THE PROPOSAL CONCEPT OF DEVELOPMENT AND IMPLEMENTATION IN STRATEGY OF SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY IN THE CONTEXT OF THE HCS MODEL 3E

Peter SAKÁL¹, Gabriela HRDINOVÁ²

¹SLOVAK UNIVERSITY OF TECHNOLOGY in Bratislava, FACULTY OF MATERIALS SCIENCE AND TECHNOLOGY IN TRNAVA, INSTITUTE OF INDUSTRIAL ENGINEERING AND MANAGEMENT, ul. JÁNA BOTTU 25, 917 24 TRNAVA, SLOVAK REPUBLIC, e-mail: peter.sakal@stuba.sk.
²Department of Road Transport and Land Communications, Krajinská cesta 5053/13, 921 25 Piešťany, Slovak Republic, e-mail: Gabriela.Hrdinova@pn.vs.sk

Abstract

This article is the result of a conceptual design methodology for the development of a sustainable strategy of sustainable corporate social responsibility (SCSR) in the context of the HCS model 3E formed, as a co-author within the stated grants and dissertation. On the basis of the use of propositional logic, the SCSR procedure is proposed for incorporation into the corporate strategy of sustainable development and the integrated management system (IMS) of the industrial enterprise. The aim of this article is the proposal of the concept of development and implementation strategy of SCSR in the context of the HCS model 3E.

Key words

Sustainable strategic management, sustainable corporate social responsibility, integrated management system, HCS model 3E

INTRODUCTION

As we noted in the Final KEGA report: “Despite this grant being rejected, we will continue in our research activities in the field of CSR, SCSR and sustainable development (SD). Encouraging news is, that the members of the research team also became part of a newly submitted project, APVV the “System analysis and assessment of the main management processes of industrial enterprises of the SR for supporting the introduction of
the circular economy” and the project VEGA no. 1/0448/13 “Transformation of an ergonomics programme for the structure of management of an enterprise with the integration and use of modules QMS, EMS, HSMS”. The main (synthetic) aim of the VEGA project is the design of an ergonomic programme into practical activities of corporate management through integrated action modules QMS, EMS, HSMS - the Integrated Management System (IMS).

METHODS

1. HCS model 3E versus CSR

The HCS model 3E is a local ergonomics programme specific to the countries of Central and Eastern Europe which was created under the project APVV no. 019/2001: “Transforming Industry in Slovakia Through Participatory Ergonomics” a four year long USA – Slovak cooperation.

Authors K. Hatiar, T. M. Cook and P. Sakál (3) proposed a concept of the values of a person as an object and subject of all their efforts and focus. The concept states that the working environment should contribute to building the working life quality of each person in a quality sustainable environment and adequate economic conditions for the overall quality of human life. A number of lobbyists for Slovak industrial companies either do not realise or do not want to admit it is mostly for their reasons of personal economic gain, this is an objective linking the three E (HCS model 3E) (3).

2. The industrial (traditional) model of an economy versus the sustainable (new) model of an economy

According to (4) the industrial model of an economy based on large-scale industrial factories, after 150-200 years the possibilities of development have been exhausted. This is because it was based primarily on the overall expansion and disproportionate implementation of resources and raw materials. The new model of an economy should be based on the overall structural change, which consists of a change in patterns of production and consumption, minimising inputs and efficient recovery of resources. The new business model, which is mentioned in greater depth in section 3 is based on the change in the production and distribution of the added value – concept; Created Shared Value (CSV), which respectively transitions from the “strategy win – lost” to the “strategy win – win” which, subsequently results in a “non-zero sum game”. This new business model will form the methodological basis of our design concept of the methodology for a system of SCSR for SMEs in the context of the HCS 3E model.

3. Created Shared Value (CSV) versus Corporate Social Responsibility (CSR)

Based on the idea of American professors Porter and Kramer regarding how to create advantages of the capitalist system by modifying the concept of CSR to CSV (Creating Shared Value), a public debate was triggered by the Czech Management Association (www.cma.cz).

