An integrated management systems approach to corporate social responsibility

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\textbf{A B S T R A C T}

A great deal of research has emphasized the strategic management of corporate social responsibility (CSR). However, gaps remain on how CSR can be effectively integrated with existing business processes. One key question remaining is how to design business processes so that they accommodate stakeholder requirements in an integrated manner. The purpose of this paper is to present a framework that can be used to integrate CSR into business processes. The framework highlights the concept of simultaneous ‘top-down integration’ and ‘bottom-up community-related indicators development’ approaches to CSR. These two approaches are elaborated with the help of two cases. The top-down approach focuses on building CSR into existing business initiatives through an integrated management systems (IMS) approach. This paper concludes that an IMS approach provides the infrastructure for the integration of CSR. The bottom-up approach focuses on the development of indicators linked to community initiatives. Examples of best practice for both the top-down and bottom-up approaches are provided in two case studies.

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1. Introduction

There is growing recognition that corporations play a critical role in the overall health and functioning of society (Nye, 1974; Shrivastava, 1995). The implementation and practice of corporate social responsibility (CSR) principles are key indicators for measuring society and stakeholder expectations. CSR is based on the premise that organizations need to behave in a socially responsible manner. Numerous high-profile corporate scandals, including Enron, WorldCom, Goldman Sachs and Parmalat (Campbell, 2007; Huff et al., 2009; Smith and Lenssen, 2009; Solomon, 2010) illustrate the necessity for CSR.

The literature on CSR has burgeoned during the last decade (Godfrey et al., 2009). CSR is widely seen as an approach which has the potential to make corporate practices more transparent and socially responsible. However, while increased emphasis on the study and practice of CSR has been helpful in streamlining and improving corporate practices, incidents of unethical corporate behavior continue to emerge. To help address this problem, there is a need for further research on the integration of CSR with core business processes. To have a meaningful impact, CSR must be built into every level of a corporation and must be seen as an organizational imperative. While the need to do this is well established in the literature (Castka et al., 2004; Holder-Webb et al., 2009; Jamali, 2008; Margolis and Walsh, 2003; Zadek, 2004), there is a dearth of research on specific strategies for integrating CSR with existing corporate and community initiatives. This paper seeks to address the gap by providing an integrated approach in the form of a framework for structuring a CSR program. The framework introduces and reinforces the notion of simultaneous ‘top-down’ and ‘bottom-up’ approaches to CSR. The top-down approach, starting at the strategic level, focuses on the development of integrated management systems specifically designed to help embed CSR in a corporation’s existing management systems. The bottom-up approach focuses on linking the organization’s efforts to broader initiatives in the community.

The remainder of the paper is organized into four sections. First, an overview of the relevant literature on CSR is provided. This lays the foundation for the next section which introduces the conceptual framework for integrating CSR with core business processes. The framework then specifically addresses issues associated with the management, measurement, and reporting of CSR. In the fourth section, illustrative examples are provided to demonstrate how the
framework can work in practice. The paper concludes with a brief summary and implications for future research.

2. A snapshot of CSR literature

Numerous definitions have been proposed for corporate social responsibility (CSR). Carroll (1999) provided a comprehensive description of the evolution of CSR definitions over the last several decades. Carroll (1999) explained that the evolution of the CSR construct began in the 1950s; expanded in the 1960s and further proliferated in the 1970s. During the 1980s and onwards, relatively fewer new definitions were proposed, more empirical research was conducted, and alternative themes were explored. CSR is generally interpreted to mean the incorporation of issues such as human rights, labor rights, environmental protection, consumer protection and fighting corruption in corporate practices (Nijhof et al., 2005). Different definitions place different degrees of emphasis on these points. For example, one well-known definition of CSR is “the continuing commitment by the business to behave ethically and contribute to economic development while improving the quality of life of the workplace and their families as well as the local community and the society at large” (WBCSD, 2000).

CSR has its theoretical roots in stakeholder theory. Stakeholder theory recognizes that organizations have obligations not only to shareholders but also to other interest groups such as customers, employees, suppliers and the wider community, amongst many others (Carroll, 1991; Freeman, 1984; Jamali, 2008; Mitchell et al., 1997). Meeting the demands of stakeholders is necessary for sustaining a continued supply of resources and for legitimation reasons (DiMaggio and Powell, 1983). Any approach to CSR must, therefore, have an explicit focus on stakeholder requirements. However this could also entail clash of interest of stakeholders (de Colle and Gonella, 2003). Campbell (2007) suggests that corporations are acting in a socially responsible manner when they undertake two key activities. First, they do not knowingly do anything that could harm their key stakeholders, such as their investors, employees, customers, suppliers, or the local community within which they operate. Second, if corporations do cause harm to their stakeholders, they must then rectify it whenever the harm is discovered and brought to their attention. Dahlstrud (2008) analyzed 37 definitions of CSR and found commonality across five dimensions — environmental, economic, social, stakeholder, and voluntariness. The other dimensions of CSR include ‘cultural sustainability’ and ‘corporate governance’. For further details on the definitions of CSR the interested reader is referred to Carroll (1999), Carroll and Shabana (2010), and Dahlstrud (2008).

CSR has benefited from its close association with the sustainability movement and is generally focused on a business’s contribution to sustainability (Kleine and Hauff, 2009). Sustainable development is generally viewed in terms of triple-bottom-line accounting (Edgeman and Hensler, 2001; Elkington, 1999). Steurer et al. (2005) noted that sustainable development, corporate sustainability, and CSR are closely related concepts focusing on stakeholder relations management but at different levels of action. Accordingly sustainable development is a guiding model at the level of society, corporate sustainability is a sustainable development model at corporate level, and CSR is a management approach for business contribution to sustainable development. Based on the concept of stakeholder relations management, Steurer et al. (2005) defined CSR 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” and “it is not a surprise to find the triple bottom line also in the context” (p. 274). The research of Steurer et al. (2005) clarifies the relation between sustainable development and CSR and highlights three important points: (i) a focus on broad range of stakeholders to fulfill their demands including addressing the triple bottom line of sustainable development; (ii) integrating stakeholder considerations into business processes, and (iii) doing it on voluntary basis.

