



THE MODEL OF CORPORATE SOCIAL RESPONSIBILITY IN PROJECT MANAGEMENT

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Received 18 January 2009; accepted 23 September 2009

Abstract. Corporate social responsibility as a management concept is growing more and more important also for project companies. The task of project management is to identify relevant ecological systems, to recognize the internal and external dimension of social responsibility, and to test existing standards of Corporate Social Responsibility for their applicability in projects. The special benefit of CSR in projects is to set-up values such as integrity, credibility and reputation. For successful implementation of CSR activities, it is essential to align the commitment of the project organization to the own business operations and own goals.

Keywords: Corporate Social Responsibility, sustainability, social responsibility, project management, Triple-Bottom-Line-Concept, sustainability ratings.

ĮMONIŲ SOCIALINĖS ATSAKOMYBĖS VADYBOS MODELIS

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Įteikta 2009-01-18; priimta 2009-09-23

Santrauka. Įmonių socialinės atsakomybės koncepcija tampa vis svarbesnė. Projektų vadybos tikslas – nustatyti svarbias ekologines sistemas, suvokti vidinius ir išorinius socialinės atsakomybės aspektus, patikrinti verslo socialinės atsakomybės standartus. Įmonių socialinės atsakomybės nauda – sukurti tokias vertybes, kaip dorumas, patikimumas ir reputacija.

Reikšminiai žodžiai: socialinė korporacijos atsakomybė, darnioji plėtra, socialinė atsakomybė, projektų valdymas, darniosios plėtros trimatis pagrindas.

1. Principles of Corporate Social Responsibility

1.1. The concept of sustainability as the superior CSR concept

The concept of Corporate Social Responsibility (CSR), describes the voluntary contribution of the economy towards sustainable development beyond statutory requirements. CSR is an integrated business concept that considers responsible entrepreneurial action besides one's own business activities.

In general, sustainability is about extending human action not only to inter-generation equality, but also global equality (Bundesregierung 2004).

The Triple-Bottom-Line concept (see Fig. 1) of sustainable development assumes that sustainable development can be realized only through simultaneous and equal implementation of ecological, social and economic goals. In this concept, the term of the magic triangular of sustainability is also widely used. The three bottom-lines of sustainability are interacting with each other, and need well-balanced coordination in the long term.

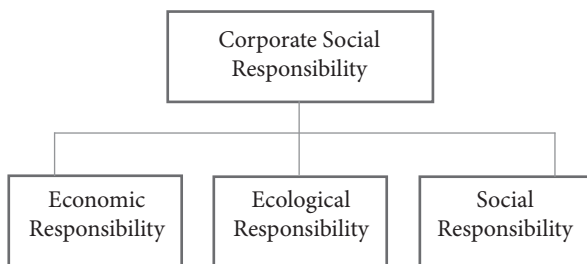


Fig. 1. Triple-Bottomline-Concept of Social Responsibility

Ecological sustainability promotes a way of living that drains the natural basics of life only in the measure in which they can regenerate.

Economic sustainability means the economic operations of the present generation should not be a burden for the following generations through the obligations it created.

The concept of social sustainability in any nation shall limit social tensions and prevent conflicts from escalating, and help solve them in a peaceful and civilized manner.

Acceptance of social responsibility leads to creation of new partnerships and new opportunities for expanding existing partnerships in and between companies.

Cooperation models of specialized players have become an essential part of the economy. Project management takes over coordination between companies, and coordinates the project and the cross-disciplinary processes towards the joint target. Creation of standards of social responsibility helps improve the cooperation between alternating project partners, and lays the foundation for coordination and

communication across the borders of corporations and countries.

1.2. Standards and initiatives of organizations

The existence of standards for taking over social responsibility is particularly important in project organizations. The more standardized the companies involved in the project treat these issues, the better CSR concepts can improve cooperation.