In the straight-line article “How to save the primacy of the capitalist system?” Professor Pitra answered the following frequently asked questions in the public debate:
1) How to change the methods of formulating a business strategy of the organisation, which will focus on optimising the social benefit of their businesses?

2) What role should play a new business model in the implementation of the newly conceived business strategy?

3) How to create a business model which focuses on improving social benefit?

4) What will be the role of the representatives of the senior management of the organisation, which decides to implement a new business model?

5) Will it not end the effort to optimise the social benefit of business activities in the same trap as the initiative of the obligations to CSR?

According to (6, 7), the concept of raising the social benefit "(CSV - Creating Shared Value)" differs significantly from now widely frequented "the concept of social responsibility of organisations" (CSR - Corporate Social Responsibility).

The CSV concept became the basis for the design of the SCSV concept (4).

RESULTS

1. The concept design of the methodology for the development of sustainable CSR strategy for SMEs in the context of the HCS model 3E concept.

The definition of the **HCS model 3E** concept, shows that (4):

\[
\text{HCS model 3E} \cong (\text{SQW} \wedge \text{SPQ} \wedge \text{SQL}), \quad [1]
\]

where:

- ≃ - is the symbol of the operation of equivalence – ekvivalentor.
- \( \wedge \) - is the symbol of a logical product operation (conjunction, "and") - konjunktor,
- SQW – sustainable quality of work,
- SPQ – sustainable production quality (goods and services),
- SQL - sustainable quality of life.

The HCS model 3E concept is confirmed and verified in the current document [8] “National Quality Program” (NQP for 2013-2016) and follows that:

\[
\text{NQP} \cong (\text{SQW} \wedge \text{SPQ} \wedge \text{SQL}). \quad [2]
\]

According to the established methodology of the concept of sustainable CSR strategy for SMEs in the context of the HCS model 3E concept, Fig. 1, applies (4):

\[
\text{SD/PSD} \supset \text{SCSR} \supset \text{IMS} \quad [3]
\]

where:

- \( \supset \) - is the symbol of the operation- subsystem,
- SD/PSD- sustainable development/ permanently sustainable development,
- SCSR- sustainable corporate social responsibility,
IMS- integrated management system.

i.e., the IMS subsystem ((chain)) SCSR and this is the subsystem (chain) SD/PSD.

And if **SD/PSD is according to ISO 26000:**

\[
SD/PSD \approx (\text{Soc},p \land \text{Env},p \land \text{Ec},p),
\]

where:

⊕ - is the symbol of the operation- subsystem,

SD/PSD - sustainable development/ permanently sustainable development,

Soc,p – the social pillar,

Env,p – the environmental pillar,

Ec,p - the economic pillar,

then it has to be also that **SCSR \approx (Soc,p \land Env,p \land Ec,p).**

Fig. 1 illustrates the idea of replacing hierarchical subsystems SD / PSD, CSR and IMS under registration (3). The ground plan expresses the necessity for the (equivalence) SCSR and its three pillars - the relations (4) and (5). This means that all subsystems SD / PSD, UCSR and IMS contain all three pillars: social pillar, the environmental pillar, the economic pillar (which is a methodological/ system/ holistic perspective very significant to us).

Also on the left side of Fig. 1 are arranged (recommended by us and used in the effective functioning of SCSR) exact tools and concepts. As indicated by Peter Ponický in the title of his presentation "**Quality is not the result of the use of quality tools**" [9]. Our words are: **if the fundamental systemic issues are not resolved then in solving partial problems we will always impinge on these unresolved systems.** This of course does not reach the desired goal, and our efforts are already pre-inefficient and doomed to failure. The cited author asks the question: **"Who and what constitutes quality"** in his article and he also answers on this question: **"PEOPLE AND THEIR RELATIONSHIPS!"**

We also add "**A PADADIGM SHIFT OF THINKING**“!
1. Sustainable Development:
- vision of sustainable business development,
- mission of sustainable business development,
- strategy of sustainable development of business.

2. Sustainable Corporate Social Responsibility:
- moving towards social responsibility according to STN ISO 26000,
- Creating Shared Value.