Based on Kleine and Hauff (2009), Steurer et al. (2005) and WBCSD (2000) for the purpose of this paper we have defined CSR as an approach by an organization for voluntarily addressing multiple and dynamic bottom line issues through the development of an organization-wide infrastructure. This means that a socially responsible organization should and will address different stakeholder requirements — such as, but not limited to, triple bottom line issues and broader efforts for improving quality of life in the workplace, local community, and society at large. Further, this needs to be organized through the development of an organization-wide infrastructure to integrate CSR into business processes so that CSR is not addressed in isolation from the mainstream business processes but, rather, as an essential strategic imperative of the organization.

While individual commitment is important, CSR cannot be implemented by individuals alone but requires developing collective competencies and shared interpretation of CSR knowledge. Given that CSR is contextual and dynamic in nature from the perspective of stakeholders, their requirements, its geographical location, and business type (Kleine and Hauff, 2009). Continuous learning is needed to deal with increasingly complex and many-times interrelated issues, in interaction with the diverse range of stakeholders. Companies must learn how far they need to extend their responsibilities, priorities and available resources as this will determine what issues to take up, how to give meaning to those issues, and how to successfully combine strategies for addressing multiple bottom lines (Nijhof et al., 2005). This highlights the need for collective competencies.

A number of publications have focused on the business case for CSR. As a starting point, Berman et al. (1999) offers two competing perspectives on the motivation for CSR — the instrumental approach and the normative approach. The instrumental approach to CSR suggests that the concern for stakeholders is motivated by a perception that a company’s financial performance can be improved by introducing CSR. The normative perspective, on the other hand, suggests that organizations have a moral obligation to look after stakeholder interests. The business case for CSR may be categorized under four arguments: (i) reducing cost and risk; (ii) strengthening legitimacy and reputation; (iii) building competitive advantage; and (iv) creating win–win situations in terms of fulfilling stakeholder needs and pursuing profit goals (Carroll and Shabana, 2010). There is significant evidence that CSR practices give rise to financial pay-offs and a strategic advantage through differentiation from competitors (Burke and Logsdon, 1996) (cf. Makni et al., 2009). Two meta-studies by Margolis and Walsh (2003) and Orlitzky et al., (2003) have further corroborated that there exists a positive relationship between CSR and financial performance. This has strengthened the business case for CSR and reinforced the notion that CSR practices are essential for successful business performance. For a further discussion of the business case for CSR see Carroll and Shabana (2010), Salzmann et al., (2005) and Weber (2008).

The debate on CSR has recently shifted: it is no longer about whether to make a substantial commitment to CSR but, rather, how to implement, maintain and improve on CSR practices (Smith, 2003). There are three interrelated, essential aspects to be considered in the integration of CSR. The first aspect is the need for a systematic, planned approach to integrate CSR into business processes; the second is the measurement and assessment of CSR to ensure that business processes are regularly monitored and evaluated. The third aspect is the reporting of CSR programs and...
initiatives to interested stakeholders. This could be done in a number of ways, including annual reports, CSR (or similar) reports, or as a part of ethics and/or social audits (Davenport, 2000; Jamali, 2008). These three interrelated elements of CSR are discussed next.

2.1. Management of CSR integration

A number of publications have focused on the implementation of CSR into business processes. Nijhof et al. (2005) noted that individuals alone cannot meet the challenges of implementing CSR. Competencies and collaboration are required at the collective level. Nijhof et al. (2005) further note that readiness to interact with stakeholders and respond to their legitimate expectations is central to the concept of CSR. Castka et al. (2004) explained how organizations could integrate CSR with existing standardized management systems. A number of researchers have explored the integration of CSR into business processes through case research. Zadek (2004), for example, explained how Nike implemented CSR while moving gradually from a ‘defensive’ stage through ‘compliance’, ‘managerial’, and ‘strategic’ to ‘civil’ stage. With every advanced stage CSR was further institutionalized in the organizational setting. Smith and Lenssen (2009) have explained using a number of cases how various organizations endeavored to mainstream CSR practices. Solomon (2010) and de Colle and Gonella (2003) emphasized the need to address CSR more strategically through a corporate governance and accountability infrastructure. Similarly, Huff et al. (2009) have highlighted the need for a strong corporate governance structure to effectively integrate CSR into business processes.

The implementation of CSR has been a topic of a number of publications. Kleine and Hauff (2009), for example, discussed the implementation of CSR through the elaboration of sustainability dimensions, selection of focal points, and effective pre-implementation CSR planning. The research of Maon et al. (2009, 2010) and Pedersen (2006) also highlights the important stages in CSR implementation. A number of publications have focused on incorporating CSR initiatives in supply chain, see, for example, Ciliberti et al. (2008), Cramer (2008), and Kovács (2008). There is a plethora of literature that emphasizes the need for strategic management of CSR — see, for example, de Colle and Gonella (2002, 2003), Key and Popkin (1998), Smith (2003), Smith and Lenssen (2009), and Solomon (2010). de Colle and Gonella (2003) identified two broad approaches to CSR: Internally focused approaches dealing with corporate mission, values, culture and desired business behavior — in other words, business ethics programs; and externally focused approaches dealing with social, or external stakeholder issues, i.e. social accountability programs. The authors reviewed each of the two approaches and suggested the use of a balanced approach to integrate CSR into traditional business management systems and processes. The core message of the mentioned papers is that CSR must be woven into the strategic management processes of an organization for effective implementation. The general literature on how to implement a program strategically (Hitt et al., 2003) is also helpful in this regard. However, the lingering question remains on how to implement CSR using a strategically-steered approach. The need for CSR implementation frameworks is highlighted by the fact that implementation of CSR is a complex process that is further complicated by the fact that there is a perception of CSR being a vogue (Kleine and Hauff, 2009). An enhanced understanding of the dynamic implementation of CSR could make the management of CSR more systematic, efficient, effective, and, importantly, practical. Accordingly the purpose of this paper is to develop a framework for organization-wide integration of CSR. For insights into how the integration of CSR could be made more methodical and systematic, a brief review of the literature on the integration of management systems (MSs) into business processes is instructive.