So far, there is a great bandwidth of national and international standards as well as institutions working on the development of and compliance with such standards (European Multistakeholder Forum on CSR 2004). The standards and guidelines listed below are presently used with preference:

- United Nations Global Compact OECD

Global Compact or United Nations Global Compact stands for a global union established between companies and the UNO with the intention to make globalization more social and ecological (International Labour Conference 2008). In this network, companies work together with business associations, works councils, non-governmental organizations, scientists, cities and stock exchanges. Government institutions either directly or indirectly support the work, or they are active members.

- Principles for multinational companies by the Organization for Economic Cooperation and Development (OECD)

These principles cover the conduct of internationally operated companies with regard to the criteria: employees, environment, fair competition, customers, research and development. Recommendations are given for implementation of the principles in the corporate strategy.

- Validation according to Eco-Management and Audit Scheme (EMAS) as well as Certificate ISO 14001

The Community's Eco-Management and Audit Scheme, or EMAS, is a concept that can be used for CSR: EMAS was developed by the European Union and it is a joint system of ecological management and ecological audits for organizations wanting to improve their ecological footprint. The alignment to communication, dialogue and transparency creating trust is a special quality of EMAS. Every ecological declaration has to be audited by an independent, officially chartered eco-auditor. If the declaration fulfils the strict conditions of the directive, the eco-auditor confirms the eco-declaration is valid, and the organization will be listed in the EMAS-Register. The ecological declaration of the EC-Directive

is intended for the public. Further to that, there is also the standard ISO 14001 as the result of standardization efforts of the private economy. EMAS is considered the more sophisticated system; however it concentrates on Europe, while ISO 14001 is internationally accepted far beyond the borders of the EU.

- European Eco-Quality Label “Blauer Engel” (Blue Angel)

The “Blauer Engel” is a quality label for especially environmentally friendly products and services, and has been awarded since 1978. Presently, the following institutions partake in the classification process:

Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit, (German Office for Ecology, Natural Preservation and Reactor Safety), Umweltbundesamt (Federal Ecological Office), RAL Deutsches Institut für Gütesicherung und Kennzeichnung e.V., (German Institute for Quality Control and Labelling) Jury Umweltzeichen (Jury eco-label), the independent decision-making council with representatives of eco and consumer associations, workers unions, industry, trade, crafts, communities, science, media, churches and German regions.

- Dow Jones Sustainability Index

The Dow Jones Sustainability Indices are a series of stock indices for which companies are selected by sustainability criteria among other criteria. The companies in the different indices will be rated by economical, social and ecological risks and chances.

- FTSE4 Good-Indices

The series of sustainable indices reflects the social, ecological and ethical conduct of companies. Thus FTSE fulfils the growing demand of investors who want to measure the social responsibility of companies in which they plan to invest. For classification in the index series, companies have to disclose how they identify the essential social and ecological risks of their business, how they manage them, and how they inform their shareholders and stakeholders about them. For this purpose, the companies have to fulfil a number of CSR-criteria based on three widely defined principles:

- Activities on ecological sustainability.
- Development of positive relations with stakeholders.
- Compliance with universal human rights.

- Econsense

Econsense as an association of big, multi-nationally operating companies in the German economy as a platform contributes to the discussion of sustainability ratings and uses its potentials as a network (Econsense 2009).

2. CSR in Projects

2.1. Systems in the project environment

A project organization is a temporary organization completing project-related tasks. Normally, it will be staffed with people involved in the project who come from different permanent organizations and perform services for the project, or influence the project.

Project members will be selected for certain tasks and set up across the divisions of the corporation. The less the members of the group know each other, the more trust-building and developing activities are required to make the group highly functional.

The situation and culture of the companies from which the project members come have influence on the project culture. Intercompany experiences influence the behaviour in the project groups. The values of the company have impact on the type of targets that will be defined, and hence on the proceeding in work processes. It is the duty of the project management to provide the conditions for supporting success-focussed project work with CSR.

The CSR model is influenced by the following systems in the environment of the project (see Fig. 2):

- Organization of the homebase companies of the project members.
- Employees.
- Technological progress.
- Social values.
- Competitors.
- Suppliers and contractors.
- Politics and lobbies.
- Customers.

