a light-management. Par example, a light-management helps to fix the light on or off in intervals, or the light-forces dependent on day and time. If you use as normal channel, a chat room, or skype, or some others equipment, it is good to know the newest information about virus detection or others scandals, to decide what you need for a protected channel for this communication, which will follow now. Use of communication tools, not blindly following the offers, but deliberately and intentionally knowing well that the prize for this is the citizen's further education and makes him/her a responsible citizen.

Online market place

We discussed above some needs of team members serviced in a port of an IT-platform. Nowadays, often the use of APPS makes it easier to get relevant information. So, if you still want to support mobility, you can

set up apps. These would not necessarily be offered regionally bound. You could also be useful for other network works in other regions as well and, in exchange, expand your offer at a low price. In this way, costs are kept within limits and tools are becoming more widespread.

New construction of private/commercial buildings

Previously, we had the construction of building areas in mind, so here is the concrete construction of new buildings. From the planning to the key handover a long way. Above all, if costs make such projects unreasonable, solidarity is required. Previously neighborhood helpers were the saviors; today these are the social points, which will be given by authorized board to helpers. If you wish to help but you are working, you can have a settlement for your work (in hours and prize) as a given solidarity work and you can settle for taxes in the annual statement.

IT Support

To use more Software and IT-Hardware, you need more support. The support is available over Internet connectivity by provider or call centre, is it also possible to go to next stores, which have a point of contact to provide information and immediate help. If the performance is billed individually, we will pay more for the more expensive services, as long as people hire services here. Posting staff through the partners in the Cooperative Network would be a cost effective alternative. At the same time, the knowledge of the network is growing, which risks and dangers can lurk, and what difficulties many people have.

Mobility-Infrastructure

Since the twenty-first Century the Mobility is to be extended further, also the supply to the end-user with appropriate terminals must be assured. With a cell phone or iPhone alone, it will not succeed. Drones will also be increasingly used, in order to quickly find something (such as the infestation of mushrooms on the vineyards) or to transport something. Here, rules must be found and flown. A committee should develop a concept for this. Other smart objects will need more energy than

might be available in the region. Thus, also an energy concept has to be produced.

Summary of ITG—Cost-benefit-analysis

In our discussion, we see that very high costs will be borne by the public organisations. However, this is necessary only in the first time due to the reinstallation and redevelopment of the necessary communication infrastructures. In Germany, it is foreseen that all citizens have access to information superhighway by the end of the year 2020. Then costs are being caused by maintenance and regulations and controls. These costs will be distributed to all stakeholders (private organizations, public organizations, enterprises, citizens). It should not only be spending on the expansion of the Internet, but rather its own network protocols or the augmentation of data security by modification of network layers in combination with block chain technology should be promoted. This would open a new marketplace between different networks where haggling and trading can take place, but where one can feel more secure than on the unsuitable previous platforms building on the internet protocol. MAN can therefore serve as a flagship company. A cooperative network with a common IM for implementation of ISG serves as discussed risk minimization. We also identified other benefits such as augmented life balance and quality of life. A better atmosphere between public and commercial organizations can arise. The knowhow in a region increases; new knowledge can be created and transferred profitably into other networks in a creative atmosphere. One of the partners has to be responsible for the overall architecture; the state is so for the provision of the infrastructure. Finally, responsible and creative citizens will be born as outcome from the network.

8.7 ITG—Meta-Platform and Sub-platforms

Within the class IT-Management for Master students in Trier, University of applied sciences, Business Informatics, a prototype for ITG-Meta-platform was developed. With the help of this platform, different forms of organizations can exchange ideas to create synergies. The aim is to

ensure the networking of companies from a technical point of view, with regard to knowhow, infrastructure, prevention of risks, risk management and technology. Political intervention is intended to support, promote and guarantee the networking of companies through legal, economic and political decisions. The prime objective of the economic problems is that the benefits of the preparation, implementation and expansion of the project benefit every participating enterprise economically and can be quantified as far as possible. The willingness of companies to cooperate and communicate must be guaranteed, from a social point of view, and further increase by improving the social infrastructure. The motivation and willingness of all companies at the CN as well as an appropriate information allocation to prevent asymmetries and misuse must be guaranteed.