2.2. An integrated management systems approach to CSR

Like CSR, the concept of an integrated management system (IMS) is designed around engaging stakeholders. The role of an IMS in the integration of CSR builds upon the individual MSs which are deployed to cater to the needs of stakeholders. Standardized MSs provide a systematic means to address the requirements of stakeholders. The standardized MSs in common practice include ISO 9001 for quality, ISO 14001 and Eco-Management and Audit Scheme (EMAS) for environmental issues, ISO 10001 for customer satisfaction and complaints systems, ISO 31000 for risk management, AA1000 for sustainability assurance, ISO 26000 for corporate responsibility, and SA 8000 for social accountability. The stakeholder-focused approach of these MSs provides a fundamental basis for the integration of CSR as part of these individual MSs or a more comprehensive IMS.

The need for the integration of individual MSs is rooted in the need to effectively utilize organizational resources. Multiple MSs place pressure on organizational resources, such as personnel, time and money, and could lead to a number of incompatibilities among individual MSs and the inefficient use of resources. This, in turn, could lead to confusion among employees and sub-optimal performance (McDonald et al., 2003; Salomone, 2008; Zutshi and Sohal, 2005). Integration of MSs provides the infrastructure to manage the requirements of stakeholders in a coordinated manner. An IMS provides the organization with the structures to design organizational processes in such a manner that stakeholder requirements do not conflict with each other (Wright, 2000). At the strategic level, an IMS provides a mechanism for increased interaction with stakeholders, a means of developing an informed understanding of their demands, and a way to structure the effective and efficient channeling of organizational resources (Karapetrovic, 2002, 2003). At the tactical level, it focuses on the design of an integrated management manual, work procedures, operational level work instructions, and processes, as well as developing the criteria and norms by which integration could be evaluated. At the operational level, the work instructions and work activities are integrated. Supporting activities, such as auditing and general administration, are also designed accordingly to address stakeholder demands in an integrated manner so as to promote efficiency, save resources, and reduce confusion amongst employees at the operational level. For a further discussion of the strategic, tactical, and operational imperatives of an IMS see, Asif et al. (2010) and Karapetrovic (2002, 2003). IMS is further explained in a number of publications such as Rocha et al., (2007), Karapetrovic (2002, 2003), Karapetrovic and Jonker (2003), and Zutshi and Sohal (2005). An IMS approach is explicitly a top-down approach. In the IMS literature this approach is also called either a ‘meta-management approach’ (Asif et al., 2010) or a ‘systems approach’ (Jonker and Karapetrovic, 2004; Karapetrovic, 2003; Karapetrovic and Jonker, 2003). However, despite the mutual focus shared by CSR and IMS on addressing stakeholder requirements, there is relatively little literature on how to achieve CSR through the integration of MSs. The noteworthy exceptions are Jørgensen (2006) and Jørgensen et al., (2006), who discussed various levels of integration and emphasized the need to embed integration in organizational culture in order to effectively cater to the demands of various stakeholders; Rocha et al., (2007), who discussed integration from a perspective of micro and macro levels of integration in order to explain how sustainable development could be integrated into existing MSs; and Oskarsson and Malmberg, (2005), who explained...
that integration of MSs could facilitate the development of a sustainable corporation and provide a robust means to address stakeholder requirements in an integrated manner. An IMS approach can provide an important means for the integration of stakeholder requirements into business processes.

2.3. CSR measurement and reporting

The measurement and assessment of CSR builds upon the axiom that 'what gets measured, gets managed'. Thus, in order to improve performance along various stakeholder dimensions it is important that CSR practices are evaluated in order to identify and prioritize areas of improvement. The measurement of CSR, in general, can be carried out along the five dimensions identified by Dahlsrud (2008), i.e., environmental, economic, social, stakeholder, and voluntariness. More specifically, this can be facilitated through the development of measureable indicators along the identified dimensions of CSR. A number of indicators for measuring these dimensions have been reported in the literature.

The most widely-cited system of indicators is provided as a part of the Global Reporting Initiative (GRI) framework (GRI, 2006). The framework identifies 75 indicators along social, environmental, and economic dimensions. The GRI framework also includes 15 sector supplements, including additional indicators, to cater for the unique needs of individual sectors. There are, however, some inherent weaknesses in the GRI reporting framework. Coel (2005), for instance, notes that (1) it is not a management tool, (2) it is overly general, (3) there are many indicators, and (4) the business case for implementing the GRI guidelines is not yet clear. Other critics say that it may be a useful starting point, but amounts to little more than box-ticking; or worse, it can provide a cover for poor performance (Economist, 2008). Critics also argue that it may reinforce 'business as usual' and a greater level of unsustainability (Smith and Lenssen, 2009). On the positive side, the list of indicators in the GRI framework provides organizations with an important starting point for their sustainability initiatives. It makes CSR measurement and reporting more systematic and makes it possible to compare different organizations along a given set of indicators. The GRI has also helped raise awareness of the importance of corporate sustainability reporting. In any case, the GRI framework remains widely used in CSR measurement and reporting (Moneva et al., 2006; Smith and Lenssen, 2009).