3. Integrated Management System:
- Quality Management System (QMS) according to STN ISO 9000,
- Environmental Management System (EMS) according to STN ISO 14000,
- Management System of Safety and Health (OSH) according to STN ISO 18000,
- Information Security Management System according to STN ISO 27000.

Fig. 1 Concept design of the methodology for the development of sustainable CSR strategy for SMEs in the context of the HCS model 3E concept

Source: (4)

The standards of STN ISO follows that:

\[ \text{IMS} \cong (\text{QMS} \land \text{EMS} \land \text{OSH} \land \ldots) \]

where:
- QMS – Quality Management System (STN ISO 9000),
- EMS – Environmental Management System (STN ISO 14000),
- OSH – Occupational safety and health (STN ISO 18000).

Almost all historically incurred definitions of CSR contain three components/aspects/dimensions: economic, social and environmental. The definition of CSR in the standard STN ISO 26000 does not contain an economic component. If this standard is reflected in a holistic/systemic approach, then the definition of CSR and PSD is broken. If a PSD is a system, then CSR as its subsystem has to be composed of the same elements. It has three dimensions: economic, social and environmental, which are connected to each other!

By created the concept, shown in Fig. 1, it follows that sustainable CSR is dependent on the use of concepts and tools such as:
SCSR = f (HCS model 3E; CSV; CBA; BSC; AHP, IMS, ...), \[7\]

where:
f - is a symbol of function,
BSC - balanced scorecard,
AHP - analytical hierarchy process.

The modified Porter value chain shows, that:

\[
SCSR \approx (SLog,\text{in.} \land SPro. \land SLog,\text{out.} \land SM&S \land SCS \land SE \land SDTg. \land SMHR \land SBI \land SMP),
\]

[8]

where:

- SLog,\text{in.} - Sustainable Input Logistics,
- SPro. - Sustainable Production,
- SLog,\text{out.} - Sustainable Output Logistics,
- SM&S - Sustainable Marketing and Sales,
- SCS - Sustainable Customer Services,
- SE - Sustainable Ensuring,
- SDTg. - Sustainable Development of Technology,
- SMHR - Sustainable Management of Human Resources,
- SBI - Sustainable Business Infrastructure,
- SMP - Sustainable Margin/Profit.

Then, according to [10] its own processing are the social impacts of the modified Porter's value chain in formal logical terms are as follows:

- SLog,\text{in.} \approx (emissions \land congestion \land reduction of waste \land reduction of technological downtimes \land support activities of suppliers \land ... \land ) \[9\]
- SPro. \approx (emissions \land waste \land biodiversity \land environmental impacts \land energy \land water \land OSH \land hazardous materials \land non-waste / clean technology \land ... \land ) \[10\]
- SLog,\text{out.} \approx (waste in packaging impacts \land impacts of transport \land ... \land ) \[11\]
- SM&S \approx (marketing a non-misleading advertising \land pricing practices \land ... \land ) \[12\]
- SCS \approx (liquidation of obsolete products \land treatment of motor oils \land printing inks \land personal data of customers \land ... \land ) \[13\]
- SE \approx (entering of public procurement \land control of supply chains \land rejection of child labour \land rejection of bribery \land fair prices to farmers \land ... \land ) \[14\]
- SDTg. \approx (a partnership with the University \land ethical research practices \land product safety \land preserving raw material \land recycling \land ... \land ) \[15\]
- SMHR \approx (education and training of staff \land diversity management \land health care and other benefits \land outplacement \land ... \land ) \[16\]
- SBI \approx (financial reporting \land government practices \land transparency \land lobbying \land ... \land ) \[17\]
- SMP \approx CSV \[18\]