Our concept is to give information about cooperation chances. Here the information ranges from features of the cooperation to explanations about opportunities and risks of networking with other economic entities. It is also important that information exists on legal aspects. In our case, we hold information about antitrust, data protection and cooperative contracts. We also give an overview of the costs that cooperation can bring. To find a suitable co-operation partner, companies register on our platform and we help them find the right partner. Cooperation can arise in their own industry, but also companies from different branches can cooperate. If you are interested in a cooperation, we forward your request to the respective company. Thus, our platform also offers help with contacting. In case of mutual interest in cooperation, we also offer help in setting the goals. Companies can also offer or visit events on our website. These events are, for example, training, workshops or a meeting aimed to exchange experiences. Companies can register for an event through our site or simply create one themselves.

8.8 Cooperation and Synergies

A cooperation is a cooperation of different intensity, duration and direction between legally independent companies. Cooperation partners can include both competitors, i.e. companies of the same economic level

as well as companies of different economic levels. By exercising and outsourcing certain functions or business processes to several companies, the economic situation of all participants should be improved at best (Kuhn 2018). The companies can use synergy effects through cooperation and thus generate advantages. The benefits depend on the form of cooperation. In the following, five possible synergy effects are described:

- Under *economies of scale* we understand cost savings that occur with a given production technique as a result of constant fixed costs, as the output quantity grows. Thus, cost savings can result from bigger capacities.
- *Risk reduction* is the name of the risk, which normally only one enterprise has to take, but in cooperation it is divided in two or more parts.
- *Economies of Scope* can lead to cost advantages through increased product diversity. On the one hand, through the merger with companies, the right products can attain a product variety alone or through the combination of different products.
- By using one's *knowhow transfer*, an optimization of the products, structures and processes in the company can arise. In addition, it is possible to develop new products and thus open up new markets.
- Under the aspect *Economies of speed*, the cooperating partners can reach their clients quicker because of a wider distribution network. All these will one take into account if an enterprise enters a network.

8.9 Cooperation and Risks

In addition to the benefits and cost savings, companies also take risks with cooperation network. Risks like the following ones may happen: Losing assets, resources and time for voting, willingness to make concessions, divulging information to each other, dependence on each other in a certain way. That's why we need to follow guidelines. In our case, the cooperation direction is possible in each direction: horizontal, vertical and diagonal, with a high intensity in the subject CSR. The liability can take place by arrangement, by contract or with equity participation, depending on the project.

Because of emotions, we excluded a horizontal cooperation. The regional proximity contributes to a common identity of the participating companies and can thus promote the exchange of knowledge between the cooperation partners. In order to prevent an opportunistic behaviour through the possible multiplicity of partners, a relationship between the different cooperation partners should emerge in order to establish a reputation mechanism. Because of the high-intensity cooperation in the activities to bring forward the region, a high trust level can arise. Voting mechanisms must be precisely regulated in the cooperation agreement. We favour the temporary cooperation with the beginning and end of a regional project. This can last one year, three years or more. However, the underlying construction of infrastructures as we have sketched in this chapter, makes an unlimited cooperation necessary, and can only lead to the termination of cooperation through a special incident. One will work together with the CN on redistributive cooperation, as one will pursue common goals and enhance well-being for all concerned.

8.10 Conclusions

As we have shown, it is possible to have an impact on enterprise, on human being and on society. The impact on enterprise should introduce a participative change management, shared projects across all teams, by using CC or CV. There are some helpful platforms like Volunteering WA Toolkit (<https://corporatevolunteers.org.au/toolkit/>), InvolveSoft Platform (<https://www.involvesoft.com/>) or Causcast Platform (<https://www.causecast.com/>). To invigorate the changing processes, a new enterprise culture will have to follow. The impact on human beings lets the employees decide on how much they want to participate. Finally, the impact on society is happiness and therefore an improved health and better quality of life. It is important that the inhabitants are informed on digitalization and change. Because a good flow of information increases the planning efficiency, creates an additional freedom in work and leisure time, and influences the environment and the health system. It is an open question how the information reaches the inhabitants. The information management starts with the first contact with the inhabitants as well as

with the stakeholders. This is because every meeting leads to an exchange of information, which in turn leads to the fact that information can be reclassified and further processed, optimized, and renewed.

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Conflict of Interest

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