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# European Foundation for Quality Management Excellence Model Can Encourage ISO 26000 Implementation

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Additional information is available at the end of the chapter

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## Abstract

Interest and initiatives related to Social Responsibility, ISO 26000 and EFQM Excellence Model, have increased over last decade. Strategic management models are framework for achieving sustainable growth and sustainable competitive advantages. The purpose of this paper is to trace and define the relations between several European Foundation for Quality Management (EFQM) criteria and the components of ISO 26000 as well as total responsibility management and interrelations between organizations and their stakeholders. In the light of the analysis, the systemic and holistic EFQM model may be considered as a tool for the governance and implementation in the corporate strategy according to ISO 26000 recommendations. The ISO 26000 standard tries to link with the EFQM Excellence Model. This paper considers that the social responsibility perspective is a key element of the EFQM Excellence Model, which includes stakeholders and potential contribution to the sustainable development. Organizations pay from year to year more attention to continual quality improvement and implementation of EFQM Excellence Model, including social responsibility models, and their interrelations reflect the real and potential synergies like sustainable competitive advantages, sustainable cooperative advantages, and sustainable cooperative excellence in the future.

**Keywords:** EFQM Excellence Model, ISO 26000, social responsibility, stakeholders, sustainable development

## 1. Introduction

Interest in social responsibility (SR), corporate social responsibility (CSR), total quality management (TQM), European Foundation for Quality Management (EFQM), and especially in ISO 26000 as well as their interdependence is increasing. Social responsibility is one of the most important management topics in companies as well as in other organizations in the last decade. There is a clear recognition that strategic management models are the framework for achieving sustainable growth and sustainable competitive advantages.

“The practical application of SR can be well supported by guidelines of business excellence as defined by the EFQM and includes five input and four result criteria” [1]. This changing model follows the present organizations environment, and it is reviewed every 3 years (the last version EFQM 2013). Flexibility is one of the most important factors that influence the success within global and local organizations.

The EFQM Excellence Model 2013 incorporates current key business challenges: “(1) build agility into the business; (2) greater emphasis on developing approaches; (3) more important are the accountability of leadership, governance and risk management; (4) doing the right thing is important; (5) measurement indicators; (6) criteria are now more explicit and prescriptive; (7) futuristic focus; (8) wider focus covering entire value chain; (9) greater emphasis on corporate social responsibility; (10) sustainability; (11) innovation; (12) other subtle and notable changes made are changes made in fundamental principles of excellence, changes in excellence model, changes in RADAR logic” [2]. EFQM 2013 helps organizations to manage quality successfully and operate according to sustainable determination.

“The principles and guidelines of social responsibility are outlined in the most recent release of the ISO 26000 standard, which links the principles of management with the business excellence model EFQM” [3]. The new SR definition has been implemented by International Organization for Standardization (ISO). “Social responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior” [4].

The practice by implementation of ISO 9000 and EFQM is different; some organizations tend to implement ISO 9000 procedures first and the EFQM Excellence Model is included later. The EFQM specialists as well as the practice confirm that the most appropriate is to apply ISO 9000 and EFQM together, but it is a never-ending process. The resources limitation is sometimes the reason why organizations are not able to implement both at the same time. Moreover, we have to now that ISO 9000 (day-to-day quality standard) has limitations; on the other hand, the EFQM Excellence Model is long-term oriented (prepares organization for long-term sustainable excellence).

Social responsibility guideline—ISO 26000—was issued by a well-known authority—ISO. ISO 26000 is a CSR guideline that enables all organizations to define and implement CSR in their corporate strategy. “ISO 26000 exposes seven core subjects—human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development [4]” in which an honest behaviour supports success; all of them are linked by

two crucial concepts: (1) interdependence and (2) holistic approach. ISO 26000 is reference standard for all (C)SR topics—EFQM, SA 8000, AA 1000, ILO, ISO 14001, GRI, ISO 9001, ISO 31000, OHSAS, and EMAS.

“Business can be understood as a set of relationships among groups which have a stake in the activities that make up the business. A stakeholder approach to business is about creating as much value as possible for stakeholders, without resorting to trade-offs” [5]. Relationships with stakeholders are also very important in the educational institutions (all levels), health system, government and public sector, local communities, nongovernmental institutions, and public-private partnerships. At the same time, we can discuss about relationships with primary and secondary stakeholders. Organizations are trying to meet their own requirements as well as the requirements and expectations of their stakeholders.

Responsible competitiveness—“Businesses can compete effectively across the responsibility spectrum” [6]. The importance of corporate responsibility increases. It requires that it be integral to and supportive of broader sustainable development strategies and policies (at organizational level and governmental levels). The relationship between competitiveness and SR is not a simple one. CR can also encourage innovation, investment, cooperation, and competition. It means that organizations pay attention to ecological, social, and financial aspects of their responsibility in interaction with all stakeholders (for example, they care about their sustainable production, emissions and waste, employee safety and satisfaction, and stakeholder involvement). It is clear that responsible shareholders are important stakeholders who must support sustainable leadership orientation.

“Public policies to amplify SR practices need to be, and indeed are being, formulated in the context of this complexity at an international level, and also at regional, national, and even community levels” [7].

