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Internalizing the Corporate Social Responsibility through Strategic Operations Management

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Abstract

Corporate Social Responsibility (CSR) initiatives are usually external activities taken up by corporate organizations to demonstrate their commitment towards social and societal betterment. But it is possible to bring similar results particularly in the domain of environmental safeguard and people welfare by ensuring effective operations management. This internalizing has the benefit of increasing the productivity and quality inside the organization besides serving the cause of social responsibility. Such operations management practices minimizethe damage to the environment, improve the working conditions, conserve the materials and help the organization to become responsible corporate citizen. This paper advocates the need to internalize the CSR initiatives by focusing on operations management and provides the necessary evidence through real life applications. Towards the end the paper also links clean, lean, and green manufacturing to CSR to make the process more attractive to the enterprises.

Introduction

Organizations today whether in manufacturing or service, need to address multiple objectives. While sustaining growth and profitability through fierce competition is mandatory, equally important is to survive the turbulent situations that throw challenges regularly. Traditional skills are no longer sufficient to manage the affairs and a constant update is required. Operations managers have been grappling with competitive priorities right form the time when manufacturing activities started all over the globe and multitude of manufacturing organizations were set up under traditional categories of craft or job, batch, mass, and flow or continuous production. Volume and variety became the prime factors of operations decisions and other aspects of production systems like facilities, location, aggregate planning, maintenance, inventory, and scheduling, to name a few, revolved around them. Obviously, companies started formulating ideas and strategies according to the needs of the market and looking at the customers' expectations.

Chambers [1], while describing the history and growth of Toyota Motor Company illustrates how a company can formulate its working principles and evolve those practices that will later become benchmarks, like for example Toyota Production System (TPS). However, it is essential to observethe responsibility of the operations managers in serving the larger interests of the society and integrating this concern while setting up their priorities. Chambers [1] comments that the policies like "just in time" and "kaizen or continuous improvement" adopted by the Toyota company became industry best practices later and even spread worldwide. Further, he says that as early as in 1934, Kichiro Toyoda of the Toyota founder's family had listed some advice for the people, which highlighted the duties and responsibilities of the employees along with a reminder about their contribution towards society. This no doubt set the foundation for Toyota's mission later, which enabled the company to become the world's leading automaker. The present paper picks the thread from this concern expressed in those days itself and elaborates on how the operations managers need to formulate their "strategies" without forgetting to demonstrate their commitment towards responsible citizenship.

It is clear that in the beginning production activities taken up by the companies were focused internally towards improving productivity and efficiency by adopting better methods of manufacturing or service along with conscious efforts towards less material consumption, improved utilization of costly or scarce human and capital resources, along with reduced transportation both within and outside the company. Again, Toyota's policy of "waste reduction or elimination by recognizing the seven wastes" became a highly acclaimed and emulated practice across the globe. In the present scenario where the shortage of resources, depletion of naturally available materials, and damage to the eco system are omnipresent, minimizing of all kinds of waste and preserving the environment become more demanded priorities. These practices automatically enhanced the scope for improvement and created a competitive environment for the companies to demonstrate and display their creativity and leadership capability towards releasing better products and be able to maintain healthy margins. On the other hand, companies that did not apply proper controls and resorted to protective pricing policies coupled with aggressive marketing campaigns soon realized that they would not be surviving for long. The customers rejected the overpriced products and started accepting the products that are "value for money".

Typically when manufacturing organizations are setup to produce a product based on market potential they would have calculated the breakeven volume and the type of production system selected on a volume-variety continuum [2]. Organizations look for economic prosperity and progress in terms of increased operations and obviously towards increased profits. The outputs are tangible in the sense of products, and intangible in terms of employment generation, knowledge creation, value addition, and development of the local geographic region. However, the tangible product, which is the intended output is not alone but may have several by-products that emerge from the

same system though they are neither intended nor desirable in many situations. Unless they can be disposed of conveniently as a saleable commodity to bring additional revenue, they may prove to be a burden. Because such by products may be harmful in nature, damaging the environment over a long period of time and also responsible for social problems like a disease or a slow destruction of other natural and vital elements like air, water, and earth. Unless the company makes a conscious effort to understand the short and the long-term implication of the product, it may not be willing to spend any extra money in trying to neutralize the undesirable effects. As these measures are additional cost factors, the company is very likely to remain a mute spectator without doing anything to mitigate the risk, unless compelled by the legal ramifications. In this context, two choices exist. One, the company becoming proactive and voluntarily trying to improve the situation and absorbing the additional costs or two, taking a legal stand that unless it is mandatory it may not be carrying out any preventive or corrective action. This is where internalizing the corporate social responsibility through effective operations management can lead to rich dividends.