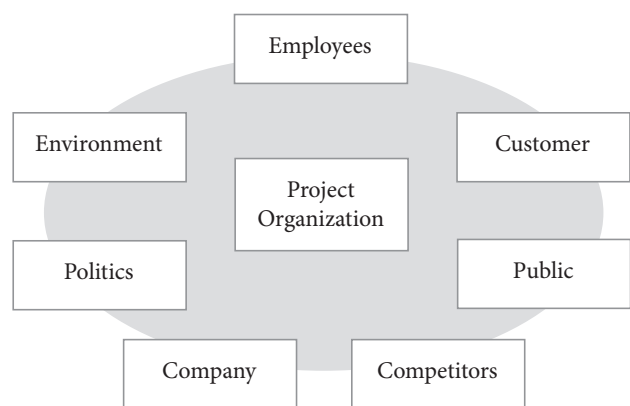


Fig. 2. Systems in the environment of the project organization

2.2. CSR in building projects

Trustworthiness, accountability and reliability are growing more and more important for the reputation of project companies. In the future, the value of the reputation will

be as important as the weight of a brand. This means setting-up the reputation has to be understood as a long-term investment.

Three essential factors make ethical and ecological behaviour in projects inevitable:

- The gain of reputation for the project.
- The reduction of financial risks related to potential legal disputes.
- The creation of competitive edge by early alignment to regulations pending adoption.

2.3. Drivers for the integration of social responsibility in project organizations

Project players will show sustainable commitment only if this commitment obviously benefits their own interests. The following drivers for taking over responsibility were identified in the Green Book of the EU (Grünbuch Europäische... 2001):

- New terms for information and communication

The global availability of informality and communication facilities, and the reduction of communicating costs, lead to increased transparency. Information on the activities of project organizations can easily get known all over the world. This increases the probability that entrepreneurial misconduct of the project management will be discovered.

- Globalization

The extension of opportunities for cooperation and interaction create globally meshed value adding chains. This again creates interdependencies of the project players. Globally acting big corporations bear responsibility beyond the borders of their own company also for the smaller companies involved in their value adding chain.

- Public awareness

Media reports on misconduct of companies having reduced the public trust in companies. The economic market system is more frequently questioned. Business activities are observed with more critical alert. CSR activities have a positive impact on purchasing behaviour.

- The role of the employee

Requirement profiles for employees have changed. The individual is growing more relevant to the project organization because of the extended opportunities for action. Central control of conduct and performance is limited. Hierarchical structures are flattened for the benefit of functional project organizations.

Organizational structures channelling the conduct of the individual will be more important. Employees should be better instructed to reflect the consequences of their actions, and the resulting consequences of their decision-making. Misconduct of individual employees can have far-reaching consequences for the project and beyond.

- Capital markets

The market for so-called sustainable investments is growing. Fulfilment of certain ecological and social metrics is considered conditional. For the companies involved in a project, the public appearance of the project gives reason to take social efforts.

2.4. Social responsibility in projects

In business transactions, the parties grant each other trust in the form of liberties. These liberties define the clearance and discretion of the actors. In relation to the responsibilities, there are clearly defined fields of action (Mutz 2000). The chances for realization of responsible action are within the limits of the clearance for actions.

This context can also be described as a circle of action-determining conditions, actions, and future action-determining conditions:

- The action-determining conditions define the clearance for action.
- Decisions focus on certain objectives with specific, intended consequences of actions.
- The consequences of today's actions reach further; they inevitably also define future conditions for actions.
- Today's actions also strengthen or weaken the trust of the environment in the actor.

In the given circle, responsible action creates an ecological benefit for the actor. The gained trust fortifies his competitive position on the market, this makes responsible action an economic incentive.

Assignment and acceptance of responsibility generally create cooperation gains through improved cooperation and mutual benefit.

The project company has to maintain a dialogue with all stakeholders who are interested in the activities. Corporate responsibility therefore relates to internal as well as external groups.