The purpose of this paper is to trace and define the relations between several EFQM criteria and the components of ISO 26000, total quality management (TQM), and total responsibility management (TRM) as well as interrelations between organization and its stakeholders. In the light of the analysis, the systemic and holistic approach EFQM model may be considered as a tool for the governance and implementation in the organization strategy according ISO 26000 recommendations. Socially responsible organizations focus on economic growth, stakeholder strategic management, long-term sustainable development, sustainable indicators, sustainable competitiveness, and cooperative advantages.

## **2. European Foundation for Quality Management (EFQM)**

EFQM was established in 1988; its members are companies and other institutions (research, education, and national organizations). “The EFQM Excellence Model is a practical tool that indicates the position of business and other organizations on excellence path and helps them to determine their shortcomings and encourages appropriate solutions” [8]. The first EFQM Excellence Model was published in 1992; it is flexible and can be implemented in large

companies, SMEs, and other organizations (private and public, government, local communities, and other organizations).

“Business excellence models, particularly the EFQM Excellence Model, are being used by organisations all over the world for self-assessment, benchmarking, sharing of best practices and assessing organisations for national quality business excellence awards” [9].

From a theoretical and practical point of view, the business excellence models (particularly EFQM) have to be applicable and implementable in different types of organizations. Many countries try to encourage implementation of the organizational excellence models, like Deming (Japan), Malcolm Baldrige (USA), and EFQM (Europe).

At the same time, we would like to present the difference between ISO 9000 and EFQM Excellence Model. ISO standards have a long tradition; one of the most important standards is ISO 9000 (requires certification), which is comprehensive and exactly describes quality requirements, protocol, and how to meet all these requirements. On the other hand, EFQM Excellence Model is opened, its implementation needs creativity, but it is possible just in freedom. Furthermore, in such holistic approach, creativity and complexity go together in the EFQM Excellence Model.

“The EFQM Excellence Model is business management framework aimed at sustained wealth generation” [10]. “The EFQM Excellence Model, a non-prescriptive framework, is based on nine criteria. Enabler criteria are concerned with how the organisation undertakes key activities and results criteria are concerned with what results are being achieved” [1, 11].

The basic concepts of this model are extensive and involve results orientation. Customers are one of the main stakeholders; their satisfaction and loyalty are important for each organization. Leadership plays the crucial role; it must be the model as well as the motivator and strategic processes, which are focused on quality, stakeholder partnerships, and sustainability. Employees are one of the main stakeholders, and their involvement reflects as their contribution to innovativeness, improvement, and competitiveness. Stakeholder partnership is a long-term process and is part of the holistic and systemic social responsibility in organizations.

Furthermore, the EFQM Levels of Excellence Scheme was created to provide systemic and holistic recognition to organizations at all levels of their excellence promotion and improvement. “The main objective of the scheme are to: (1) extend recognition to organisations at every level of achievement; (2) maximize the number of organisations who are able to apply the principles of the EFQM Excellence Model for organisational improvement; (3) provide independent feedback from practicing managers to support organisations in their quest to improve and (4) provide practical products and services that help organisations achieve improved levels of excellence” [11].

Organizations practicing excellence scheme may use the EFQM Excellence Model percentages, but on the other hand, they may use percentages more suitable to their own type of organization. Additionally, we present the recommended percentage of “the EFQM Excellence Model criteria: (1) Leadership (10%); (2) Policy and Strategy (10%); (3) People (10%); (4) Partnerships and resources (10%); (5) Processes (10%); (6) Customer results (15%); (7) People results (10%); (8) Society results (10%) and (9) Key performance results (15%)” [11].



## 2.1. Importance of good leadership and management

Leadership is similar to as well as different from management. They both involve influencing people, require working with people, and are concerned with the achievement of common goals. Organizations need people who do the right thing and who do the right things right.

Nowadays, managers must also deal with a growing international competition. “Managers, wherever they are in the organization, but particularly in the top management, need to take a long-term perspective” [12]. Transformative leaders lead by values; they are the best model for others within the organization, create and integrate vision into strategies and processes, care and make a public commitment, constantly communicate with stakeholders with the aim to avoid potential problems in the future, and encourage competitiveness and good relations with stakeholders.

The business benefits of good leadership reflect as improved business (competences, innovativeness, and proficiency) and employee performance (employee satisfaction and involvement). In addition, we want to highlight “factors identified as particularly important—commitment to management and leadership development, human resources practices that reinforce management and leadership development” [13].

How can we define good leadership and management? At the first position are core leadership and management skills. We highlight the most important effective leadership skills. “The best leaders face problems head on and have the confidence to propose sometimes innovative or difficult solutions, all managers need to be effective leaders; (1) Strategy and planning; (2) People management; (3) Budgeting & financial planning; (4) Risk management; (5) Fostering innovation and creativity—continuous innovation strategies are managed by more highly educated and better informed managers; (6) Partnership working” [14, 15].

“Improving leadership and capability management is very important, so we present 10 top tips for employers: (1) recognise that good leadership and management matters; (2) be a role model: good leadership and management starts at the top; (3) implement good working practices as a framework for good management and leadership; (4) effective leadership runs through organisations like writing through a stick of rock; (5) provide training, support and mentoring to new line managers; (6) be clear about what good management skills and behaviours look like; (7) assess your organisations’ management capability at individual and organisational level and act upon it; (8) make the most of the practical tools that are available; (9) invest in your workforce routinely and as part of your business strategy and (10) be authentic about good leadership and employee engagement (adopted 30-35)” [14].

