

ISO 26000 and supply chains—On the diffusion of the social responsibility standard

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Abstract

The social responsibility (SR) agenda is gaining its momentum in an increasing number of organizations and global supply chains. Following this market demand, the International Organization for Standardization (ISO) has initiated development of ISO 26000 international standard on SR. However, questions of why, under what circumstances and which organizations and supply chains will adopt ISO 26000 are yet to be answered. In this paper, we determine a set of propositions about diffusion of ISO 26000 and hence SR practices amongst business organizations. Propositions are made in relation to SR orientation of organizations/networks, differences in regulatory systems, and the role of governments and national environments. Overall, this paper provides an insight into the arena of SR initiative by ISO and sets the path for the future empirical investigation in this emerging and important area.

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1. Introduction

Social responsibility (SR), corporate social responsibility (ISO/AG/SR, 2004a)¹ and sustainabil-

ity issues in supply chain management gain growing attention amongst supply chain professionals as the conduct in purchasing and supply chain management can have a significant effect on a firm's reputation and long-term success (Carter, 2000; Cooper et al., 1997; Lysons and Gillingham, 2003). The Chartered Institute of Purchasing and Supply (CIPS, 2005) warns that failure to grasp significance

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¹In this paper, we use the term “social responsibility” even though the term “corporate social responsibility” may appear to be more established. This reflects the development of terminology during the process of ISO 26000 development. The first committee that dealt with the SR agenda—the Consumer Policy Committee of ISO (ISO COPOLCO, 2002)—used terms

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“corporate social responsibility” and “corporate responsibility” in an approximately equivalent manner. ISO COPOLCO later decided to adopt the term “corporate responsibility”. After that, the Advisory Group on Social Responsibility (ISO AG SR, 2004a) initiated the use of the term “social responsibility”, which is also used in ISO 26000 (ISO/TMB, 2004).

of these issues can lead to considerable disruption in firms and their supply chains. In today's supply chains, this is becoming increasingly more difficult to achieve—with supply chains' transformation into yet more independent and more decentralized networks. To deal with this growing decentralization, supply chain agents turned their attention toward non-governmental regimes and decentralized institutions—such as industry norms, codes of conduct and industry standards that assist them in managing asymmetries within the supply chains.

Amongst the most globally adopted industry standards are ISO quality and environmental management systems standards (ISO 9000 and ISO 14000). These international standards, developed by the International Organization for Standardization (ISO/TMB/WG SR, 2006),² enjoy a growing number of adopting organizations and supply chains globally.³ In line with the notion of “decentralization”, adopting these standards (hence joining these decentralized networks) is voluntary and rewards and sanctions for participation are provided by diffuse actors rather than a central authority (King et al., 2005).

Unlike the quality and environmental management systems standards, where ISO 9000 and ISO 14000 gained a global dominance, there are probably hundreds of various codes of conducts, industry norms, global initiatives and also a growing number of national standards and guidance documents that instrumentally deal with the SR agenda and assist organizations and supply chains in addressing their social responsibilities.⁴ However, this field is still seen as embryonic (McWilliams

et al., 2006). One of the elements that is missing is a globally acceptable “standard” that would outline a generic approach in this area (ISO COPOLCO, 2002). Hence, in responding to that need, the International Organization for Standardization (ISO) initiated the development of ISO 26000—an international standard for SR with its publication planned for 2008 (ISO/TMB, 2004).

2. Research engagement

In this study, we aim to provide a set of propositions about the diffusion of ISO 26000 SR standard. Our premise is that ISO 26000 represents a global consensus of nominated experts as to what constitutes the SR agenda and the state of the art in this field. In view of this, we propose that ISO 26000 will become a reference model of the SR agenda and that organizations and their networks will adopt ISO 26000 to establish their credibility in this arena. Our discussion focuses on reasons why, under what circumstances and which organizations and supply chains choose to adopt ISO 26000.