2.4.1. The internal dimension of social responsibility

- Acceptance of social responsibility for employees

Social responsibility first of all concerns employees. The target of project management is to win and maintain qualified workers. For this purpose, companies set up incentives such as life-long learning, empowerment,

compatibility of job and family, or profit and capital shareholding. More and more often, companies today take action to promote the health of their employees. Projects give employees special opportunity to qualify and take over more responsibility. The close cooperation in the frequently multinational groups increases social competences of individuals. Furthermore, every employee is more aware of the relevance of his performance for the project success compared to a position in a line function in his homebase company.

– Adjustment to change

Socially responsible restructuring balances the interests and concerns of all actors affected by the change and related decision-making.

– Ecological compatibility and management of natural resources

The reduction of the costs for energy and waste disposal, for production, and for elimination of pollutants is positive for project organizations. For this purpose, companies already apply existing national standards and norms, compliance to which is audited regularly.

The precise analysis of processes generally leads to more efficient use of resources, and thus fortifies competitiveness.

2.4.2. The external dimension of social responsibility

– Local communities

Corporate social responsibility also has to consider the integration of companies into the local environment. Companies have an essential function in local communities. They offer jobs, pay wages, and social benefits, and they provide tax earnings for the communities. On the other hand, companies depend on the stability and prosperity of the society and communities in which they operate.

Different to that, project companies normally exist in a time-limited, locally defined environment. This should not lead the project management to neglecting the effects of its activities on the local environment. For the companies involved in the project, the image of the project at a certain location and the local commitment are important for their competitiveness. Project organizations too are in interaction and interdependency with the local ecological conditions.

– Business partners, suppliers and consumers

Cooperation with alliance and joint venture partners as well as franchisees is equally important. In the long-term, such partnerships can provide fair prices and terms as well as quality and reliable supply.

The effects of CSR will not be limited to individual project players, rather they reach out to the related business partners. Big corporations outsourcing part of their value adding chain take over responsibility for the working conditions of their suppliers. In this aspect, it has to be considered that these suppliers are frequently mainly or fully dependent on bigger companies.

Long-term customer allegiance and alignment to demands and requirements of customer are particularly important for project companies providing services. Customers grant these organizations advance trust.

– Safeguarding of human rights

Under the growing pressure from consumer groups and non-governmental organizations, more and more organizations set up ethical codices related to working conditions, human rights and eco-aspects, addressed especially to sub-contractors and suppliers. Ethical codices cannot replace national, European and international law and binding regulations (International Labour Conference 2008). Binding regulations warrant compliance with minimum standards applying to all, while ethical codices and other voluntary initiatives can amend and enhance these standards for those who comply with them.

Ethical codices should be complied with on all organizational levels and throughout the entire production chain. Unlimited information from the project management to the stakeholders about compliance is essential.

3. Benefits of CSR for the project organization

The benefits of CSR activities in project organizations are hard to measure in cash. Earnings from investments in CSR activities however show in the ability of the company to establish assets such as integrity, credibility or reputation, all of which are growing more and more important (Bassen *et al.* 2005).

– Image win

CSR activities help project organizations gain public awareness. However, it is essential that the activities are in line with all other business activities in the corporation.

– Risk mitigation

Risk rating of ecologically relevant processes and activities increases transparency. Preventive measures prevent or mitigate the effects of accidents or disturbances.

– Cost saving

Conscious handling of resources, prevention, utilization and reduction of ecological footprint and improvement of processes lead to cost savings.

- Trustbuilding
Investments in CSR activities increase the trust of authorities, communities and eco-organizations in the project and in the project organization.
- Employee motivation
The reputation of a socially responsibly acting organization contributes to increased employee motivation and satisfaction.
- Growing social competence
Acquisition of additional knowledge and enhanced involvement of employees increases their social competence in project work.

4. Planning and implementation of CSR activities

Successful implementation of CSR activities depends on a written CSR strategy. Appointment of a Corporate Responsibility Officer is recommended for implementation of this strategy.

