Building a Framework for Implementing Total Responsibility Management

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ABSTRACT

While numerous writers have argued in general terms about the principles of Corporate Social Responsibility (CSR) and sustainability management (e.g. Dunphy, Griffiths and Benn 2003, 2007) there has been little empirical exploration of these highly generalised prescriptions. We explore a framework for the management and implementation of CSR and sustainability developed by leading scholars Waddock and Bodwell (2007). Waddock and Bodwell's (2007) Total Responsibility Management (TRM) model implies that TRM begins with inspiration, gains strength with integration and stays relevant with constant innovation. Using data from two corporations with strong performances according to CSR and sustainability assessment mechanisms such as the Dow Jones Sustainability Index, we aim to identify examples of the management practices and processes associated with inspiration, integration and innovation. We conclude that there is clear evidence that inspiration and integration systems of TRM are associated with the successful implementation of CSR and sustainability. Innovation may be another factor in the implementation of CSR but this may be more important in some industry sectors than others.

Keywords: Corporate responsibility, Organisational culture/values, Stakeholder theory

This paper explores a framework for the management of Corporate Social Responsibility (CSR) and sustainability developed by leading scholars Waddock and Bodwell (2007). These authors have utilised the term Total Responsibility Management (TRM) to cover both CSR and corporate sustainability. We agree with the need for more definitional clarity concerning these very diffuse and over-lapping terms. Hence we support the adoption of TRM as the umbrella term to describe management practices that integrate social, environmental and economic concerns into the mainstream of their business practice, thus acting responsibly towards all stakeholders including consumers, local communities, employees, shareholders, the natural environment, and society as a whole. This concept of TRM is very similar to the 'strategic corporate sustainability' described by Dunphy, Griffiths and Benn (2003, 2007), where organisations incorporate environmental and social sustainability and responsibility into their strategic business planning, seeing the implementation of these principles as a source of competitive advantage.

In the face of uncertainty, writers in the CSR field seem to lean to advocacy rather than critique. As a consequence, while numerous writers have argued in general terms about the principles of CSR and sustainability management (e.g. Dunphy, Griffiths and Benn 2003, 2007) there has been little empirical exploration of these highly generalised prescriptions. This paper is written in response to the well-recognised need for a more finely-grained understanding of how to implement CSR and sustainability, or in our terms, TRM (Harris and Crane 2002; Crane 2000; Lyon and Maxwell 2004). Using data from two corporations with strong performances according to CSR and sustainability assessment mechanisms such as the Dow Jones Sustainability Index, we aim to identify examples of the management practices and processes associated with three key principles that scholars such as Waddock, Bodwell and Graves (2002) argue underpin the implementation of CSR and corporate

sustainability. In the approach Dunphy et al (2003, 2007) term 'strategic sustainability' and Waddock and Bodwell (2007) propose as facilitating the implementation of TRM, these key principles are inspiration, integration and innovation.

CONCEPTUAL FRAMEWORK

Waddock and Bodwell (2007), argue that in order to implement a balanced approach which integrates social, economic, and environmental responsibilities and thus address CSR requirements, the organisation must adopt a *values-based system of management*. Starik and Rands (1995) note that values can link differentiated organisational units together to achieve common purposes such as CSR and sustainability, as well as linking them to the social and ecological environment. According to Waddock and Bodwell (2007), the creation of a values-based system of management is dependent on the principles of *inspiration*, *integration* and *innovation*. We recognise that the definitions of terms such as inspiration, values-based and innovation are highly contested and, for the purposes of staying within space limitations for this paper, we choose to focus on the definitions provided by Waddock and Bodwell (2007). However, in a longer paper, we would think it essential to explore a variety of definitions.

Inspiration can be interpreted as the development of a coherent culture around CSR and sustainability, otherwise TRM. According to Waddock et al (2002) creating and implementing a TRM vision requires stakeholder engagement and top down, long term commitment. The vision, and core values underlying it, must be clarified and repeatedly articulated. Starik and Rands (1995) recommends the use of cultural artefacts such as slogans, symbols, rituals and stories as a means of reinforcing the vision. Waddock and Bodwell (2007) note that once the vision is communicated, leaders will be observed, particularly by subordinates, for how they exemplify vision and values. Leadership must be open and responsive to organisational situations characterised by high complexity.