The development of our set of propositions starts by looking at the definitions of the SR agenda. Here, we present the dominant features of SR as discussed in the academic and professional literature. Secondly, we discuss ISO 26000—including its structure, key components and the type of standard ISO 26000 represents. Because ISO 26000 is currently under development and because of the scarcity of literature on this topic, our primary data are based on (a) the ISO's official documents (here, we draw from the resolutions and working materials produced by the ISO Committee on Consumer Policy, the Strategic Advisory Group on Social Responsibility and the Working Group on Social Responsibility-ISO/TMB/WG SR)⁵ and (b) notes taken during the meetings of the SR Working Group.⁶ Thirdly, we review the literature on the diffusion of innovation, management techniques, practices and standards. Namely, we look at studies

²The ISO is the world's leading developer of international standards and was established in 1947 with a membership of 156 national standards bodies. The ISO develops only standards that are required by the market for the purpose of facilitation of trade, the spread of knowledge, sharing of technological advances and management practices. ISO standards are developed by experts coming from the industrial, technical and business sectors, which have asked for the standards and have subsequently put them in use. ISO standards represent an international consensus on the state of the art in the technology concerned (ISO/TMB/WG/SR, 2006).

³The ISO Survey in 2004 (ISO, 2004) confirmed a growing impact of ISO 9000 and ISO 14000 on the world economy. The worldwide total of ISO 9000 certificates was 670,399 in 154 economies, an increase of 35% over the previous year. The worldwide total of ISO 14000 certificates reached 90,569 in 127 economies, an increase of 37%.

⁴Examples include Global Reporting Initiative, ISO 14000, the Ethical Trading Initiative, the Caux Round Table's Principles for Business, etc. (see McIntosh, 2004, p. 54).

⁵ISO/TMB/WG SR is a group of experts charged with the development of ISO 26000 standard. In this paper, we use the term “SR Working Group” when we talk about ISO/TMB/WG SR. Our aim is to maintain the flow of the text and avoid extensive acronyms. Similarly, we use the term “nominated expert” to describe a member of the ISO/TMB/WG SR; this is in line with the official terminology of the ISO/TMB/WG SR.

⁶The first author of this paper is a nominated expert of the ISO/TMB/WG SR. Notes—as referred here—were taken during the meetings of the SR Working Group and from e-mail exchanges amongst the SR Working Group experts.

dealing with transfers of organizational and management techniques (Arias and Guillén, 1998; DiMaggio and Powell, 1983), technological and innovation models (Rogers and Shoemaker, 1971; Von Hippel, 1986; Mansfeld, 1968; Handfield and Pagell, 1995) and studies dealing with the diffusion of ISO standards (Corbett and Kirsch, 2001; Corbett, 2006; Delmas, 2002; Neumayer and Perkins, 2005)—all of these providing us with further illumination before turning into formulation of a set of propositions about the diffusion of ISO 26000. This set of propositions is furthermore discussed in view of a growing number of studies dealing with the SR agenda. We conclude with the argument that our set of propositions sets the path for the future investigation of ISO 26000 diffusion and can also be used in studies looking at the uptake of the SR agenda.

3. Social responsibility and ISO 26000

SR is defined as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (WBCSD, 1999).” Definitions by other sources (European Commission, 2001; DTI, 2002; GRI, 2002) generally encompass the same or similar aspects and often emphasize that SR is about the ability to satisfy three bottom lines: economic, environmental and social (Elkington, 1997). Further, SR is seen as an organizational ability to manage stakeholders (Waddock and Bodwell, 2004; Clarkson, 1995) or as Castka et al. (2004a, p. vii) assert, a concept that “allow organizations to operate profitably yet in a socially and environmentally responsible manner to achieve business sustainability and stakeholder satisfaction.” Finally, SR stresses that responsibility means not only abiding by the law but also meeting ethical responsibilities expected by the society that are beyond the legal obligations (Carroll, 1979; European Commission, 2001; ISO AG SR, 2004a; Moon, 2004; McWilliams and Siegel, 2001).

Above discussions demonstrate that the field of SR is a truly multidisciplinary and multistakeholder area of inquiry. To capture this “holistic” phenomenon, the ISO created a balanced, multistakeholder Working Group on Social Responsibility (ISO/TMB/WG SR; from this point on it is referred to as the “SR Working Group”) that was charged with

development of “International Guidance Standard on Social Responsibility—ISO 26000”. Established in 2005, the SR Working Group involves about 300 nominated experts from 54 ISO member countries and 33 liaison organizations, which represent 6 main stakeholder groups (industry, government, consumer, labor, non-governmental organizations and service, support, research and others; ISO/TMB/WG/SR, 2006). Indeed, the SR Working Group is one of the biggest and most diverse working groups ever established by the ISO (see Table 1 for a list of countries and liaison organizations involved).