4.1. Hints for successful implementation of CSR activities

The CSR concept can be used in projects in the long-term only if the decided activities have positive effect on project outcome. Success essentially depends on the commitment of the project organization aligning to the company's own business activities and targets (OECD 2000).

The first step is a detailed analysis of the project environment, based on three dimensions:

- Economy: market, competition, cooperation, employees;
- Society: change of values, acceptance, social trends;
- Natural environment: safety of resources, depth of ecological intervention, eco-design.

So far, the following factors of successful implementation of CSR activities in projects have been identified:

- The values and visions defined by CSR have to be communicated to the employees, and anchored in the project culture.
- The CSR concept has to be integrated in the project strategy, and thus influences the project workflows.
- Employees have to be involved in implementation and realization of the CSR-program.
- The CSR targets and activities have to be defined, communicated, and checked for compliance.
- The success of CSR activities, as well as their expenses, have to be controlled, tested and evaluated.

- The target should be to set up a permanent, long-term cooperation with the stakeholders.
- Networking with other organizations to exchange experiences and to learn from each other has been successful. Rating instruments will help rate the quality of business partners with respect to their ethical and social performance when looking for suitable business partners (Econsense 2009).

4.2. Criteria for rating CSR activities

Further to strategic alignment, the professional implementation will decide about high-quality CSR commitment.

The company in its social commitment will always remain a player in competition. This means the strategic management of CSR projects is very important to find out whether core competencies are used in the company.

The following criteria will help evaluate CSR activities:

- Will the commitment lead to a competitive edge for the company? Competitiveness and the dimensions of environmental protection and social security depend on each other, and are mutually conditional for success.
 - Are projects, partners and issues consciously selected?
 - Is the CSR commitment communicated as widely throughout the company as possible? Do the employees really know about the projects of the company?
 - Are corporate potentials, abilities and special skills used for project management or internal activities?
- Measuring the effect of the activities in the social environment is an essential component of CSR management:
- The first step is to clarify the relation to the problem. What is the problem to which the company relates its commitment?
 - Setting-up networks is very recommendable. Projects will realize sustainable effects on society in particular if problems are not tackled in isolated places, but if the work also establishes and fortifies the self-aid potential of the community.

4.3. CSR as a contribution to value adding in the company

In order to visualize the contribution of CSR to value adding and value increasing of projects, frequently it has been proposed to add the ecological and social aspects to the balance sheet. This new balance term was listed for instance by the European Council in their Green Book „Europäische Rahmenbedingungen für die soziale Verantwortung der Unternehmen (General European Conditions for Corporate Social Responsibility“ (2001). The council proposes that for a European strategy of sustainable development, corpora-

tions in their annual financial statements should audit the business performance by financial, ecological and social criteria.

In order to relate the three dimensions of sustainability (economy, society, ecology) to corporate management, the business consultants for SustainAbility coined the term „Triple-Bottom-Line“.

The Triple-Bottom-Line concept reflects a new understanding of business success. According to this concept, the business performance should be balanced by economic, ecological and social criteria.

5. Conclusion

Modern, complex societies require well reflected application of ethical concepts.

CSR is a method of strategic business management. For project management, this means the systematic combination of the interest in the project with the interest in public well-being. Integrating project players of different cultural backgrounds, and finding, defining and implementing joint standards for socially responsible acting are quite difficult.

This requires high social competency of the project management, which has to have the qualification and competence required for developing and promoting CSR.

Introduction of CSR to projects using already existing standards generally improves cooperation between the project players for the benefit of more efficient project handling, and trustful cooperation.

The voluntary acceptance of social responsibility is a worthy long-term investment in the economic success of projects.

Successful implementation of CSR activities depends on the analysis of the environment of the company. Strategic planning of the activities should be followed by control and rating of the social commitment.

In order to visualize the contribution of CSR to the added value of projects, ecological as well as social aspects should be considered in the balance sheet.

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