“EFQM Excellence Model is based upon 9 main dimensions and these dimensions are called criteria (input criteria—leadership, policy & strategy, people, partnership & resources and processes; result criteria—customer results, employee results, society results and key performance results (criteria are supported by sub-criteria)” [16].

The EFQM Framework for CSR is interrelated on the EFQM Excellence Model and also gives guidelines on integration of social, environmental and economic results or influences.

“The EFQM model can be described as a higher form of quality management in organizations” [17].

EFQM model refers also to CSR and ISO 26000. European Commission presented CSR definition: “companies integrate their social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis” [3]. Responsible organizations pay attention first to economic growth, but simultaneously they care about their environmental and societal impacts. The real sustainability-oriented winners implement higher responsibility and sustainability standards (as it is necessary according the law). Innovative social responsible organizations cooperate with all stakeholders with the aim to achieve the sustainable stakeholder synergies (excellent case are Scandinavian countries, where governments pay one of the crucial roles).

### **3. Total quality management and total responsibility management**

In total quality (TQ), the environment in which the organization operates is changing constantly. Management’s job, therefore, is to provide the leadership for continual improvement and innovation in processes and systems, products, and services. Continuous improvement is part of the management of all systems and processes. Improvement and learning need to be embedded in the way an organization operates. Improvements are very often concentrated on customer satisfaction, products and services improvement, productivity improvement, operational performance, work processes, errors minimization, waste minimization, flexibility, responsiveness, organizational management process improvement, continuous learning (learning organization at all levels), competitive comparisons, supplier performance, employee performance, and costs and financial performance. The goal of each organization should be long-term survival; the management has very important role, and it has to focus on improvement and must be able to create a system that can produce quality outputs. Employees are one of the key factors, and from this reason, training and education can provide needed skills. On the other hand, organizations have to pay attention also to structural rationality. It includes horizontal processes from suppliers to customers (as final user or buyer of their products or services). Simultaneously, the management needs to pay attention to the so-called philosophy toward change. It means that change, continuous improvement, and learning are encouraged.

Organizations must be able to adapt to changing environment. Competition is very strong, and the winners will be just the organizations that will be able to provide sustaining total quality and total responsibility. From this reason, the critical self-assessment is needed; it should be concentrated on management and leadership involvement (all levels), products and process design (meet customer needs), product and services control (minimize defects), customer and supplier communication (cooperative relationships), quality improvement (results achieved and plan for improvement), employee participation (employee skills and their participation—quality processes), education and training (skills quality improvement techniques), and quality information (complete information about results).

“The TQM practices suggested in the EFQM Excellence Model allows firms to outperform their competitors in the results criteria included in the Model. Therefore the research published in

2007 provides a valuable benchmarking data for firms in it substantiates the EFQM Enabler's contribution to the attainment of competitive advantage" [18]. The sustainability leaders constantly involve sustainability initiatives into their processes, organizational culture, and permanent cooperate with all stakeholders. In addition, sustainability must be systemic and holistic, and the expected result is long-term sustainable competitiveness.

Responsibility management through a systemic process is called total responsibility management. It is very important to make this process explicit. In this way, managers (decision makers) understand how to manage quality and how to build constructive and responsible stakeholder responsibilities as well as relationships with them.

The linkages between more responsible practices and better financial performance and productivity come from a variety of sources and in many ways can be relate to simple good management. Some unrecognized costs can actually be reduced when responsible practices are implemented. In this way, responsibility management can be cost-effective.

TRM is very similar to TQM, where top management and customers play the crucial role. TRM pays attention to stakeholders' interests (stakeholder partnerships especially with key stakeholders). A proactive and innovative relationship with stakeholders generates improvement and permanent learning system, which contributes to the organization's growth, sustainable development, and competitiveness, as well as regions and states where they operate.

"The TRM core values include: (1) visionary and committed leadership; (2) stakeholder-driven excellence and responsible practices; (3) organisational and personal learning through dialogue and mutual engagement with relevant stakeholders, (4) valuing employees, partners, other stakeholders; (4) agility and responsiveness; (5) focus on the future (short and long term); (6) managing for responsibility and improvement; (7) management by fact, transparency, accountability; (8) public responsibility and citizenship; (9) focus on positive results, impacts and value-added for stakeholders with responsible ecological practices" [12].

Leadership (especially top management) is very important in each organization. It must be innovative and be able to include and create stakeholder partnerships. Furthermore, they have to be exemplary for the organization's values and innovative strategic management, and they should be able to manage long-term responsibility, which results also as sustainable competitiveness and sustainable development.

"The improvement and innovation elements of TRM create a significant demand for companies to broaden how they measure performance (economic, societal, and environment issues –sustainable indicators)" [19].

#### **4. ISO 26000—guidance standard on social responsibility**

ISO 26000 is a guidance for SR and an instrument that helps organizations by systemic and holistic SR implementation. In ISO 26000, the working group involved experts from 90



countries, 40 international organizations, and stakeholder experts (customers, government, industry, labor nongovernmental organizations, services, research and academic organizations, and other organizations).