In the past, the ISO process of development of international standards was often criticized for under-representation of minority groups and national standards bodies from developing countries due to lack of technical and economic resources (Brunsson and Jacobsson, 2000; Blanco and Bustos, 2004). To deal with these issues, the SR Working Group has established a specific task group (TG1) that facilitates participation of stakeholder categories with limited resources. Furthermore, the SR Working Group also organizes special meetings and workshops from representatives from developing countries.

Even though ISO 26000 development is still under way, several important issues about the standard were already decided—which make it possible to formulate propositions about the diffusion of ISO 26000. Firstly, the scope of the standard proposed structure and key components were agreed upon (see Table 2). In a nutshell, ISO 26000 aims to assist organizations and their network in addressing their social responsibilities and providing practical guidance related to operationalizing SR, identifying and engaging with stakeholders and enhancing credibility of reports and claims made about SR. Furthermore, the standard aims to:

- Emphasize performance results and improvements.
- Increase customer satisfaction and confidence.
- Promote common terminology in the SR field.
- Be consistent, and not in conflict, with existing documents, treaties, conventions and other ISO standards.

Apart from the scope, structure and key principles, the SR Working Group has come up with two decisions that are crucial in our discussion about ISO 26000 diffusion: ISO 26000 is planned as an

Table 1
Countries represented in ISO 26000 development (as in April 2006)

Country	No. of nominated experts	Country	No. of nominated experts
Argentina	6	Korea	5
Australia	4	Malaysia	6
Austria	6	Morocco	1
Belgium	5	Mauritius	1
Brazil	6	Mexico	6
Canada	6	Netherlands	6
Chile	6	New Zealand	2
China	6	Nigeria	6
Colombia	6	Norway	4
Costa Rica	6	Philippines	2
Cote d'Ivoire	6	Poland	5
Czech Republic	1	Portugal	6
Denmark	5	Russian Federation	6
Finland	6	Saint Lucia	6
France	6	Senegal	2
Germany	6	Singapore	6
Ghana	1	South Africa	6
India	5	Spain	6
Indonesia	2	Sweden	6
Iran	5	Switzerland	4
Ireland	4	Thailand	6
Israel	4	Turkey	1
Italy	5	UK	5
Jamaica	1	Uruguay	2
Japan	6	USA	6
Kenya	5	Venezuela	3
		Zimbabwe	4

Note 1: As in April 2006; following organizations are liaison members of the SR Working Group and have nominated their experts: African Institute of Corporate Citizenship, Centre for Corporate Social Responsibility, Consumers International, European Commission, Ecologists Linked for Organizing Grassroots Initiatives and Action, Foundation & Ethical Investment Research Services Ltd., Ethos Institute, Forum Impresa, Global Reporting Initiative, Institute for Energy and Environment of the French speaking countries, International Chamber of Commerce, International Confederation of Free Trade Unions, International Council of Mining and Metals, International Federation of Standards Users, International Institute of Environment and Development, International Institute for Sustainable Development, International Labour Organization, Inter American CSR Network, International Organization of Employers, International Petroleum Industry Environmental Conservation Association, International Social and Environmental Accreditation and Labelling, Organization for Economic Cooperation and Development, International Association of Oil and Gas Producers, Red Puentes, Social Accountability International, Transparency International, United Nation Division for Sustainable Development, United Nations Conference on Trade and Development, UN Global Compact, United Nations Industrial Development Organization, World Business Council on Sustainable Development, World Health Organization.