The second key principle of TRM management is the integration of vision and values into practices across all stakeholder-related functional areas using reward, reporting, measurement and information systems as the basic systems for integration. The functional areas with practices affected by TRM management include human resources (e.g. employee performance measurement), marketing (e.g. product design), finance (e.g. sources/uses of capital), accounting (e.g. multiple bottom line assessment), production, supplier relationships (e.g. code of conduct implementation), management information systems (e.g. stakeholder communication), environmental management and community relations. Waddock and Bodwell (2007: 15) stress that 'each company needs to determine how to do this in a way that satisfies its particular stakeholders, industry demands and product array'.

Thirdly, TRM management systems must be flexible and open enough to allow for innovation and improvement. This entails learning from past mistakes, reflective and reflexive learning systems and risk-taking.

Table 1 summarises the principles and indicative features of TRM management as prescribed by Waddock and Bodwell (2007).

Table 1: Implementation of TRM (adapted from Waddock and Bodwell 2007)

Principle	Indicative feature
Inspiration	Creation of company-wide commitment of top managers and leaders to a corporate vision that includes responsibility to stakeholders
	Vision and core values clarified and constantly articulated
	Stakeholders engaged to the extent that their input shapes vision and strategy
Integration	Reward
	Reporting
	Measurement
	Information and awareness raising
Innovation	Reflection on mistakes
	Reflective/ reflexive learning systems
	Risk taking

METHODOLOGY

Case selection

Working from the above propositions, this study aims to make an exploratory investigation of *if and how* TRM is developed as a shared value across an organization as a result of implementing practices based upon the factors set out in Table 1. Two case firms were chosen as data sources for this investigation. Both firms have reached a point where they are integrating CSR and sustainability into their business models. They have achieved 'strategic sustainability' according to the Dunphy, Griffiths and Benn (2007) phase model of CSR and sustainability. The characteristics of this phase of the Dunphy et al model equate very closely to those of 'TRM' according to the Waddock and Bodwell (2007) model. Hence, they are considered appropriate choices for our goal of adding empirical detail to the Waddock and Bodwell (2007) framework.

Our case organizations, in this instance, are Insurance Australia Group (IAG), Australia's largest insurance company and Westpac, one of Australia's major banks. These companies are nested within industries that are highly sensitive to CSR. We see an insurance company and a bank as highly suitable for this exploratory case as the relationship between risk management and socially responsible behaviour such as microfinance and activity on climate change is sensitising the financial services industry to CSR and sustainability (Avery 2005). Recognising that classificatory phase models have the tendency to over-simplify developmental processes (Kolk and Mauser 2002), we do not assert that

these firms fit the ideal of TRM according to our definition. However, according to existing external, independent measurement tools they are very successful in that regard and thus appropriate as indicative cases where CSR is being successfully applied.

Both firms are very prominent in the CSR and sustainability discourse, have received awards recognizing their CSR leadership and playing a strong advocacy role. For instance, both IAG and Westpac have been named in the Global 100 most sustainable corporations in the world. In addition, IAG and Westpac were awarded the 'Sustainable Company of the Year' by Ethical Investment Magazine in 2004 and 2005 respectively; Westpac was ranked number one in Australia for corporate responsibility by the UK-based Corporate Responsibility Index in 2006 and included in the FTSE4Good index. In 2005 IAG was also granted AA ratings for Social Responsibility by the RepuTex rating system[1]. RepuTex's annual survey of corporate social responsibility covers issues including corporate governance, environmental impact, workplace practices and the company's social impact. Only one firm, Westpac, received the higher AAA rating. Westpac has also been rated global sector leader of the Dow Jones Sustainability Index for three consecutive years. Westpac has signed the Global Compact, the UNEP Finance Initiative and adopted the Equator Principles[2]. Both firms utilize the Global Reporting Initiative and both have community consultative groups to ensure that corporate direction is towards addressing requirements of broader social value. IAG has produced two Sustainability Reports (IAG 2004, 2005), Westpac was the first Australian bank to issue a social impact report. Westpac employs social assurance to verify its reports and IAG's reports are externally verified.