Social responsibility has a long tradition, and all theories and authors pay attention to the common principles (accountability, transparency, ethical activities, and stakeholder responsibility), which have to be respected in each responsible organization include accountability and transparency.

SR core subjects according ISO 26000 are as follows: (1) organizational governance, (2) human rights, (3) labor practices, (4) environment, (5) fair operating practices, (6) consumer issues, and (7) community involvement and development [4].

Additionally, the main purpose in ISO 26000 of the concept of “SR” has been to make it simple for easier implementation in different organizations (not just in corporations). Of course, it has advantages and disadvantages and difficulties, but it is a guideline for holistic and systemic implementation in the organization’s strategy. ISO 26000 is extremely important and deserves attention. Furthermore, it needs explanation for potential users, and in the near future, its review will also be needed.

Moreover, permanent monitoring of SR performance as a requirement for permanent improvement regarding SR is needed (SR tools). A disadvantage of such tools is that not all SR impact areas are relevant for all organizations. ISO 26000 again proposes that stakeholders can play an important part in the evaluation of the SR performance of an organization. Benchmarking against the objectives and achievements of other organizations (SR champions in your industry, competitors, and other organizations with which the organization wants to compare itself) can help to anticipate developments in an industry or sector and evaluate what possible changes and consequences of these changes are important for organization.

Many researches on SR have been published already. “Research conducted by Brandsma showed that 54% Dutch organizations were at the initial stage of implementing policies on SR and 15% had not taken any steps at all” [20, 34].

ISO 26000 has short history, but there are many misunderstandings that refer to potential users about the scope of guidance and its usefulness in different types of organizations. Moreover, the relationship with other standards needs explanation. Other standards like quality, environment, safety, health, and information security are in interrelation and very close to ISO 26000.

What is social responsibility? It is the variety of definitions and opinions it attracts, a feature that is both a strength and a weakness. More and more topics are being categorized under the banner of SR, which continues to inflate its meaning. Consequently, discussions about SR are confused by different interpretations because of the debate about the importance and meaning of SR—it is a dynamic concept, and its concerns change in conjunction with the development in markets and society.

The triple-bottom-line concept, introduced by Elkington, argues that paying attention to people (social justice), environment (ecological quality), and society (societal well-being or

prosperity) can create economic value for organizations. Furthermore, “he argued that only those organisations that systematically align their goals with the goals of society and recognise the interdependence of the 3Ps (people, planet, profit) will be successful and survive in the future” [21].

From this reason, many developments have a role in this, such as governments and public sector authorities in many countries, especially in Scandinavian countries, which increasingly procure sustainability. CSR (or SR) has become more visible and important in the past few years for companies, governments, and NGOs alike. Many companies (especially large companies) have developed CSR strategies and report annually on successes (and failures) of these strategies—usually stand-alone sustainability reports. Moreover, citizens and (future) employees increasingly expect companies to act as “corporate citizens.” The number of “green” consumers, who are inclined to buy sustainable products and services, are growing, as is the market of fair trade products.

Corporate social responsibility has a long tradition. The reason in the industrial revolution was to improve employees’ health and well-being to protect their own interests.

A good illustration of this is from one of the founders of capitalism, Adam Smith (most famously known for the idea of “the invisible hand”). Smith’s well-known works are *An Inquiry into the Nature and The Causes of the Wealth of Nations*, *Theory of Moral Sentiments*, and *The Wealth of Nations* [22, 23]. In his works, he emphasizes the importance of ethical forces in the free-market mechanism and international trade, taking into account restrictions from a viewpoint of natural justice to prevent a dominance of amoral egoism.

In the first half of the 20th century, many authors paid attention to social responsibility of management in companies. *The Functions of the Executive* by Barnard, *Measurement of Social Performance of Business* by Kreps, and *Social Responsibilities of the Businessman* by Bowen were published [24–26].

The book on CSR written by Bowen is the starting point of the modern era regarding CSR thinking. The book discussed the observation that the largest companies are important centers of power and decision making, and that the actions of these companies affect the lives of citizens in several ways. This book notes that change is a dominant feature of life and that this change requires greater recognition and acceptance of social responsibility by business. Around the same time, some other important publications about CSR appeared, such as *Management’s Responsibility to Society: The Growth of an Idea* by Heald and *Corporate Giving in a Free Society* by Eells [27, 28].

“In 1960 Davis described CSR as businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic and technical interest” [29]. “In 1963 Maguire wrote in his book *Business and Society*. The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations” [30]. Walton (1967) stated in his book *Corporate Social Responsibilities* that companies should voluntarily acknowledge and accept that they have responsibilities beyond the gates of the company [31]. In 1972, the *Limits of Growth* [32] described the devastating environmental effects of economic growth. The current interest in

CSR also comes from other areas and disciplines—quality management, values, and ethical behaviour of organizations. McAdam and Leonard pay attention to employees and customers [33, 34]. Management models such as those of the EFQM framework also give explicit attention to CSR—and this attention is growing. EFQM perceives the social responsibility for organizations as one of the pillars of excellence, and more attention has to be paid to CSR and sustainability. The explanation for the organization area “society” illustrates that every organization does not only supply services to (members of) society but is also part of society (organization becomes aware of its responsibility for its surrounding—environment, society, and development).