Aligning the Operations Strategy towards Better Outputs

Before proceeding to the procedure of developing and implementing a strategy, it is better to understand the basic concepts of strategy and its role in the management function. Earlier strategy was associated with specific functional areas of management like finance, marketing and human resources. Now, strategy means "competitive strategy" and has become a more favorable term to describe the organizations' overall plan to stay through competition and grow. Ever since the publication of "Competitive Strategy" by Porter [3], strategy has created a new ripple in the management wave. Harfield [4] provides an excellent summary of different strategy related issues along with a panoramic view of strategy formulation and implementation. Gupta and Lonial [5] lucidly describe the linkages among manufacturing strategy, business strategy and organizational strategy. Corporates form the strategy at a desired levels namely corporate level, business unit level, and functional or departmental level. While strategy may be about competing and surviving as a firm, products released by different corporations compete for market share, and hence business units should develop competitive products. The role of the corporation then is to manage its business units and products so that each is competitive and contributes to corporate purposes.

Competing through operations is a popular concept described in almost every book on operations management. Popular authors of operations management textbooks describe operations strategy under several factors as shown in Table 1 [6,7]. However, Finch [8] extends these factors to include convenience, style, ethical issues, technology, customization, and dependability and classifies as those important to consumers and those important to business customers.

Strategy formulation in its simple approach follows a three-tier structure, starting from corporate level through its mission and vision, moving down to functional level and then trickling down to operations level. This means, strategy is not defined and left at that stage by top management,but actually has to move to the action stage to realize the intent of strategy. Further, the overall strategy should integrate different functional strategies to ensure organization's growth and stability. Instead of establishing a separate quality strategy, it is necessary to integrate quality with all the activities in all the stages to ensure quality of products and services. This means, at what quality level the company has to offer its products is no longer a product based criterion but has to be seen in an overall perspective. As wisely stated, quality cannot be inspected but has to be built into products and services. While in the past quality gave an edge in the market to stand above the competitors, today quality is the minimum entry criterion. That means quality has become an order qualifier and no longer an order winner [9]. Hence, emphasis on quality is not for publicity but for gaining acceptance. In a survey based article, Weiler [10] states that 99% of the respondents consisting of CEOs believe that quality contributes to the bottom line. The reasons cited for this belief are increased revenue through repeat business, referrals and customer loyalty, less rework, and savings on labor and materials. Hence the new thinking about quality is that quality should be integrated into all the typical planning issues namely product planning and design, forecasting and capacity planning, location and facilities planning, process planning, and scheduling, packaging and delivery, after-sales service and obtaining customer feedback.

Clean, Lean, and Green Operations Management that Fits into CSR

In any manufacturing and non-manufacturing organization, the production function is primarily responsible for creating the output in the form of tangible or intangible products in the required quantity and quality, and delivering the same to the customers within a given time. For a long period, the production and operations function was subservient to finance and marketing functions and existed to provide the intended output from the organization. The advent of mass production, short production cycles, and ability to offer in large price and variety range, significantly changed the outlook of the operations. This also led to the formation of "competitive priorities" as the manufacturing companies started experiencing intense competition across the globe. Gaither and Frazier [11] list the competitive priorities as low production costs, delivery performance, high quality products, customer service, and flexibility. Traditionally quality, cost, and delivery on time were priorities. In the recent times, speed, flexibility, innovation, and environmentally friendly operations augmented these priorities.

A comprehensive definition given by Gaither and Frazier [11] states that operations strategy is a long-range game plan for the production of a company's products/services and provides a road map for the production function to meet the company's business strategies. To meet these goals the companies should also look at their decisions regarding location of the manufacturing units, facility layouts, procurement of materials, technology, human resources, outsourcing, and collaboration and competition. Thus, operations strategy is a wide spectrum of decision scenarios and it is essential to remember the interconnections across these various elements as these elements influence the outputs.

An early paper [12] reports that the companies while formulating their corporate strategy missed the manufacturing priorities,and suggests using them to achieve competitiveness. Historically the focus was on mass production, standardization, stable production lines and better utilization of plant, equipment, and people. Of late, the strategy

Factor	Operations Strategy
Price	Low cost
Quality	High performance design and/or high quality, Consistent quality
Time	Rapid delivery, On-time delivery
Flexibility	Variety, and Volume
Service	Superior customer service
Location	Convenience

Table 1: Factors related to operations strategy.

focusestowards the betterment of the society and moves towards demonstrating social responsibility. Operations' priorities also change over time and the operations managers have to modify their policies and strategies to suit the local and global environments. While traditionally the focus was on designing layouts, and identifying volumes and varieties, a number of secondary objectives started surfacing as the scope of operations started stretching in all the directions. Today's operations managers have to be innovative in their approaches so that the company's internal and external customers are happy and help to sustain the business.