Data collection and Analysis

The research approach we have used is multiple case analysis, using data collected from the two case organisations selected for the reasons explained above. Case analysis is the appropriate methodology to be utilised when the 'how' of CSR and sustainability is to be explored (Yin 2003). The major data collection methods used were interviews and focus groups. The research with IAG was conducted through 15 semi-structured interviews with a cross–section of IAG employees, including the CEO and senior managers, by personal communications with the Organizational Effectiveness team at IAG as well as secondary documents available in the public domain. The research with

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[1] RepuTex is an independent research agency specializing in independent analysis and ratings on reputation, stakeholder facilitation and CSR ratings. In August 2005, RepuTex released its investment index for Australia. The RepuTex SRI Index comprises 44 companies from the S&P/ASX 300 Index that have achieved a RepuTex Corporate Social Responsibility (CSR) rating of "A" (satisfactory) or higher. The constituent companies are spread across a broad range of industry sectors. The index is independently calculated by Standard & Poor's on a daily basis.

[2] Signatories to the Equator Principles agree to provide loans only to those projects whose sponsors can demonstrate their ability and willingness to comply with processes that ensure that projects are developed in a socially responsible manner, according to sound environmental management practices

Westpac was conducted through six semi-structured interviews, five focus groups and meeting observations with a range of stakeholders. To complement the interviews, secondary research consisting of 10 interviews with senior executives at Westpac (Black 2002) was drawn on, so as to balance the sample sizes across the two case organisations. The aim of this research was to explore how CSR and sustainability has been implemented across these organisations, what practices are used in the ongoing implementation and how in our nomenclature, TRM is perceived.

Thematic Analysis, that is, identifying key themes within each interview, determining the impetus for discussion of the theme (Taylor and Bogdan 1998), and associative analysis, that is, looking at linkages between themes as made unprompted by informants (Denzin and Lincoln 2000), were the techniques used in the analysis. Table 1 sets out the indicative features of TRM as identified under the three categories of inspiration, integration and innovation. From our interviews we identified practices at each of these organisations that related to these features.

The next section of the paper presents the case material collected under the categories of inspiration, integration and innovation that enable IAG and Westpac to facilitate the attainment of TRM.

CASE MATERIAL

If we return to the TRM principles and features that allegedly facilitate organizations implementing CSR, as set out in Table 1, we can now explore more specifically which of the practices and processes associated with inspiration, integration and innovation IAG and Westpac use to implement CSR. Tables 2 summarises our findings.

Table 2: TRM factors at IAG and WESTPAC

TRM Factors and Features		IAG	WESTPAC
Factor	**Feature**	**Influence in ensuring CSR**	**Influence in ensuring CSR**
Inspiration	Leadership Commitment	Highly selective top team. Driven from top in selected Divisions. CEO setting the vision, with specialized role support.	CEO setting vision, board established CSR committee, specialized role support
	Vision clarified and constantly articulated	CEO highly personally involved and public advocate; values-based change program supports CSR push	CEO highly personally involved and public advocate; values-based governance supports CSR push
	Stakeholder engagement	Staff feedback, CSR and sustainability workshops, Community Reference Group, strategic relationships formed with community based groups and NSW Police with the aim of reducing risk	Staff on-line feedback forum, Community Consultative Council, Customer Committee, People Leaders' Forum, Social Advisory Group, Stakeholder Impact Dialogue
Integration	Reward	CSR linked to performance appraisal and reward system at some levels of the organization.	Community relations objectives at business unit level but rewards not consistently based on CSR values. One GM stated opinion that rewarding employees for implementing values and carrying out socially responsible initiatives would lead to cynicism.
	Reporting	Readily understandable, public identification of CSR performance and staff engagement shortfall will lead to awareness raising in the long term. High targets not necessarily a success strategy.	First Australian bank to publish social report (2002), increasing transparency in reporting since then, reports facilitate inclusion in DJSI, increase employee pride, demonstrate accountability to shareholders, demonstrate genuine change to stakeholders and create a platform for launch of sustainability and CSR products
	Measurement	Highly important in identifying poorly performing areas. Success reflected in notable improvement in OHS and improvement in employee retention.	Important part of Social Impact Reports.
	Information and awareness raising	Both top down and bottom up change systems working to embed the business for CSR message; information strategy successful in reducing community risk and thus adding value for community and the organization. Major partnership programs developed with NGO and government organizations to achieve this end.	Information strategy successful in reducing community risk but disconnect between social and environmental stances within firm