The limitations inherent in standardized sets of indicators, such as the GRI, highlight the need for context-specific indicators. Thus, while organizations can rely on existing standardized indicators as a reference point, they also need to develop indicators that suit their specific business requirements, and more accurately represent the wide-ranging internal and external impact of their business processes. With a few exceptions, such as Keeble et al. (2003), Lohman et al. (2004), and Searcy et al. (2007), there is a scarcity of literature on stakeholder involvement in the development of indicators. The development of business-specific indicators requires a systematic stakeholder analysis approach whereby the organization interacts with stakeholders to identify their key expectations and areas of concern. They can then be converted into indicators using the scientific principles of reduction and abstraction and aligned with organizational resources and priorities, as required. This means that unstructured sustainability-related requirements derived from brainstorming and extensive interaction with stakeholders are clustered around sustainability dimensions and developed into measurable indicators. For details on the process of developing new indicators the interested reader is referred to Keeble et al. (2003), Lohman et al. (2004), and Searcy et al. (2007). The next stage after measuring CSR performance is to report the results (internally and externally). The reporting of CSR initiatives is necessary for a number of reasons. First, CSR reporting may be required by regulators or other powerful stakeholders, such as major customers. Second, the reporting of CSR presents an opportunity to develop a responsible image for the company (Ziek, 2009). Finally, reporting on CSR is also necessary for legitimization reasons (DiMaggio and Powell, 1983). As we know that most organizations are dependent on their stakeholders for a continued supply of resources (for example financial, expertise, or even human); to ensure the continued supply of such resources, managers need to communicate the results of their initiatives to stakeholders in order to create goodwill. Another driver for organizational senior management is to reassess their strategies based on the analysis and findings from CSR initiatives. While the GRI reporting framework remains an important option, as mentioned earlier organizations could also use other means for communicating CSR initiatives, including the annual report, the annual shareholder letter, nonfinancial reports, and web pages (Holder-Webb et al., 2009; Ziek, 2009).

3. Framework for the integration of CSR

The framework for the integration of CSR into business processes is shown in Fig. 1. The figure illustrates a simultaneous 'top-down integration' and 'bottom-up community-related indicators-development' approach for the integration of CSR into business processes. As highlighted in Fig. 1, the top-down approach is focused on the identification of stakeholder needs and the integration of CSR with internal management systems. The 'top-down integration' approach also incorporates the development of internally-focused indicators, such as those related to employee health and safety, environmental impacts, and equity issues, among others. The need for 'top-down integration' is in line with the plethora of literature that calls for integration of social and environmental dimensions into business processes. The top-down approach introduces required structures at all organizational levels, defines CSR responsibilities, and makes communication and information flow more systematic. This approach, thus, provides a systematic approach for translating strategic CSR goals and integrating different stakeholder requirements into business processes. The 'bottom-up community-related indicators-development' approach focuses on consultation with stakeholders in the community and the development of indicators linked to community needs, such as the corporation's role in providing an appropriate quality of life. The need for the bottom-up approach is underlined by the fact that organizations need to interact purposefully with relatively less powerful stakeholders, such as the local community. The bottom-up approach provides a systematic approach where organizations can interact with the community to better understand how the business operations impact the community, how the organization can contribute to improve their living standards, and what types of indicators should be used to measure improvement in quality of life. In a nutshell the bottom-up approach provides a systematic means for engaging stakeholders that are often overlooked.

CSR initiatives require organizations to interact with a broad range of stakeholders to address multiple bottom line issues. The need for the use of two distinct approaches is underpinned by the fact that organizations have different types of stakeholders. The demands of conventional stakeholders — such as suppliers, employees, customers, and regulators — can most effectively be met through the internal management system of the organization. This usually entails a top-down approach where strategic CSR objectives translate and cascade down to the lowest level of the
organization. Owing to a hierarchy of authority, goals, structural characteristics, administrative procedures, and management systems, this approach is advantageous for the integration of CSR into business processes. Since these individual systems are designed to address the requirements of a particular group of stakeholders such as customers, employees, and regulators; an inevitable outcome of these systems is that less conventional stakeholders, such as community, are ignored. Bringing the less conventional stakeholders, such as the local community, into the organizational consciousness requires a different approach where the first step is to find how the organizational processes affect the community. This provides a basis for the organization to use its financial resources, technological knowledge, management talent, and functional expertise to fulfill their demands. The intended outcome of the two approaches is satisfaction of a broad range of stakeholders.

The framework for the integration of CSR into business processes is designed around the Plan-Do-Check-Act (PDCA) cycle (Deming, 1994) to explicitly highlight that the integration of CSR is an iterative process that requires continuous improvement.

### 3.1. Planning CSR integration

The integration process begins with the ‘Plan’ element of the PDCA cycle (see Fig. 1). From the perspective of the ‘top-down integration’ approach, the starting point for planning is finalization of the strategic direction, including environmental scanning. The latter process centers on management actively identifying existing and potential stakeholder requirements (Van der Heijden et al., 2010). Important criteria in this regard are the power, urgency, and legitimacy of stakeholders (Mitchell et al., 1997). The scanning process will help management to develop an informed understanding of the internal and external environment (Daft, 2008). It also involves refinement of the strategic direction of an organization since many large organization may already have some of them in place. The scanning process, thus, entails the development of corporate mission, values, culture and desired business behavior (de Colle and Gonella, 2003). As Fig. 1 shows, stakeholder requirements may center on effective management of quality, environment, health and safety, and social accountability areas, among many others. The corporate environmental scanning also includes an analysis of external stakeholders, including the broader community, to determine how organizational activities impact these stakeholders. The requirements would be addressed through two key mechanisms. First, the organization would develop indicators to measure performance in the key priority areas identified as part of the environmental scanning process. Ideally, the indicators should be organized around the key stakeholder requirements highlighted in Fig. 1, or around other priorities identified by the respective organization. Second, the organization would implement MSs that are focused on the key priority areas which can help the organization’s efforts to systematically address the specific

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**Fig. 1.** The framework for the integration of CSR into business processes. *CSCS — Customer satisfaction and complaints system.*
requirements of its stakeholders. The integration of disparate MSs will provide an organization with a structured approach to address stakeholder demands in a coherent and synergistic manner.