Note 2: An ISO member body may nominate a maximum of 6 experts to serve on the SR working group; internal and external liaison organizations may nominate maximum of 2 representatives.

international standard providing guidance (not a management systems standard) and is not intended for third-party certification.⁷ Initially, the Inter-

national Organization for Standardization (ISO) intended to produce a management system standard (MSS)⁸ and hence could offer MSSs for quality

⁷Both of these critical decisions are a result of an extensive stakeholder dialogue and often-strong bipolarization of opinions amongst stakeholder groups and nominated experts. Essentially, during the ISO Conference on social responsibility (held in 2004 before the SR Working Group was established), about half of the experts strongly preferred a management systems standard (MSS, including third-party certification) and the remaining half was against it (for detailed analysis of this debate see Castka and Balzarova, 2005). Many experts seemed to protect their interests

(footnote continued)

and show some reluctance and defensiveness against ISO 26000 (see also Bowers, 2006). For instance, some multinational companies (MNCs) were against MSS, whilst other MNCs supported it. International Labor Organization and other NGOs were strongly against MSS, etc.

⁸Management systems standards (MSSs)—or meta-standards (Uzumeri, 1997)—are standards based on a list of design rules to guide the creation of entire classes of management systems.

Table 2
ISO 26000—structure and key components

Proposed structure of ISO 26000 (ISO/TMB/WG SR N49, 2005)	Key components
<p>0. Introduction The introduction should give information or commentary about the content of the guidance standard and the reasons prompting its preparation. The introduction should describe the purpose of the guidance standard in informative terms</p> <p>1. Scope This section shall define the subject of the guidance standard, its coverage and the limits of its applicability</p> <p>2. Normative references This section is for a list of documents, if any, which must be read in conjunction with the guidance standard</p> <p>3. Terms and definitions This section will identify terms used in the guidance standard that require definition and provide such definitions</p> <p>4. The SR context in which all organizations operate This section will provide the historical and contemporary contexts for SR. The section will also address questions arising out of the nature of the concept of SR. Relevant Stakeholder issues should be addressed in this section</p> <p>5. SR principles relevant to organizations This section will identify a set of SR principles drawn from a variety of sources and provide guidance on these principles. Relevant stakeholder issues should be addressed in this section</p> <p>6. Guidance on core SR subjects/issues This section will provide separate guidance on a range of core subjects/issues and relate them to organizations. Relevant stakeholder issues should be addressed in this section</p> <p>7. Guidance for organizations on implementing SR This section will provide practical guidance on implementing and integrating SR in the organization, including, for example, on policies, practices, approaches, issue identification, performance assessment, reporting and communication. Relevant stakeholder issues should be addressed in this section</p> <p>8. Guidance annexes The guidance standard may include annexes if so desired</p> <p>Bibliography</p>	<ul style="list-style-type: none"> ● Human rights (universal declaration of human rights, ILO core conventions) ● Workplace and employee issues including occupational health and safety ● Unfair business practices including bribery corruption and anti-competitive practices ● Organizational governance ● Environmental aspects ● Marketplace and consumer issues ● Stakeholder involvement ● Social development

(ISO 9000), environment (ISO 14000) and SR (ISO COPOLCO, 2002; ISO Bulletin, 2002). However, with wider stakeholder involvement, the Technical Management Board strongly recommended a

(footnote continued)

Essentially, MSSs are based on a system that establishes policy and objectives and a way to achieve these objectives. To assure consistency across organizations and also that organizations fulfil their objectives, a third-party certification audit is carried out by an accredited certification body. The aim is also to reduce the number of second party audits and assist organizations in creating networks and facilitate the business-to-business operations. However, over time, credibility of certification has come under increased criticism from organizations, consultants, academics and members of the ISO community (Lal, 2004; Wade, 2002).

“guidance document” as the way forward (ISO AG SR, 2004a, b; ISO/TMB, 2004).

4. Diffusion of organizational practices, innovations and standards

The topic of diffusion patterns of ISO management systems standards have attracted a wide range of studies over the last decade (Corbett and Kirsch, 2001; Corbett, 2006; Delmas, 2002; Franceschini et al., 2004; Guler et al., 2002; King et al., 2005; Marimón et al., 2006; Naveh et al., 2004; Neumayer and Perkins, 2005; Potoski and Prakash, 2004). Had ISO 26000 been a management system standard and had it been a third-party certified standard, these studies could have carried reasonable predictive

power in terms of the diffusion of ISO 26000 as well.⁹ However, ISO 26000 does not share these similarities. For that reason, in our discussion on the diffusion patterns, we go beyond these studies and also look at models and frameworks dealing with diffusion of organizational practices and techniques, innovations and technologies.