There are also other authors who paid attention to CSR. “In 2005, Kotler and Lee issued *Corporate Social Responsibility: Doing the Most Good for your Company and Your Cause*” [35]. “In 2006, the new well-known article *Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility* was published” [36]. Strategy guru Prahalad has developed the strategy concept “the bottom of the pyramid,” aimed at doing business with the poor, and the well-known management guru Peter Drucker discussed CS-related issues during a large part of his career [37, 38]. “According to Friedman view, there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud—‘the business of business is business’” [39]. According to Carroll, CSR has an economic, legal, ethical, and philanthropic face and points to the more strategic character of CSR—process in enterprises where ecological, economic, and social aspects are integrated in a strategic way [34, 40, 41].

The development of ISO 26000 started in 2005. “ISO 26000 has ambition to be a comprehensive SR guideline that will enable all organisations to define their SR” [34]. The aim of ISO 26000 is to offer practical framework (including international conventions which are close to SR) with relevant systems (interaction with SR). The ISO organization offers several important advantages for the development of a global SR guidelines, from the perspective of the organization’s objectives. ISO is one of the few organizations that is broadly acknowledged internationally. ISO will receive visibility in many organizations that already work with other ISO management systems but which have not yet engaged meaningfully with SR. “Research conducted by Brandsma in 2009 confirms this” [20]. Between 55% and 60% of the respondents that work with an ISO-certified or related management system standards are considering applying ISO 26000 in their organizations. The development of ISO 26000 has been on the largest multistakeholder process that has ever been organized. Hundreds of experts from numerous countries have cooperated in the process. The aim has been to strive for a mutual and universal basic definition, principles, working methods, and guidelines—an international standard, written in (relatively) straightforward language. In addition, the guideline is applicable to all organizations, in all countries, in all stages of development, in all sectors and does not conflict with other SR standards or demands—it has no intention of replacing these. “The ambition of ISO 26000, as a generic, overarching SR guideline, is to enable its integration with any existing SR or CSR standards” [34].

The results of the before mentioned research showed that most organizations that indicated an interest in ISO 26000 are still at an early stage in terms of SR implementation. For all these organizations, ISO 26000 is an applicable source of guidance as an introduction into SR and SR subject areas and as a guideline to structure their SR activities. Organizations that have already developed SR strategies and initiatives are more likely to apply ISO 26000 to increase the credibility of the own SR claims, e.g., by referring to the guideline in their SR communications. Moreover, ISO 26000 contains a process standard, a performance standard, a principle standard, and a basic standard, but it is not certification standard.

“ISO 26000 guideline aim is to help and support organisations, to contribute to sustainable development” [4]. Moreover, the ISO 26000 guideline highlights many aspects, and it contains advices and instructions for easier implementation in different organizations. Guidelines prescribe many requested activities and expectations, which have to be realized. Additionally, activities on SR implementation are structured, and concepts and principles are explained. SR core subjects are explained, harmonized (uniform and universal concept), and integrate ISO 26000 with other standards. It also provides the map of standards, which are in interrelation with SR and offers overview (core subjects and step-by-step implementation. Finally, the guideline reflects many SR subjects and encourages organizations (in their own context) to use them with the aim to encourage their SR activities, which reflect as their contribution to sustainable organization and sustainable society.

“ISO 26000 intends to give organisations the possibility to formulate an organisation-specific interpretation of SR, based on the SR foundation it provides. ISO 26000 crucially enable organisations to develop their own unique SR profile” [34]. This idea of an SR profile plays an important role in ISO 26000 because it characterizes a new generation of SR.

The four most important clauses in ISO 26000 are preceded by a classification of the scope of the guideline. First, ISO 26000 is applicable to all types of organization and the purpose of ISO 26000. Furthermore, it specifically states that ISO 26000 is not meant as a standard for a management system or for certification purposes. Next, the most important terms and definitions that are used in ISO 26000 are described (“terms, definitions, and abbreviated terms”). After the terms and definitions, ISO 26000 directs attention to the background to Clause 3, which includes a description of trends and developments, characteristics of SR, and the relationship between SR and sustainable development. Moreover, this clause pays attention to the relationship between ISO 26000 and the responsibilities of governments in SR. The guideline also points at the role of government in stimulating SR among companies but offers no further specific guidance on this issue.

## **5. Stakeholders involvement and corporate responsibility**

Stakeholder theory has much to say about strategic management. The stakeholder perspective offers an alternative that can enhance the economic perspectives of modern strategic management. After more than half a century of research and debate, there is not a single widely accepted definition on CSR. Researchers in the field of CSR have claimed that the phrase



“corporate social responsibility” has been used in so many different ideas and concepts (social performance, governance, accountability, sustainability triple bottom line, and social entrepreneurship).

**Stakeholder identification and engagement**—One of the general CSR principles within ISO 26000 concerns respecting stakeholders’ interests. Identifying stakeholders, knowing their expectations, and enabling stakeholder engagement therefore play an important role in the guideline as they are a key to understanding, addressing, and implementing social responsibility. “Porter and Kramer add that by engaging in strategic CSR, new product offerings are likely to emerge, which are in turn benefiting both, social and environmental issues in addition to a company’s long-term competitiveness” [36, 42]. Organizations engage and interact with many stakeholders (primary and secondary) with the aim to implement strategic SR processes successfully.