Innovation	Reflection on mistakes	Evident at top level – tactic of open conversation and reflection rather than authoritative implementation of CSR.. Publicly available Sustainability Reports note IAG's progress	Mistakes acknowledged in Social Impact Reports
	Reflective/ reflexive learning systems	Reflexive systems not a feature – emphasis more on stakeholder awareness rather than self-critique.	Evidence of reflective system ('constant reassessment at senior levels'). Reflexive learning associated with employee volunteering scheme
	Risk taking	'Levels of work' framework and IAG values provides boundaries for which managers can and cannot make decisions. A stable, supportive and conservative culture associated with NRMA's role (as an ex-mutual organisation) within IAG	Social Impact Reports now include stakeholder evaluations

DISCUSSION

Inspiration

At both IAG and Westpac, leadership plays a vital role in inspiring and revisioning an organization around the motif of CSR. Importantly, there is evidence of top down, highly structured support from the Board level down within both organizations.

The sustainability change program at IAG is led by Mike Hawker, and it started when he became Chief Executive Officer (CEO) in September 2001. According to Hawker, his crusade on behalf of sustainability was prompted by the massive storms in Sydney in 1999, Australia's largest insurance disaster. He is convinced that global warming relates to human activity and that it is the cause of the massive increase in insurance claims in recent years (Carruthers and Cornell 2005). He believes government should take a stronger role in setting carbon trading schemes and has appeared on a number of public platforms advocating the position. Hawker identifies himself strongly with sustainability at IAG, he promotes corporate social responsibility as a core value and prioritises risk and risk reduction as key issues. For example, Hawker himself takes the role of Chief Safety Officer. He is a strong advocate of Australia adopting policies to reduce the effects of climate change. He argues that sustainability values and company purpose are interrelated:

The bigger the organisation the more important it is to have a set of control structures to ensure that you are consistent in what you do and the two control structures that work are firstly values (a set of corporate values that don't change, they stand the test of time and the values describe the nature of people in the organisation and describe how people will act). And the second one is a clear understanding throughout the organisation of what it is you offer as a value proposition (purpose) to your customer. We think that the

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only way you get the consistent delivery is through a control mechanism which is value based and purpose based.

Hawker works to develop this clarity of understanding through ongoing articulation of the sustainability vision and strategy. According to Hawker, 'The value set creates clarity of what we're doing and creates action and creates a framework of thinking, it creates a way of thinking in a consistent fashion so management starts to act consistently'.

CSR at Westpac is driven by CEO David Morgan and Chairman Leon Davis. In 2000, Davis established a Board Social Responsibility Committee to review the bank's social and ethical impacts, symbolising the entry of values into business decisions (Black 2002). Westpac's decision to make CSR a priority came at a crucial time for the banking industry, when the industry's reputation was so sullied that the Australian government was considering its re-regulation. Employee morale at Westpac was suffering. One executive at Westpac recalls, 'people used to come to work in their normal clothes, change into their uniform and change out of it again before they went home because they were too embarrassed to be seen in public wearing a banking uniform. And that was actually cited as one of the main motivation factors of why Westpac decided to do something serious about its wider responsibilities'.

Whilst CEO David Morgan explains the focus on CSR as an attempt to differentiate Westpac from the other banks, one informant, a member of Westpac's key stakeholder engagement forum, the Community Consultative Council, believes: 'it's in their business interests but I don't think that's the only motivation. There are people there who are absolutely passionate about this whole thing'. Morgan acknowledges that corporate values cannot be prescribed from the top; they need to resonate with employees in order to be inspiring. In order for corporate values to resonate with employees, it appears that employees need proof that corporate values help customers relate to the organisation. For example, in the words of an employee from a Westpac branch in Sydney's outer western suburbs: 'we are interested in the same things our customers are; the environment, various charities, recycling and even community events…I think this brings us closer to our customers as we have the same values'.