Overview of Corporate Social Responsibility

Corporate world has become more conscious of their social and societal commitments and has indulged in several voluntary activities benefitting the society. These activities range from philanthropy, health care, adoption of schools, sponsoring girl children, sanitation development in villages, and instituting scholarships for students,to all kinds of patronage to sports, research, health care, and education, and are collectively titled Corporate Social Responsibility (CSR). In fact corporate philanthropy is well addressed in an old paper [13] as well a recent paper [14]. But corporations move beyond philanthropy [15] and right from the 1990's several authors stressed upon these points which more applicable for manufacturing industries [16-20]. At the same time, the companies are exercising caution in ensuring that their operations that include manufacturing, logistics, distribution, and other related activities do not cause any adverse effect on the society and hence focusing on the social and environmental aspects of production. The companies feel that they are responsible for the impact of their operations on the environment and hence must be well prepared to mitigate the adverse impact on the society in general. Similar to expecting the people of a country to be responsible citizens, companies too have to demonstrate that they are corporate citizens. As given by European Commission (2002) CSR is a model by which companies on their own consider the social and environmental concerns as a part of their business operations and other interactions with their stakeholders. According to Pedersen and Andersen [21] these responsibilities act as a preventive measure and lead to good practices being followed by companies. Many companies have introduced codes of conduct in their supply chains, which ensures good practices along the entire supply chain.

The new bill passed in the Indian parliament about compulsory contribution by the companies towards CSR initiatives, triggered fresh interest on the ways and means of having CSR activities on a larger scale. However, CSR initiatives should not be a momentary surge of the corporate activities but should drive the company's initiatives towards becoming responsible social citizens. This further translates tointernally driven strategies and not just some cosmetic attempts to claim financial benefits or corporate publicity. Manufacturing industries definitely need to relook at all these possibilities.

Knox and Maklan [22] argue that there is no proof that CSR results in business or performance improvement in proportion to the investment made. Several researchers [18,23] state that CSR can add value to what a company does and also led to performance improvement but does not correlate with the performance directly. CSR may not receive the priority it deserves because the companies feel that CSR is not their main objective. Silberhorn and Warren [24] have stated that the concept of CSR is evolving and the applications of CSR are on the rise. Today, it is compulsory for the companies to display better practices so that they are resource-friendly and less harmful to the environment [25]. Kotler and Lee [26] have narrated the

best practices in CSR highlighting interesting applications. However, Weber [19] notes the absence of universally accepted or agreed upon definition of what constitutes CSR though the concept enjoys wide publicity.

Internalizing the CSR -Moving the Operations' Focus Towards Social Responsibilities

Traditionally operations' functions revolved around manufacturing and the general perception was synonymous with a factory system that was equated with smoke spitting chimneys, crumpled workspaces, noise, hazardous atmosphere, sweating people, layouts with poor light and ventilation, and strenuous working conditions. All these changed with rising concern for safety and welfare of the people in and around the industries, and adopting technology in all aspects of production and bringing strict legislations. Thus the operations focus is now not limited to maintaining the people and facilities only but extends to the society in general.

Dell Computers Inc., for example has the corporate social initiatives [26] as shown in Table 2.

The best business practices as part of internalizing the CSR [26] include better product design, improved process management, reduced packaging materials, energy conservation, safety and welfare of workforce, improved product design to minimize material content, designing for recyclability and reuse, safe waste disposal, and better resource management.

Companies, which follow the total quality management principles, display their operational strategy by blendingthe operational efficiency and effectiveness with best practices in plant layout, waste disposal, and clean environment [27]. Table 3 lists the companies engaged in socially responsible acts through total quality principles. A very interesting policy that moves the corporations towards socially responsible status is the policy of "zero" in waste and defects. As stated in [27] waste-quality relationship drives management decisionsand the waste reduction initiatives improve customer service, and expose the organizational issues, moving towards solutions.

Lean, Clean and Green Manufacturing

Lean manufacturing is a series of techniques to identify and eliminate waste by continuous improvement of processes and ensuring smooth flow inside the organization. By proper process planning, product design, and people involvement during all the stages of manufacturing, the seven types of wastes as denoted by the Toyota manufacturing company, decrease and gradually eliminated. Moving further, clean and green manufacturing have emerged as the favorites among the operations managers as they enable them to offer products that do not cause any harm to the environment and the society and enable an organization to have fast flow, and a pleasant workplace. Hart [16] has given a good illustration of how environmental forces can drive a company's strategic capabilities that include lean practices, and lead to competitive position.