The key point in the ‘bottom-up community-related indicators-development’ approach is that it explicitly requires the organization to look beyond its internal processes to focus on its broader impact on the community. Non-traditional corporate stakeholders such as non-governmental organizations (NGO), municipal government representatives, and the general public, would be the focus of the consultations in the bottom-up approach. The underlying assumption is that organizations can serve as an important leverage point in the community due to knowledge of technology and management, availability of resources, institutional capacity, and political power (Shrivastava, 1995; Welford and Gouldson, 1993). The interaction with stakeholders in the community is needed to make sense of what is valued by the community and what role the organization could play in this regard. The interaction with key community stakeholders provides a base for identifying the key priority areas to be addressed in the particular context in which the organization operates. Examples of these key priority areas include quality of life, community reinvestment, public safety, culture and recreation, education, economic vitality, health, housing, and transportation. The key priority areas, in turn, provide a starting point for the development of measurable indicators focused on the corporation’s links to the community. These indicators could be original indicators developed by the organization through stakeholder consultation, or indicators drawn from an existing community indicator program where available, or a mix of both. The key point is that the organization would contribute to improving the performance of the community-focused indicators. The community-focused indicators then need to be linked with the internal indicators and MSs developed as part of a ‘top-down integration’ approach.

As illustrated in Fig. 1, the top-down and bottom-up approaches are linked through the systemization of stakeholder demands which is meant to prevent redundancies and conflicts among various stakeholder-requirements or in the processes meant for their management. This could include activities such as: (i) ensuring that different stakeholder requirements do not pull the organizational processes in different directions; (ii) developing a set of indicators, including internal and external indicators, that provide holistic measurement of organizational initiatives; (iii) developing organogram defining CSR responsibilities and hierarchies; and (iv) organizing structures and processes that allow the execution of CSR integrated processes without sub-optimization of the overall organizational objectives. This is put into practice through the implementation of an IMS for the whole organization. Fig. 1 further highlights that the IMS links the ‘Plan’ and ‘Do’ components of the PDCA cycle. One key component of the planning process not explicitly mentioned above, is the need to develop criteria upon which the IMS would be evaluated. This evaluation needs to be centered on the indicators regarding key priority areas and could involve integrated audits and/or self-assessment as the methodology of evaluation.

### 3.2. Doing CSR integration

The ‘Do’ stage of the PDCA cycle denotes designing and refining the organizational infrastructure so that it facilitates the implementation and realization of organizational objectives. As noted earlier, an IMS provides an organization with the necessary framework for managing various stakeholder requirements in an integrated manner. At the core of an IMS, stakeholder requirements, collected through the both top-down and bottom-up approach, are operationalized using a cascading approach. As shown in Fig. 1, the process starts from an integrated manual, which is a steering document for management and provides guidance on how management would achieve its defined CSR objectives. The integrated manual then gives rise to integrated procedures, which are cross-functional and guide managers on how to execute business processes in an integrated manner. Finally, the integrated work instructions at the operational level provide operators with details on how to execute a specific task in a way aligned with organizational objectives. The need for a top-down implementation of a strategy, as advocated in the ‘Do’ stage of the framework, is, also cited in the literature. Daft (2008), for instance, notes that successful structural change involves a hierarchy of authority, goals, structural characteristics, administrative procedures, and management systems. The top-down approach, thus, provides the required mechanism for the methodical implementation of structural and/or administrative change throughout the organization. In addition to the development of these technical structures, managers also need to introduce certain changes along the social side of the organization. This includes training individuals to develop competencies, developing CSR routines, and a strong common CSR culture. The social side of the organization must be aligned with the technical side to embed CSR in the whole organization. Nonetheless, caution must be exercised before any major structural changes are implemented at the operational level. Additional resources will be required to train and, in some instance, recruit new skilled staff to implement any changes that are required. While many organizations may have CSR facilitating structures and trained individuals owing to existing management systems; the bottom-up approach — depending upon prevalent community issues — may require new types of routines including regular interaction, scanning of the context, community projects, community involvement, and follow-up.

### 3.3. Checking CSR integration

Measurement and assessment are the foundation of the ‘Check’ element in the PDCA cycle. This step emphasizes the need for the organization to reflect on the changes made to date. It also highlights the need for the organization to identify and respond to the challenges in the implementation of the IMS approach. The ‘Check’ stage of the PDCA cycle is, therefore, a key element of organizational improvement in the face of continuously changing stakeholder needs and demands. Measurement and assessment can be carried out in three ways: 1) monitoring — using the measurements already created, 2) integrated auditing, and 3) benchmarking. A combination of these approaches may also be used.

Given that organizations could use a number of approaches to evaluate their CSR integration, the key component of measurement and assessment is the monitoring of indicators set for both top-down and bottom-up approach. These indicators are reflective of organizational progress in CSR initiatives. The indicators also inform an organization of the extent to which its strategic CSR plans are realized and what measures need to be taken to refine or redesign the CSR integration. While monitoring of indicators related to the top-down approach may be more convenient due to existence of internal management systems; deep interaction with the local community is essential for effective monitoring. Monitoring may, therefore, warrant different types of routines including, but not limited to, ethnographic observations. The monitoring of indicators is also required for communicating CSR initiatives to stakeholders.

Auditing provides an important means to assess CSR integration (Maon et al., 2009). Audits are usually carried out by professionally-trained, independent auditors. Owing to their independence, objectivity (Foley, 2005), and evaluation against a given criterion,
audits can identify areas of non-conformance which may otherwise go unnoticed by the process owner and could provide a foundation for continuous improvement (Karapetrovic and Willborn, 2001). In contrast to conventional auditing that focuses on individual stakeholder requirements, integrated auditing evaluates organizational processes simultaneously along all stakeholder dimensions. A key feature of integrated auditing is to ensure that all stakeholder requirements are simultaneously considered. This helps minimize the risk that certain stakeholder requirements may be overlooked or addressed at the expense of others. Another key benefit of integrated auditing is that it can result in cost savings as a result of the reduced number of total audits across areas such as quality, environment, and occupational health and safety. For further details of the advantages of an integrated auditing see, Holdsworth (2003), McDonald et al., (2003), and Wright (2000).