“Freeman et al. suggest the new vision of capitalism—stakeholder capitalism (based at six principles: stakeholder cooperation, engagement, responsibility, complexity, continuous creation and emergent competition)—founded on libertarian and pragmatist lines” [5]. Stakeholder capitalism is based on freedom, rights, and the creation by consent of positive obligations. This kind of value creation shows that on this way it is possible to make our capitalism more responsible and resilient (social nature of value creation).

For the successful processes that refer to stakeholder management, we suggest additional advices and argumentation. The organizations need better description how organizations can manage their relationships with stakeholders. The nature of relationships between different organizations and their stakeholders requires a combination of their divergent interests and ambitions. Accountability, one of key elements, includes environmental responsibility—sustainability reporting, societal demands need more attention, and political and legal trends require more regulation. Value creation is also one of the main challenges from theoretical and practical point of view—a richer description of theoretical explanation including types of measurements as well as stakeholder literature is needed. All these issues allow leaders and academics to create improved organizational practices and outcomes.

In the systemic and holistic context of stakeholder theory, there is also the opportunity to redefine the concepts that are closely related to it. These concepts refer in the literature (and researches) on business ethics, economics, public administration, finance, philosophy, management, governance, private and public sector, as well as private–public partnership and finally to local communities, nongovernmental organizations, and others. In this context, the interdisciplinary nature of stakeholder concepts needs more attention—from theoretical and practical view.

One of the general CSR principles within ISO 26000 concerns respecting stakeholder interests [4]. Stakeholders are seen as a starting point for CSR policies and fulfill an essential role in determining an organization’s social responsibilities. The guideline is very clear—ISO 26000 stresses the importance of a stakeholder orientation in an organization’s approach toward SR. To identify its social responsibility properly, an organization should, according to ISO 26000, understand three specific relationships [4]: (1) relationship between the organization and



society—the actions and expectations that ISO 26000 specifies for core subjects and issues can assist an organization in this; (2) an organization should understand the relationship it has with its stakeholders—stakeholder's expectations, as emphasized by ISO 26000, are not necessarily the same as expectations of society; (3) needs to be understood—the relationship with society as whole—it is always useful for an organization to consider whose or which interest certain stakeholder represents. ISO 26000 finds it important in stakeholder relationship that an organization uses its influence to encourage stakeholder to address SR.

According to ISO 26000, determining an organization's sustainability impact is the most important way to identify stakeholders (but the relevant stakeholders are not the same for every organization). Organizations should always consider the legitimacy of their stakeholder's interests, demands, expectations, and wishes. The goal of ISO norm would be to offer practical methods and tools for the identification and involvement of stakeholders with the goal of developing a substantiated basis for supported decisions. Norm can be a useful addition to several standards (the ISO proposal refers to ISO 26000, ISO 9001, ISO 14001, and ISO 10001—customer satisfaction). For any of these standards, a good stakeholder analysis is an important ingredient (complex broad process and projects with multistakeholder focus are needed as well as importance of stakeholder “sphere of influence”) [34].

An organization should also be aware of the interests and needs of its stakeholders and facilitate open dialogue. Furthermore, ISO 26000 adds that the active engagement of stakeholders is based on trust and goes beyond public relations (a mutual belief that they are engaging in dialogue for the right reasons). This means that the essence of the dialogue should concern aspects that are strongly related to sustainable development and sufficiently important for the parties involved, and that the interests of all parties are clearly formulated from the start. Interaction is therefore the basis of stakeholder engagement in the view of ISO 26000, which suggests a number of methods and tools (both formal and informal; both for individual stakeholder and collective negotiations, such as stakeholder panels, seminars, conferences and workshops, roundtables, advisory committees, or internal forums). An organization is constantly interacting with its stakeholders, and it should manage these relationships and its social responsibilities well. Moreover, creating stakeholder engagement is important and offers organizations numerous advantages, but it is not one-off event, and a continuous process and periodically review of policies (activities) in the field of stakeholder engagement is needed.

Implementation is a critical area because the successful implementation of SR is clearly a big challenge for many organizations. ISO 26000 stresses that connecting SR to the culture, values and thus the identity of the organization will have a positive effect on understanding and acceptance, which in turn can facilitate and speed up the implementation process. It means that organizational change tends to be a long-term process—taking years to be realized. For each organization, it is important to indicate the most important barriers to SR implementation. The barrier to SR implementation could be, for example, lack of a clear action plan, too little time available, too little knowledge about SR implementation, too little knowledge of SR, obtaining buy-in from the board, economic crisis, too little budget available, creating engagement with employees, and creating engagement with middle management, which might be eliminated by ISO 26000.