Neumayer and Perkins (2005) assert that there are broadly two mainstream motives: *efficiency motives* (where decisions are dominated by efficiency, performance and profitability) and *institutional motives* (where actors are driven by various social pressures to adopt a certain organizational practice). The former could be traced in the work of Hannan and Freeman (1977) who debate competitive isomorphism. According to DiMaggio and Powell (1983), *competitive isomorphism* assumes a market competition, niche change and fitness measure and is most relevant to early adoption of innovation in a field where free and open competition exist. This however does not fully describe realities of today's organizations where bureaucratization and other forms of organizational change occur without necessarily making organizations more efficient. Hence DiMaggio and Powell (1983) defined three types of *institutional isomorphic change*: coercive, mimetic and normative. According to DiMaggio and Powell (1983), *coercive isomorphism* results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function. *Mimetic isomorphism*, on the other hand, stems from lack of understating of organizational technologies, ambiguous goals and environmental uncertainty and results in organizations modelling themselves on and imitating other organizations. *Normative isomorphism* stems from professionalization as professionals struggle to define the conditions and methods of their work to control the production of producers and to establish a cognitive base and legitimization for their occupational autonomy. Judge and Zeithaml (1992) juxtapose the institutional perspective (i.e. organizational practices can be dictated and explained by examining industry traditions and firm history) against the strategic choice perspective (i.e. purposeful actions abound in organizations and

organization members have substantial leeway in shaping their own ways) and argue that the integration of these two perspectives offers complementary views of decision-making processes in organizations.

Literature on diffusion of innovation may also offer an insight into diffusion of SR practices. Mansfeld (1968) argues that introduction of a new innovation depends on the proportion of firms already using it and profitability of this innovation (this function is decreased by the size of necessary investment). Rogers and Shoemaker (1971) propose five elements of innovation that are crucial for their uptake:

- *Relative advantage*: Degree to which an innovation is perceived as being better than previous practice.
- *Compatibility*: The degree to which an innovation is perceived as consistent with existing values, experiences, and needs of receivers.
- *Complexity*: The degree to which an innovation is perceived as relatively difficult to understand and use.
- *Trialability*: The degree to which an innovation may be experimented with on a limited basis.
- *Observability*: The degree to which the results of an innovation are visible to others.

The aforementioned studies were often used as theoretical underpinnings for empirical studies into diffusion patterns of ISO management systems standards. Here, multinational companies (MNCs) are reported as key actors responsible for coercive isomorphism (Guler et al., 2002; Neumayer and Perkins, 2005). The diffusion mechanisms usually involve contractual requirements imposed by multinationals, the industry or key players in the supply chain. This “pressure” is often industry dependent—manufacturing industries generally dominate (King et al., 2005) because they are more likely to benefit from cost savings by implementing ISO standards (Neumayer and Perkins, 2005). Other authors, on the other hand, suggest that the choices are also strategic and organizations can in fact opt for adoption of ISO certification in order to join the network and/or send a signal to the market (King et al., 2005). Indeed, for example, the European Union is reported as a market that often requires ISO 9000/14000 standards (Guler et al., 2002) and as a major force beyond diffusion of ISO standards (Corbett, 2006).

⁹Corbett and Kirsch (2001) assert that future standards can show similar patterns to that of ISO 9000 and ISO 14000 regardless of their precise domain of applicability.

The domestic context also plays a role in the diffusion of organizational practices yet this is always influenced by international trade and multinational networks. Potoski and Prakash (2004) argue that if key export destinations adopt ISO 14000, pressures through trade linkages create incentives for ISO 14000 adoption. To explain why these key export destinations have adopted an ISO standard, Neumayer and Perkins (2005) argue that in a number of past adoptions, the share of manufacturing GDP and the level of education are positively correlated with adoption of ISO 9000. On the other hand, bureaucracy and/or corrupt regulatory interventions by governments are reported as key deterrents in the diffusion (Neumayer and Perkins, 2005). Corbett and Kirsch (2001) assert that environmental attitudes play an important role—basically explaining that countries with strong environmentally friendly attitudes create social pressure for managers to adopt environmental practices and standards. Furthermore, Corbett and Kirsch (2001) demonstrate that diffusion of both ISO management systems standards is correlated: one of the key aspects of ISO 14000 diffusion is the diffusion of ISO 9000—a point agreed upon by Marimón et al. (2006).