Several authors [17,28,29] state that lean initiatives which result in minimum resource consumption, also lead to better practices in protecting the environment. Foster [25] comments that lean projects which focus on conservation of resources and minimize waste, also serve the purpose of green manufacturing, as they help to save the precious resources and reduce the damage to the environment. However, green manufacturing is still in the evolving stage and hence not standardized in its terminology. Bergmiller [30] who has provided

Initiative title	Description	Example
Cause promotions	Supporting social causes through promotions	Collecting used computers to donate to others
Cause-related marketing	Donating a percentage of revenue to a specific cause	Offering discount when 3 or more products are recycled online
Corporate social marketing	Supporting behavior change campaign	Offering free and convenient return of used printers for recycling
Corporate philanthropy	Making direct contribution to a charity or a cause	Direct donation to multiple environmental projects
Community volunteering	Providing volunteering service in the community	Employees participate in the community related work
Socially responsible business practices	Adopting discretionary business practices that support social causes	Designing products with specific environmental guidelines, policies, and goals

Table 2: Initiatives taken by Dell Computers Inc.

No.	Company	Location	Product / Service	Quality concern through:	Operational efficiency leading to Social concern
1	Nissan	Smyrna, Tennessee, USA	Automobile manufacturing - Cars and trucks	Parts reduction, closer tolerances, reducing defects, process changes, energy conservation, clean layouts.	Zero emissions, trash reduction and elimination, reusing, recycling of meal parts, solvents, and hazardous materials.
2	Exxon	Baytown, Texas, USA	Oil refinery	Cleanliness, simplification of processes, error prevention and not detection and correction, material substitution, pollution control	Energy efficiency, recycling, fuel economy, heat generation from the waste, minimizing the evaporation losses, elimination of toxic materials
3	Walmart	Lawrence, Kansas, USA		Environmental concern	Saving of wood in construction, recycling, reducing waste, minimal or zero packaging for the products, Just in time practice with suppliers, simplified distribution systems
4	Lufthansa	Airlines, Germany	Domestic and international air travel	Improved customer service, suggestion scheme	Waste elimination, fuel efficiency with new fleet, noise and emission reduction, less inventory of odd and other items
5	Hitachi	Japan	Electrical and electronic industrial and consumer goods	Kaizen, innovation, improved housekeeping	Emission control, energy saving, trash control and minimization, assembly time reduction, product redesign, recycling
6	Alcatel	France	Telecom equipment	Clean and safe workplace	Water and energy conservation, environmental friendly operations, inventory reduction
7	Howe Sound	Canada	Pulp and paper production		Discharge reduction of toxic substances, recycling, environment safe operations
8	Black Photo Corporation	Canada	Photographic film	Continuous improvement, safety for employees, customers and the environment	Eliminating all discharge of photographic chemicals from their operations, minimizing pollution

Table 3: Companies exhibiting better practices through total quality principles.

a comprehensive literature review of green manufacturing states that unlike the lean manufacturing system, which evolved from the Toyota Production System established in the 1950's, the Green manufacturing system is in infancy and needs to develop and also standardize.

According to Zhou [20] green manufacturing combines the principles of environmental safety and energy conservation with the production and service activities to reduce industrial waste, save energy and other resources, minimize pollution to natural environment, leading to production economy. All these points clearly indicate that lean manufacturing plays a major role in achieving objectives similar to CSR. Quality management systems like ISO 9000 and ISO 2014 have emphasized on the responsibility of the corporations in maintaining safe environment and conscious of resource management. However, standards alone do not enable improved operations and the spirit behind these standards is important. Though world over many companies are ISO certified, they may not necessarily exhibit good and responsible corporate behavior. On the other hand, companies who have adopted international standards have taken the first step towards meeting their responsibilities and the endorsement comes either by the ISO auditors or by winning the awards.

Conclusion

Corporate social responsibility is enjoying a good publicity with increased number of followers from the corporate world and companies are discovering new ways of contributing towards CSR. Companies may still believe that such contributions are always happening outside the physical boundaries of their organization. However, through effective operations management it is quite possible to contribute to CSR by focusing

the operations management objectives towards quality practices. This paper has illustrated these concepts though several examples and conveys the message that CSR activities need not be only external focused but internalized by aligning the operations towards improved quality levels. It is also obvious that the operations management coupled with technological innovations can lead to wonderful results, which automatically substitute for CSR initiatives. This also means there is no need to search for specific external applications to demonstrate a company's commitment to society and environment, instead the same benefits can be resulted by effective operations management. This is what internalizing the CSR initiatives would mean to accrue similar benefits. However, it is not to discourage the initiatives taken by the organizations involving in CSR focusing on activities outside the organization, but the paper only prompts a perhaps bigger opportunity that is available within the organization. Manufacturing companies will have the best of both worlds when it comes to CSR as they can look inward or outside to engage in a wide variety of activities. The clean, lean, and green initiatives are in a way a good proposal for any type of organization to prove their concern towards CSR.

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