This means that the sustainable margin / sustainable profits can only be achieved by changing the paradigm of creation and distribution of wealth / profit - using the concept of CSV.
Furthermore, according to [10] its own processing is **included sustainable technologies in the modified Porter’s value chain** in formal logical terms such as:

\[ \text{SLog.in.} \approx (\text{STg transport} \land \text{STg material handling} \land \text{STg storage and warehousing} \land \text{STg communication system} \land \text{STg testing} \land \text{STg information system} \land \ldots \land) \] [19]

\[ \text{SPro.} \approx (\text{STg basic manufacturing process} \land \text{STg material} \land \text{STg machine tools} \land \text{STg material handling} \land \text{STg packaging} \land \text{STg maintenance} \land \text{STg testing} \land \text{STg building design} \land \text{operation} \land \text{STg information system} \land \ldots \land) \] [20]

\[ \text{SLog.out.} \approx (\text{STg transport} \land \text{STg material handling} \land \text{STg packaging} \land \text{STg communication system} \land \text{STg information system} \land \ldots \land) \] [21]

\[ \text{SM&S} \approx (\text{STg advertising and promotion resources} \land \text{STg audio and video} \land \text{STg communication system} \land \text{STg information system} \land \ldots \land) \] [22]

\[ \text{SCS} \approx (\text{STg diagnostic} \land \text{testing} \land \text{STg communication system} \land \text{STg information system} \land \ldots \land) \] [23]

\[ \text{SE} \approx (\text{STg communication systems} \land \text{STg information systems} \land \text{STg transport systems} \land \ldots \land) \] [24]

\[ \text{SDTg} \approx (\text{STg products} \land \text{STg product design} \land \text{using PC} \land \text{STg experimental factory} \land \text{STg pre software development} \land \text{STg information system} \land \ldots \land) \] [25]

\[ \text{SMHR} \approx (\text{STg training} \land \text{STg motivation research} \land \text{STg information system} \land \ldots \land) \] [26]

\[ \text{SBI} \approx (\text{STg information systems} \land \text{STg planning} \land \text{budgeting} \land \text{STg administrative works} \land \ldots \land) \] [27]

where:

\[ \text{STg} \quad \text{- sustainable technology.} \]

**Based on the system analysis of relevant documents and concepts it can be argued that:**

\[ \text{REPORT} \supset \text{NPQ} \supset \text{SD} \supset \text{SCSR} \] [28]

ie., that **SCSR** is a subsystem of (\supset) **SD**, it is a subsystem of (\supset) **NPQ** and this is a subsystem of the **REPORT**.

And if the **REPORT** is **according to the REPORT of European Commission**:

\[ \text{REPORT} \approx (\text{Soc,p} \land \text{Env,p} \land \text{Ec,p}) \] [29]

As a result, at least formally (de jure), and in theory, the basic system requirements are created for the implementation of a sustainable strategy of CSR in the context with the HCS model 3E enterprises (SMEs) in the EU and in Slovakia and at least in theory, is **formed the European basic system requirements** for the "Concept design of methodology for the development of sustainable CSR strategy for SMEs in the context of the HCS 3E model concept" moved from the position of "utopia" to the position of "reality".

2. A proposal for the implementation of the concept of SD to business strategy

In the management and strategy of the enterprise according to the principles of SD and (4) it is required to implement the following **seven steps**: 1. Implementation of stakeholder analysis. 2. Determining the policies and objectives of the SD. 3. Designing and

A comprehensive SD strategy of an enterprise- as a company document- the SD strategy of an enterprise, should be according to (4) the following structure:


In short, it is possible to complete the process of creating a comprehensive SD strategy for an enterprise formally represented in 4 phases of strategic management as a process according to (4), as follows:

\[
PC \ S \ SD \approx (ANALYSIS \land CS \ SD \land IMPLEMENTATION \land CONTROL) \tag{30}
\]

where:
- **PC S UB** – the process of creating a comprehensive SD strategy of an enterprise,
- **ANALYSIS** – analysis of the external business environment, sectoral business environment, internal business environment, SWOT analysis,
- **CS SD** - creation of an SD strategy (vision, mission and corporate, business, functional strategies),
- **IMPLEMENTATION** - implementation of the SD strategy,
- **CONTROL** – check for fulfilment of the SD strategy,

and a train of thought is possible to write in the development of a comprehensive SD strategy of an enterprise according to [4] as follows:

\[
PC \ S \ SD \approx A1 \rightarrow A2 \rightarrow A3 \tag{31}
\]

where:
- \(\rightarrow\) - is a symbol of the implications operations ("if" - "then") - implicant,
- **A1** – operator A1 – justification of the social meaning of existence of a company (specification of long-term social and business mission of the company - the acceptance of a paradigm change thinking towards SD and sustainable CSR of critical stakeholders),
A2 – operator A2 – generates insights into its validation in specific socio-economic conditions (creation of the SD vision and sustainable CSR of the future - in the medium term - business success),