While the focus of auditing is on improvement in the existing systems using the established audit criteria, benchmarking provides an organization with the opportunity to compare its systems using the established audit criteria, benchmarking details of the advantages of an integrated auditing see, Holdsworth (2003), McDonald et al., (2003), and Wright (2000).

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While the focus of auditing is on improvement in the existing systems using the established audit criteria, benchmarking provides an organization with the opportunity to compare its performance against industry best practices (Dale, 2003). Organizations can compare their performance using their set CSR indicators against others known to excel in this area, with continuous improvement in mind. While auditing can lead an organization to improve internally, benchmarking helps an organization to calibrate its performance with industry best practices. Benchmarking also helps organizations to set more competitive and market-based standards and performance yardsticks. A combination of audits and benchmarking can, thus, provide an organization with a viable mechanism to improve internally through audits as well as calibrate its performance along external CSR benchmarks.

### 3.4. Acting on CSR integration

As noted in the previous sections, the outcome of CSR initiatives should be communicated to organizational stakeholders. Communication is one of the pillars of the ‘Act’ stage in the PDCA cycle. Communication about CSR initiatives could be carried out formally through annual reports, annual letters to shareholders, dissemination of information on corporate philanthropic activities, web pages, and organizational codes (Holder-Webb et al., 2009; Ziek, 2009). With regard to the bottom-up approach, managers need to determine the most appropriate means of communication to reach the wider community. In any case, CSR initiatives should be communicated to both traditional stakeholders — such as customers, employees, and regulators; as well as less traditional stakeholders, including the local community. Going beyond the conventional methods of CSR communication, organizational reporting also needs to be enhanced through personal and organizational stories and experiences (Nijhof et al., 2005). As noted earlier, communication with stakeholders is necessary to sustain the continued supply of resources and, consequently, organizational profitability and survivability.

The ‘Act’ stage in the PDCA cycle, however, goes beyond communication. The importance of learning and innovation, and the development of institutional knowledge innovation, required for continuous improvement are also highlighted in Fig. 1. In addition, there is a need to consolidate previous CSR experiences into organizational processes. The newly acquired CSR knowledge needs to be integrated both with the explicit knowledge of an organization (i.e., knowledge that exists in the form of manuals, procedures, databases, work instructions, checklists, etc), and with the tacit knowledge of the organization (i.e., knowledge that exists in the form of employees’ experiences and skills). The integration of new knowledge and novel experiences provides an opportunity for continuous improvement and can help better prepare the organization to address the inevitable (un)anticipated challenges that will arise. The ‘feedback loop’ provides the required channel to integrate newly acquired knowledge into organizational processes. It also helps to develop institutional knowledge that supports CSR learning and innovation. Individuals alone cannot meet the challenges of implementing CSR. They require certain competencies at the collective level as well (Nijhof et al., 2005).

Based on Asif et al. (in press), a representative list of CSR specific actions required to implement the framework is provided in Table 1. The Table shows CSR related activities belonging to the each element of the PDCA cycle and elements of the framework. The Table further illustrates the elements of the framework and provides guidance on the issue of ‘how to integrate CSR into business processes?’

### 4. Applying the framework in practice

In this section, the top-down and bottom-up approaches to CSR integration are illustrated in two examples. Insight is provided into how the two organizations addressed CSR according to their specific contexts. The first case illustrates how a community-based organization developed indicators after interacting with and receiving feedback from community members and other relevant stakeholders. The second case illustrates how a manufacturing company integrated its internal indicators into an overall business IMS. The two cases show how to organize the top-down and bottom-up integration of CSR into business processes. It is important to note that while the discussed cases address the top-down and bottom-up integration separately, the purpose is to show how such integration could be organized. Ideally organizations should use both approaches simultaneously to cater to the needs of wide range of stakeholders. The two cases could help guide the trajectory for CSR integration.

#### 4.1. A bottom-up approach to community-related indicator development

Truckee Meadows Tomorrow (TMT) in partnership with Charles Schwab Bank provides an example of a ‘bottom-up approach to community-related indicators—development’. Truckee Meadows Tomorrow (TMT) is a community-based, non-profit organization. Its vision is to enhance the community’s ability to continually improve the quality of life in the Truckee Meadows Valley of Nevada, USA. TMT endeavors to promote a sustainable lifestyle through extensive community involvement. TMT has developed a system of measurable and actionable indicators which it and other organizations in the community use as a starting point to enhance the quality of life. The Charles Schwab bank partners with the TMT to help realize its vision (TMT, 2007).

Central to the development of measurable and actionable indicators at TMT is stakeholder engagement. This process begins with the active involvement of community members since they are instrumental in defining what ‘quality of life’ means to them. Community participation helps TMT to visualize a clear picture of the concept of ‘quality of life’ and the possible approaches towards its realization through meeting defined indicators. TMT had identified 33 indicators related to the quality of life. As illustrated in Table 2, these indicators are grouped into 10 categories. It is important to note that the identification of indicators and their categorization remains an iterative process at TMT.

Table 2 highlights two important points. First, it provides a comprehensive list of indicators which can be selected by corporations for their community-related sustainability initiatives. For example, indicators belonging to education, economic well-being, health and wellness, natural environment, and public well-being may be relevant for corporations in many sectors. Indeed,
Table 1
A list of representative CSR activities belonging to elements of the framework.