A commitment from the top of an organization is an important prerequisite to making any initiative work. According to ISO 26000, an organization should “make SR an integral part of its strategy, policy, organizational culture, structure and operations” [4]. When the board of an organization is aware of the (economic) advantages of SR in the context of sustainable development or in reaching certain ambitions of the organization, the chances for a long-term and enduring commitment increase. ISO 26000 emphasizes that commitment and understanding of SR are necessary at all levels of an organization. Furthermore, stakeholder dialogue is also an instrument to avoid and possibly solve conflicts or differences of opinion with stakeholders. Additionally, ISO 26000 provides several suggestions on how to enhance the credibility of communications and SR claims and SR report, among which are ensuring that the organization’s performance as reported in its sustainability report is comparable over time, is comparable with the performance of similar organizations (in the same sector), contains explanation on why an organization does not report on certain seemingly relevant SR topics, uses eco-labels or existing SR assessment criteria, and is verified by an external third party. According to ISO 26000, “an organisation should develop mechanisms to solve conflicts or disputes with stakeholders appropriate for the kind of conflict or dispute as well as for the particular stakeholder involved” [4]. Moreover, an organization is supported to be transparent with respective stakeholders about the procedures it has in place.

Finally, to make SR a living part of an organization, a structural approach is necessary. Internal and external buy-in as well as support from top management is very important for this. SR implementation is given a lot of space in ISO 26000 and includes advice on SR communication, enhancing the credibility of SR claims and integrating SR in existing systems and structures. Implementing SR successfully depends on getting the soft side (culture, values, and engagement) right, as well as dealing with hard issues (structures, measurement, and embedding). Moreover, it should constantly benchmark performance against its stated aims and change these when and if it becomes necessary as developments inside and outside the organization evolve.

## **6. Sustainable business excellence and sustainable competitiveness**

The sources of a nation’s (nowadays also regional’s or local’s and organization’s) prosperity is competitiveness. In the global world, it is difficult to compete successfully. Innovativeness and especially SR are two of the most important factors for large or small payers at the global or local market.

SR is important to competitiveness, and placing SR within the strategy seems very important. SR should be the core activity, and it means that the stakeholder expectations regarding SR are in focus at the same time. SR strategy (reflects organization’s values and mission) includes relations with stakeholders, measurement (indicators—ecological, social, and financial aspects—according Global Reporting Initiative are recommended) as well as SR reporting. Each organization should focus SR efforts on market, regulatory, and operational actions. In last decade, organizations recognize the importance of SR and care about their impacts on their

ability to compete successfully. Organizations, especially large and medium sized, must be able to create innovative strategies for SR.

Simultaneously, we would like to highlight some barriers to innovative SR and sustainable excellence, and one of them is insufficient organizational capacity to incorporate SR know-how. Decision makers in organizations do not build the bridges with their stakeholders and are limited in SME's resources for SR. Furthermore, there are also practical and theoretical limits (stakeholder selection and interpretation).

"SR of creative people, their co-workers and stakeholders are one of the most influential groups. Tolerance for diversity brings talents and makes investment in technology worth, while the 3T model (Florida 3T Model—Talent, Technology, Tolerance) makes the difference between the most successful and other regions" [19].

"The concept of business excellence is deeply rooted in TQM (Rehder and Ralstons's in 1984 —Baldrige criteria the first TQM model). In 1991, the EFQM Excellence Model was developed by the European Foundation of Quality Management to promote quality throughout Europe" [43].

Moreover, it significantly contributes to its competitiveness as whole as well as to competitiveness of organizations and regions or local communities where they operate. Competitiveness is a very complex and long-term process. Nowadays, it is better to discuss about sustainable (responsible) competitive advantages.

The EFQM Excellence Model is very complex, and from this reason, it is very important for each organization to recognize the key aspects or findings. First, business excellence influences short-term and long-term sustainable competitive advantages and performance and awards support competitiveness. Strong competition is one of the reasons why organizations try to improve performance and in this way contribute to sustainable development. The excellence model helps organizations to implement the core values and concepts of excellence in organizations at macro- and microlevels. Furthermore, organizations need assistance with benchmarking, and the most important is learning from the best practice (case studies).

Professional approach to benchmarking is needed. "Some projects fail because 25% had received not training in benchmarking; 30% do not use a benchmarking methodology; 30% do not develop a project plan e.g. poorly defined aims, stakeholder not identified etc. and 35% do not undertake a cost/benefit analysis. The best practice benchmarking is the most powerful type of benchmarking" [43]. Furthermore, business excellence and benchmarking provide the path of success in future.

Long-term oriented and responsible organization pay attention to the development of excellence and SR model because they are working on it in order to improve the competitiveness and sustainable cooperation (its own competitiveness and competitiveness of the local community or region where they operate). "The EFQM business excellence model can serve as an example of integration and as a system of the improvement of an organization's operational success of the basis of the integration of the models and leadership standards" [44].

Scandinavian countries are very often mentioned as a world known leaders in CSR or SR and sustainable development. The concept of “creating shared value” has Scandinavian origins, where institutional and cultural factors play important role and particularly these factors promote CSR, SR, and sustainability. “The recent phenomenon of movement from implicit to explicit CSR in a Scandinavian context and what this may entail” [45]. Stakeholder engagement encourages a cooperative approach to business and other operations.

## 7. EFQM excellence model and ISO 26000 implementation

“EFQM Excellence Model is a practical tool providing various advantages from the perspective of empirical research just like other quality awards” [18].