Integration

Integration is the embedding of CSR or sustainability values, practices or policies into the business model and management practices of the firm. This is indicated, according to Waddock and Bodwell (2007), by the organisation rewarding staff CSR initiatives, or by the firm measuring CSR practices or outcomes as an element of its overall performance, such as by inclusion within the traditional company report, or in estimates of its value proposition. Employees would therefore be encouraged to engage more deeply with CSR or sustainability-based values. For example, a senior executive at IAG describes the progress of integrating sustainability across the business functions at IAG as a process of incremental culture change:

I'd say we're well on the way to actually being sustainable but I would put it more at a sort of five to seven year opportunity for us rather than having achieved that in the first three years. There is an external perception by some that sustainability is fully embedded in IAG, and that would be the wrong conclusion to draw right now. I think the first three years have been about raising consciousness and actually entering into a debate, a conversation with quite a large number of people in the company. I think what we've done really well is not try to prescribe what this means but to open that conversation and we've not been frightened of feedback from around the company.

However, this informant also recognises that integration of sustainability across the business model requires all employees to internalise the vision – to move from a 'what Mike (Hawker) says' or 'they say this is what we should do' to a 'we believe, this is what we believe in, this is how we manage people, this is how we operate as a company, these are our belief systems, here's how we run this business'. For this reason, the change leaders at IAG acknowledge the value of internal schisms and debates. As one executive says:

I think it's particularly interesting for us because we're about to go into a more difficult economic cycle as a sector and there are a lot of people in the company who would say, 'if this is real it will be embedded so deeply that we'll keep focusing on this and it will get us through tough times', another group saying 'it will be one of the first programs to go because it must be costing us money to do this'. So I think that internal debate has been very healthy, there's no shutting it down, there's no telling people 'no this is the way it's going to be and if you don't like it you should just leave'.

At Westpac, internal debate is also common, particularly around social and community issues. There is a sense of disconnect between the environmental and social aspects of CSR, with most informants showing higher levels of engagement with social rather than environmental issues. The opportunity for all levels of employees to actively experience the application of CSR values in the community enhances the internally perceived legitimacy of Westpac's social responsibility stance, encourages social engagement by staff and facilitates the integration or embedding of social responsibility values and practices across the organisation. Some employees may be regularly called on to practice social responsibility. A branch manager in a farming community gives a good example: 'The floods have been through here recently, I had a customer in here, they lost everything, weren't insured, sat in the office, three generations living in the one house with no insurance, needed money, no income, where do I go with that?'. Other employees experience social responsibility in practice whilst working on special projects. For example, in Morgan's words:

In the Cape York [project] … we bring people together from different parts of the organisation … and we give them community problems to deal with that are intractable,

long-term, and have no easy solution. We ask them to work on those problems with communities with whom they've had very little contact in the past. One of the great outcomes of that work has been [that] people understanding that the issues around integrity aren't just that I personally believe that I'm honest, but my integrity is often tested in environments where I have to choose between the right thing to do for a customer and the way the Bank makes money, and that's probably an environment where people see that in its starkest, because [in] most of those [aboriginal] communities, [doing] the right thing by the customer probably doesn't make the Bank a cent (Black 2002: 161)

In terms of other aspects of the embedding system and integration, there was little evidence of emphasis placed on reward for CSR-based performance in either organization so we cannot discount its importance as a result of this study. Whilst employees in CSR related roles at Westpac have key performance measures (KPIs) related to CSR, these KPIs tend to be output rather than performance based. For example, the manager of Westpac's financial literacy program, reports on 'how many workshops have we run, how much of my time has been expended and what does that equate to in value…and that's included in the Stakeholder Impact Report'. The study indicates the importance of intangible value derived from reputation as it is seen by Westpac respondents as influencing retention or attraction rate measurements. Morgan notes the indirect reputational value of TRM:

It helps you become an employer of choice in your sector, if you are following responsible and ethical and trustworthy policies day in, day out. Secondly, that helps feed through into customer choices, since customers both notice what you're doing and how you're behaving day in, day out, and they also get that reflected from customer-facing staff, who are the majority of our staff, who are customer-facing. So there's a direct beneficial effect on those two stakeholder groups. And then there are two other benefits. One is that [it] feeds through into your general reputation … the bulk of our valuation as a company is not our net tangible assets, its intangible assets of which our reputation is a very large one. And, the fourth benefit is … [that] the legitimate needs of the community get met. It's not a question of if they get met, it's a question of how they get met … In all of those ways … doing the right thing also sustains long-term shareholder value (Black 2002: 174)

IAG has worked to integrate CSR in a very pragmatic approach, based on both top-down and bottom-up systems of TRM and a highly organised team of change agents, working across different levels and divisions of the organisation. The emphasis on and effect of measurement processes as an element of TRM is also very marked, but often comes back to the problem of how to measure some of the competing intangibles and measuring different stakeholder priorities. The emphasis placed on the

embedding system indicates the importance of getting meaningful data that can act back on the long term vision thus interconnecting with the learning system. The case material indicates that processes of TRM encourage this change, not formal structures or heavy authority.

Innovation

Reference to innovation in terms of reflection on mistakes, installing organisational learning systems or supporting a flexible, risk-taking approach is much less evident in TRM discourse of our case organisations than the principles of integration and inspiration. While it seems to us commonsense that instituting a culture of innovation will facilitate the development of sustainable or responsible practices, products and services, it is obviously not so easy to define as an approach or to assess the extent of its application. Innovation does occur, but, at Westpac, it appears to be responsive, ad hoc and informal, rather than proactive and systemic. For example, Westpac recently experimented with creating 'sustainable products' in response to market research indicating consumer demand, and their financial literacy program was an innovation in response to credit card debt. A Westpac executive explains how the need for the program was identified:

> *At one of my first meetings with Financial Counsellors, they started to tell me four years ago the terrible problems that people found themselves in with credit card debt and, um, these were people that had, ah, gold cards and I was the head of the team, card marketing, that introduced those gold cards. So, ten years on, I was looking at the direct affect of what me and my team had done ten years earlier and we were all upstanding, decent people who were given a job to do, to grow our credit card business and yet, I was looking at what, what it ended, what ended up being the net effect of that and so, I went through a period of, um, you know, a while thinking, gee, we never even thought that people would do that with their credit cards.*

In these examples of product and service innovations, the operational manager was given autonomy to create solutions, which is, according to a member of the Community Consultative Council, a deliberate tactic to develop leaders: 'There are new areas of opportunity where Westpac can take people who aren't yet fully tested, but who are promising, thrown in a little bit at the deep end, we'll give them support though and give them a challenge and opportunity, see what they can come up with'.

CONCLUSION

The TRM strategies, processes and structures these organizations have selected to implement CSR and sustainability have been explored in this study. In general, the study shows the importance of TRM based on a culture change that will develop a shared value across an organization and in both organizations we noted a very deliberate attempt to install that system and its apparent success. Waddock and Bodwell's (2007) TRM model implies that TRM begins with inspiration, gains strength

with integration and stays relevant with constant innovation. We conclude that there is clear evidence that inspiration and integration systems of TRM are associated with the successful implementation of CSR and sustainability. Innovation may be another factor in the implementation of CSR but this may be more important in some industry sectors than others. Insurance and banking organisations, for instance, may discourage the linking of concepts of flexibility, risk-taking and innovation by virtue of their role as financial managers. So while there was some evidence that reflection is a management practice in each organisation, this is not perceived as a source of innovation, but of a more incremental practice of awareness-raising.

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Innovation	Reflection on mistakes	Evident at top level – tactic of open conversation and reflection rather than authoritative implementation of CSR.. Publicly available Sustainability Reports note IAG's progress	Mistakes acknowledged in Social Impact Reports
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	Risk taking	'Levels of work' framework and IAG values provides boundaries for which managers can and cannot make decisions. A stable, supportive and conservative culture associated with NRMA's role (as an ex-mutual organisation) within IAG	Social Impact Reports now include stakeholder evaluations