<table>
<thead>
<tr>
<th>PDCA stage</th>
<th>Elements of the framework</th>
<th>Representative CSR activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan</td>
<td>Environmental scanning to identify and prioritizate stakeholder demands</td>
<td>• Environmental scanning to identify issues that impact the organization</td>
</tr>
<tr>
<td></td>
<td>Interaction with stakeholders/community</td>
<td>• Defining stakeholders and their requirements</td>
</tr>
<tr>
<td></td>
<td>Identification of key priority areas</td>
<td>• Ensuring that there are no clashes of interest/redundancies in different stakeholders’ requirements</td>
</tr>
<tr>
<td></td>
<td>Systemization of stakeholder demands</td>
<td>• Ensuring that different stakeholders’ requirements do not pull the organizational processes in different directions</td>
</tr>
<tr>
<td></td>
<td>Development of new community-linked indicators</td>
<td>• Engaging in stakeholder consultation</td>
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<tr>
<td></td>
<td></td>
<td>• Defining CSR in the context of the organization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Defining the business case for CSR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Exploring competencies for CSR at both individual and organizational level</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Development of indicators to measure performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Development of community indicators</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Identifying the resources required for CSR</td>
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<tr>
<td></td>
<td></td>
<td>• Securing top-management commitment</td>
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<tr>
<td></td>
<td></td>
<td>• Developing business model for CSR</td>
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<tr>
<td></td>
<td>Development of an IMS for the whole organization</td>
<td>• Development of organizational organogram with clearly defined CSR responsibilities</td>
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<td></td>
<td>Development of integrated structures</td>
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<td></td>
<td></td>
<td>• Vertical integration of CSR by translating organizational objectives into tactical and operational imperatives</td>
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<tr>
<td></td>
<td></td>
<td>• Horizontal integration of CSR across departments, functions, and the whole supply chain</td>
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<tr>
<td></td>
<td></td>
<td>• Developing technical structures for CSR such as development of integrated manual, procedures, work instructions, and processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Development of social structures such as teamwork, training, and collective CSR competencies</td>
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<td></td>
<td></td>
<td>• Developing CSR routines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Development of culture conducive for CSR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Alignment of social and technical structures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Managing CSR knowledge</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Adhering to CSR strategic plans for realization of long term objectives</td>
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<tr>
<td></td>
<td></td>
<td>• Responding appropriately upon transgression</td>
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<td></td>
<td></td>
<td>• Ensuring transparency in CSR integration</td>
</tr>
<tr>
<td></td>
<td>Evaluation of CSR indicators</td>
<td>• Ensuring that there are no clashes of interest/redundancies in different stakeholders’ requirements</td>
</tr>
<tr>
<td>Check</td>
<td>Integrated auditing</td>
<td>• Assessing adequacy of CSR integration</td>
</tr>
<tr>
<td></td>
<td>Benchmarking</td>
<td>• Assessing the adequacy and functionality of CSR structures and the overall infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Use of different means of assessment — such as integrated audit, self-assessment, and benchmarking — as per requirement of individual processes to ensure holistic assessment along both strategy and operations</td>
</tr>
<tr>
<td></td>
<td>CSR reporting</td>
<td>• Monitoring employees’ behavior necessary for CSR</td>
</tr>
<tr>
<td>Act</td>
<td>Continuous improvement</td>
<td>• Determining what to report and how to report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reporting of CSR results to the stakeholders — such as through annual reports, website updates, letter to shareholders, etc</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Going beyond conventional CSR reporting through personal stories and experiences to strengthen employees’ pride and commitment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Integrating new knowledge into organizational processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Continual improvement along both strategy and operations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Making process improvement</td>
</tr>
</tbody>
</table>

these areas, which constitute the social pillar of sustainable development, can already be found on the agenda of many corporations working on CSR. The complete list of CSR indicators for any organization would go beyond these community-development related indicators. The extensive interaction with the community also provides an organization with an opportunity to show how its products and services contribute to the well-being of individuals and for overall human development. Essentially, organizations can integrate their social and environmental initiatives with economic goals and can develop a CSR program that is integrated not only organization wide but also linked with broader community development. Second, the table shows how a corporation like Charles Schwab Bank partners with a community organization to have deeper and stronger interaction with the community and realize the community-development related goals such as arts and culture vitality, civic engagement, enrichment, land use infrastructure, and affordable housing.

Further, to illustrate how corporations can improve their linkages to the local community, TMT encourages local organizations to adopt one or more of the indicators listed in Table 2. The fundamental idea is to help individuals, businesses, and or local governmental entities to “work together to measurably improve performance on targeted quality of life indicators” (TMT, 2007).

Further indicators which TMT particularly encourages other organizations to adopt include: enhancing job opportunities, creating a diverse environment with low crime, and/or preserving natural resources. All the indicators are measurable and reflect stakeholder views in the area of quality of life. Performance on the indicators is published in bi-annual reports, on a website, and through other means such as stakeholder meetings.

The process of adopting indicators as carried out by TMT clearly illustrates the essence of the bottom-up approach. It describes how TMT engages with its stakeholders to identify the key priority areas and then develops the measurable indicators. TMT followed a bottom-up approach to the development of community-linked indicators as mentioned in the framework (see Fig. 1). Organizational efforts were then steered to the realization of indicators. The list of indicators presented in Table 2 can serve as a useful starting point in planning CSR initiatives, especially for community welfare-based organizations.

4.2. A top-down approach to CSR integration into business processes

Alcan Composites is a global group of companies manufacturing and commercializing aluminum composite material (ACM). The
company is a global leader in several markets, including display and graphic arts, construction, wind energy, and marine products. The company aims for sustainable value maximization through generating maximum economic, environmental and social value. According to the company’s website, the company’s management actively considers its stakeholders in all of its decision-making processes and regularly evaluates the impact of its business processes (Alcan, 2010). The company constantly works on improving the environmental impact of its products, both in the production phase and in the end-of-life-phase.