The EFQM Excellence Model is very useful. It has practical value, meaning it is a practical-oriented model, and we can highlight few of the most significant advantages. The model is permanently revised and updated in these activities, and EFQM consultants are involved because their contribution is significant. EFQM Excellence Model is very complex and needs systemic and holistic approach, and from this reason, it provides a large and comprehensive set of subcriteria and sometimes even sub-subcriteria to explain the precise meaning of any criterion.

Comparison with others, especially with the best organizations (leading organizations in their fields—benchmarking), is very important for each organization. Different award models are helpful for comparison between organizations, as well as a good case on how to achieve the responsible competitive advantages and cooperative relationships with all stakeholders.

The crucial role plays leadership that cares about responsibility for developing infrastructures, as to achieve desirable and requested results. For example, in ecological and social influences, one of the main stakeholders is the employees, and their satisfaction is very important and financial results (not just profit for shareholders but also satisfaction and cooperative relationships with all stakeholders).

Using EFQM model, organizations have the support of a performance excellence framework founded on the SR principles to develop sustainable approaches on for business excellence for people, planet, and profit. Each organization has to include SR as part of its strategy, but these approaches have to be measured continuously, and the results have to be reviewed and improved as necessary.

ISO 26000 is contemporarily not certifiable, but the review is necessary. It should be reviewed periodically, perhaps parallel with EFQM Excellence Model. Improvement should be included in the next version (EFQM is good example). In the near future, ISO 26000 should be transformed (step by step) from suggestions and advices to a certifiable management system. We forecast that the market (private and public organizations) will speak on this challenges (the Scandinavian countries are an excellent case; results confirm the right orientation). The initiatives related to ISO 26000 increases, and use of the guideline for contractual purposes



grows. The need for a certifiable social management system (SMS) will become clear in near future.

The last revision in EFQM Excellence Model has been realized in 2012. Global economic environment and stakeholder requirements are changing constantly and organizations.

In the future trends, the convergence of international SR standards and other standards, including EFQM Excellence Model, the management of costs related to the implementation of SR, and the opportunities for innovation in large organizations, SMEs, and other organizations are expected.

## 8. Conclusions and future research

“The EFQM Excellence Model 2013 real challenge for organizations will be to become agile and flexible so as to act swiftly to attain and retain its leadership in the global and local market place” [11]. We hope that organizations will recognize and understand their key business challenges and value in EFQM 2013 (manage quality and achieve sustainable excellence).

Sustainable excellence is a long-term process. From this reason, the suggestions according ISO 26000 must be more explicit for different types of organizations (companies, local community management, education at all levels, and other organizations), including indicators as well as reporting. All companies (large- and medium-sized companies) and other organizations from developed countries and BRIC countries should report about their sustainable activities each year. It means that they should use the indicators recommended by ISO 26000 and Global Reporting Initiative. Furthermore, ISO 26000 recommendations, later certification (step by step), and legislation are needed. ISO 26000 certification will be a long-term process, and in this way, the implementation process will be encouraged, comparable between different types of organizations and even different industries. We forecast that the market will speak on this issue. As initiatives related to ISO 26000 increase, and the use of guideline for contractual purposes grows, the need for a certifiable social management (CSM) system will become clear.

How and when to implement the EFQM Excellence Model? In organizations that have introduced the Quality Management System (QMS—ISO 9001), it should already be the next step. Contemporarily, quality philosophy, like TQM, TRM, ISO 26000, and EFQM, requests ISO 9001, which is an excellent basis for the implementation of the EFQM Excellence Model (sustainably oriented according ISO 26000, including indicators and reporting).

On this way, the EFMQ implementation period is relatively short. It provides recommendations that help organizations to evaluate organization quality management level (additional subcriteria and sub-subcriteria are recommended). EFQM Excellence Model leads organizations to continual quality improvement, higher quality, sustainable stakeholder management, sustainable cooperative advantages (or competitive advantages) at local, regional, or global market, and increase the sustainable organizational culture.

The outcomes of this overview represent an innovative contribution to the development and potential implementation aspects, discussion, and conformation. Furtherance of theories is



important in studying SR (or CSR), TQM, TRM, EFQM, ISO quality standards, ISO 26000, sustainable excellence, and indicators. Literature review (theoretical and empirical base) and debate on TQM, SR, EFQM, and ISO 26000 are still included.

The aim of this study is to highlight the characteristic features, systemic, and holistic ISO 26000 implementation according EFQM, to present the available theoretical frameworks for quality and SR-oriented models, and to compare them to published researches, which pay attention to sustainable models is achieved.

“Finally, we want to draw attention to the Scandinavian contest and encourage the field of strategic management to shift its focus from achieving a competitive advantage toward achieving a cooperative advantage” [46]. In the context of SR (or CSR) according EFQM, ISO quality standards, and ISO 26000, we will discuss about sustainable cooperative advantages or sustainable cooperative excellence in the future.

Future research might also analyze the EFQM and ISO 26000 in different organizations, including their specifics as well as barriers by implementation, measurement, and reporting (in large MNCs, medium-sized companies, government, local community management, educational organizations at all levels, health system, and others). Additions and concretization of ISO 26000 and EFQM especially for SMEs and recommendations for other organizations (in public sector) are needed.

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