5. Predictors of ISO 26000 diffusion

Development of ISO 26000 was initiated based on the market demand (ISO/TMB/WG/SR, 2006)—caused by increased pressures that the market faces to adopt SR agenda. Indeed, the last decades have seen a growing influence of various actors pushing and promoting the SR agenda (such as non-governmental organizations, pressure groups, industry associations, consumer groups, media and governments) and this forced many organizations to consider SR (a growing number of annual reports dealing with SR can serve as the evidence here). So great is the dynamism in this area that several theories discussed in the previous section—strategic isomorphism (Hannan and Freeman, 1977), institutional isomorphism (DiMaggio and Powell, 1983), and diffusion of innovation practices (Mansfeld, 1968; Rogers and Shoemaker, 1971; Von Hippel, 1986)—are visible in the studies dealing with the diffusion of socially and environmentally responsible practices. Following on from these studies, from diffusion patterns of ISO standards and from our involvement in ISO 26000 development, we should be able to formulate the first predictions about the

diffusion patterns of ISO 26000. We argue that this is not an exhaustive list of predictors however its value should be seen in its predictive utility. The empirical test of our predictions is outside of the scope of this paper.

Why do organizations adopt the SR agenda at the first place? To offer an explanation, we look at SR from three perspectives: strategic, altruistic and coercive (McWilliams et al., 2006).

Strategic SR: Berman et al. (1999) suggest that one approach to how organizations approach stakeholder management is based on the instrumental approach (strategic stakeholder management). This view suggests that concern for stakeholders is motivated by the perception that financial performance can be improved. However, the studies about whether SR can bring financial return report contradictory results (Russo and Fouts, 1997; McWilliams and Siegel, 2001). In a similar vein, an increasing number of studies suggest that the SR agenda should be used strategically (Husted and Salazar, 2006), or even for market differentiation and as a source of competitive advantage (Russo and Fouts, 1997). However, whether achieving a sustainable competitive advantage through SR is possible is a question yet to be answered—as an inevitable part of the SR agenda is high transparency that significantly affects the risk of imitation.

Altruistic SR: The SR agenda is not fully driven by commercial factors. The altruistic SR (or intrinsic stakeholder commitment) approach assumes that organizations have a normative (moral) commitment to advance stakeholders' interests and that firms are managed for the benefit of stakeholders (Donaldson and Preston, 1995). Indeed, key decision makers' beliefs (owner/founder/investor) can significantly influence organizational orientation in these terms even without knowing the financial benefits. However, the empirical research by Berman et al. (1999) supports only the instrumental approach and further investigation of the normative approach is necessary (Harrison and Freeman, 1999). Our view is that to assess reasoning of the key decision maker is difficult hence strategic and altruistic SR somehow inevitably overlap.

Coercive SR: One of the mechanisms that led to the uptake of the SR agenda is a pressure of different groups of activists, consumers and non-governmental organizations. For instance, actions against the athletic footwear and clothing industry (Zadek, 2004) forced affected organizations to

consider their SR strategies. Similarly, public environmental consciousness can pressure organizations to adopt environmental practices that exceed the requirements of governmental regulations (Christmann, 2004; Corbett and Kirsch, 2001) and it is a common practice in multinational supply chains to use codes of conduct that are imposed on others by the most powerful player. Hence, coercive isomorphism (DiMaggio and Powell, 1983) is present in the SR agenda as well—as pressures from other organizations in the supply chains or formal and informal pressures in the society generate new societal expectations and consequently lead to new business practices.