A3 – operator A3 – bringing this vision to life by the selection of a specific strategic for business objectives and the implementation scenarios for their success (formulation of a sustainable business strategy and the creation of implementation plans to pursue its goals).

IF a business entity (BE) needs a thriving local community (LC), then the local community (LC) also needs a successful entity (SE).

Thus, the following applies:

\[ \text{BE} \approx \text{LC} \]

3. Proposal for the implementation of the concept of a sustainable CSR strategy to the strategic management of the company

Like any process of implementation of a hierarchical system in the organisation, and the introduction of the concept of sustainable CSR strategy to the system of strategic direction of the company (as a subsystem of enterprise strategy SD), is a long, difficult, time-consuming, effort, requiring new information and knowledge and a change of mind-set - a complex task. The main purpose of implementing the concept of sustainable CSR strategy to the strategic management of the company is the successful integration of the various areas of CSR (economic, social and environmental) to the vision, mission, values and strategic objective and values of the enterprise to its culture and operational decisions at all levels of management as a responsible approach to promote long-term retention in the market.

Hrdinová in (4) suggests using the procedure of implementation of the concept of sustainable CSR strategy into practices of strategic management (not only industrial enterprises, according to (12, 13), which has been modified, implemented and verified in (5):


4. The proposal for incorporating the concept of sustainable CSR strategy in business practice in IMS

Sustainable CSR, according to (4) is actually a strategy that an enterprise should create and follow. Besides the three main parts of which SD consists, i.e. "Triple-bottom-line", has the following three pillars: economic, environmental and social. There are also other parts of the IMS enterprise that also in coherence with CSR itself consists of the overall company strategy.

The concept that sustainable CSR strategy should cover all processes within the company is seen as an integral part of the SD strategy, for industrial and other companies/ organisations. In the article (14) the authors propose the inclusion of the SD concept into the SD strategy of an enterprise. In this, the authors presented a so-called. "GRC approach", (15) which is the abbreviation of three English words: G - governance, R - risk management and C - compliance, and especially to the uninitiated Greek acronym.

\[ GRC \approx (G \land R \land C) \]  [33]

where:
- **G** - **Governance** (leadership, the government, power),
- **R** - **Risk** (risk),
- **C** - **Compliance** (adherence), **Controls**.

The above entry indicates that **sustainable CSR strategy can not only exist as a single strategy in the company. It always represents one of the components of strategic business management. It is an integral part of such a comprehensive SD strategy of an enterprise together with other management systems - IMS. Together, they create a symbiosis which cannot separate one without the other.**

**CONCLUSION**

This article had as a main objective the aim to provide a solution for EU recommendations outlined in (16), p. 11: "The European Commission proposes a new strategy for a new definition of CSR, designated as “responsibility for the impact of enterprises, which they have on society.”. In accordance with the new definition, enterprises have to have available procedure which include in their business strategies and the basic strategies questions, which are related to social policy, environment, ethics, human rights and consumer requirements. The aim of this process should be the creation of the common values between owners / shareholders, other stakeholders and society in such a way that it can find, prevent and mitigate the negative effects arising from the operations of the company”.

Gabriela Hrdinová in (4) proposed the concept and we (on UPIM MTF STU Trnava) are trying this concept to finalise a successful practical application through cooperation with Slovak industrial enterprises without VEGA grant support by addressing the bachelor's, master's and doctoral theses (17).

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Reviewers:

prof. Ing. Ján Závadský, PhD.
doc. RNDr. Karol Hatiar, CSc.