In order to effectively integrate various stakeholder requirements and the goals set by management, the company has developed its unique Alcan Integrated Management System (AIMS). AIMS serves as an overall business management system for the whole company. The four components of AIMS are (Alcan, 2010):

- “Value-based management (VBM): Provides the basis for all strategic investment decisions and value-generating initiatives. With rigorous financial discipline, VBM allows each business group to more fully identify and capitalize upon opportunities and make the best use of all available resources in an integrated manner.”
- “Environment, Health and Safety First (EHS First): Introduces common standards, procedures and a mindset for achieving excellence in the company’s performance in environment, health and safety for the benefit of employees and for the communities in which the company operates.”
- “Continuous Improvement (CI): Aims at maximizing opportunities by improving the company’s competitiveness and efficiency. The CI program combines two complementary approaches — Lean Manufacturing and Six Sigma — to provide a full range of tools from which to choose the most appropriate improvement techniques for each situation.”
- “Alcan People Advantage: Creates a stimulating and satisfying workplace to ensure that everyone grows.”

AIMS guides Alcan in its day-to-day operations to utilize its resources in an integrated manner so as to create lasting value. AIMS ensure that the strategic objectives and plans effectively cascade down and integrate with all levels of the business. EHS First is one example: while the environment and health and safety considerations remain a top strategic priority, at the tactical and operational level it appears in the form of a commitment from each employee of the company and from all levels of the organization to make improvements through increased awareness and knowledge sharing. AIMS, thus, provides a powerful management approach at Alcan to integrate its strategic plans at various organizational levels. It also helps management to consider various aspects of business in an integrated manner and, thus, utilize resources efficiently.

The integrated business management systems of Alcan are an example of the ‘top-down integration’, noted in Fig. 1, which integrates CSR into business processes. It clearly shows how the CSR process starts with the identification of stakeholders and their demands. Stakeholder requirements are then strategically woven into business processes at both technical and social frontiers. Along the technical side, measures are taken to (1) ensure the health and safety of employees, (2) protect the environment, and (3) improve quality and cut costs through the use of tools and techniques such as Lean Manufacturing and Six Sigma. On the social side, the integrated management system includes the development of employees to equip them with necessary competencies to more effectively contribute to CSR activities. Management also ensures that employees grow as the company grows. To summarize, CSR integration at Alcan is a strategic process which starts with identification of stakeholder requirements and is carried out through a top-down approach as noted in the framework.

An important point to note here is that while the TMT–Charles Schwab Bank partnership shows how to develop a systematic approach to community development through the creation of community-related indicators; the purpose of the Alcan case is to show the approach used to integrate different aspects of CSR into business processes. This research, thus, does not intend to show Alcan as a CSR leader; rather the purpose is to highlight the ‘top-down integration’ approach to these issues employed in the company. As previously noted, the strong feature of this approach is addressing sustainability issues through systematization of stakeholder demands via integration of management systems.

From our perspective, organizations should be simultaneously undertaking top-down and bottom-up approaches. Although the case studies demonstrate each approach individually, based on our research, there are no examples available where the two approaches were utilized concurrently. A key contribution of the framework is that it shows how the two approaches, whilst incorporating structural and infrastructural changes, can be addressed in an integrated manner.

5. Conclusion

The earlier literature on CSR has established the need for CSR practices; the debate has now shifted towards how to integrate CSR as part of business processes. The current literature on the integration of CSR into business processes is limited. With that in
mind, this paper focused on how organizations can weave CSR into business processes. Accordingly, the paper identified the fundamental principles that are inherent in both CSR practices and the management systems adopted to address the needs of a variety of stakeholders. The inherent similarity of these two practices underlines the opportunity of using them synergistically. Since the starting point for the integration of management systems is the identification of stakeholder requirements, an IMS provides a strong case for CSR integration into business processes. A key feature of an IMS is the development of structures which provide the backbone for CSR. As discussed throughout the paper, an IMS can provide the foundation for a top-down approach to CSR. As was explicitly highlighted in the framework, this can include the development of integrated manuals, procedures, and processes that specifically address implementation of CSR. Along the social side of the organization it included employee training and development, development of collective competencies, and a strong CSR culture. The social side must be aligned with the technical structures to give rise to an integrated socio-technical system for CSR. Employee-development and continual improvement for learning and innovation gradually develop the CSR institutional knowledge in an organization. The framework also illustrated that a top-down approach can be linked to a bottom-up approach for the implementation of CSR through the systemization of stakeholder demands. The bottom-up approach focuses on linking corporate efforts to broader community initiatives. As the framework highlighted, this can be accomplished through the development of measurable, community-linked indicators that focus on improving essential aspects of CSR, such as quality of life. While existing CSR reporting frameworks do provide a list of generic indicators which organizations can use to be more sustainable, organizations also need more context-specific indicators that measure the real impact of the unique processes of their business. The bottom-up approach, therefore, heavily emphasizes the need for consultation with key community stakeholders in the development of relevant indicators.

The framework also explicitly highlights that a CSR integration process is incomplete unless it also involves continuous improvement. The framework was based on the Plan-Do-Check-Act (PDCA) cycle (Deming, 1994) of continuous improvement, which provides organizations with a meta-routine for continuous improvement along social, environmental, economic, and other stakeholder dimensions. The meta-routine goes beyond the day-to-day operations and emphasizes the need for learning and innovation and the development of institutional knowledge.

The key contribution of this paper is the development of an original framework for the integration of CSR into business processes. The approach described in this paper has not been addressed in previous publications. While many organizations utilize management systems to address their stakeholder requirements, this paper elaborates on how organizations can capitalize on their existing management systems in order to more successfully introduce CSR practices. While the top-down approach guides the general management of CSR, the bottom-up approach delineates the development of community-related CSR indicators through stakeholder engagement. Future research should focus on how the top-down and bottom-up approaches discussed in this paper unfold in practice.

References