However, not every SR-oriented organization will seek ISO 26000. No matter what organizational motivation/pressure for SR orientation exists, organizations need to balance their social responsibilities with the profitability of their business (Castka et al., 2004b; Rosam and Peddle, 2004). In other words, organizations need to thoroughly consider which aspects of SR to invest in (McWilliams and Siegel, 2001). This can include internal aspects (i.e. physical environment, working conditions, communication and transparency) or external aspects (community relations, supplier relations, shareholder relations; see also Kok et al., 2001). McWilliams and Siegel (2001) and Husted (2003) conclude that there is an ideal level of CSR that managers can determine via cost–benefit analysis. We maintain that cost–benefit analysis will not necessarily always be the driver here, hence in our proposition we use the term ‘perceived’ benefits to cover the whole spectrum of possibilities.

Proposition 1. *First adopters of ISO 26000 will be SR-oriented organizations where the cost of implementation will be offset by the perceived benefits of doing so.*

Lessons from standardization of environmental policies demonstrated that companies use different strategies to act upon pressures from different stakeholder groups. Christmann (2004) asserts that perceived government pressures contribute to adoption of high-performance standards, perceived customer pressures to standardization of environmental communication; and perceived industry pressure to standardization of operational environmental policies. ISO 26000 aims to provide all of the above—it emphasizes performance results, customer satisfaction and confidence and operationalizes SR (ISO/TMB/WG/SR, 2006). However,

the uptake of ISO 26000 will also be influenced by the credibility that different stakeholders will assign to ISO 26000. For instance, organizations and supply chains may adopt other means to communicate to stakeholders their SR orientations. As McWilliams and Siegel (2001) assert, some consumers want to purchase a product with certain socially responsible attributes and others value products made in a socially responsible manner (in this case, the focus is on a process rather than a product). Consequently, the focus on a SR process can require much closer alignment in the supply chain in comparison to SR product orientation. Hence, for instance, marketing or public relations strategies can provide more effective ways to communicate SR product orientation to consumers and this will diminish the need to adopt ISO 26000. In some industries, further pressure can come from industry associations and especially from those who will strive to maintain the collective reputation of the industry—for instance industries with high visibility such as pharmaceutical, chemical, clothing, etc.

Proposition 2. *Companies will adopt ISO 26000 if it is recognized by their most salient stakeholders.*

ISO 26000 may find favorable ground amongst companies and supply chains where long-term partnerships are established between suppliers and buyers. Adoption of ISO 26000 may lead to disclosure of sensitive information and sometimes even legal non-compliance can be revealed. Unlike ISO 9000 or ISO 14000, this ‘non-compliance’ will not be revealed by a third-party certification body as ISO 26000 is not verifiable. Hence, this information will not be publicly disclosed.¹⁰ Notwithstanding this, trust between partners will be an essential element in this process. Hence, the type of relationships and governance regime in a supply chain is likely to determine participation in decentralized institutions as past research has confirmed with ISO 14000 (King et al., 2005).

Proposition 3. *ISO 26000 will be favored by companies involved in networks with long-term partnerships.*

¹⁰Delmas (2002) asserts that information disclosed during the process of ISO 14000 certification may lead to legal liability and subsequent transaction cost hence firms may be reluctant to acquire the standard.

Furthermore, *infrastructural convenience* will also have an influence on adoption of the standard. Clearly, organizations with relevant infrastructure will find the adoption more convenient and less costly. Here, organizations with ISO 9000/ISO 14000 management systems standards in place are one of the most likely candidates. Indeed, previous research confirmed that ISO 9000 certified companies are more likely to adopt ISO 14000 as well (Corbett and Kirsch, 2001; Marimón et al., 2006). The fact that ISO 26000 is being developed by the ISO, communicated through *ISO Management systems* magazine and also that many nominated experts from the SR Working Group have participated in the development of ISO 9000 and ISO 14000, could suggest that this will likely happen. Apart from ISO 9000/14000 certified organizations, other organizations with similar standards in place (SA 8000; AA1000)¹¹ or organizations that adopted business excellence models (such as EFQM, Malcolm Baldrige, etc.) are the most likely candidates.

Proposition 4. *Companies that adopted international management systems standards and similar frameworks in the past will be more likely to adopt ISO 26000.*

5.1. Differences in regulatory systems

SR is often defined as going “beyond the law” (Carroll, 1979; Moon, 2004). In other words, SR assumes that regulatory aspects of organizational responsibility are fulfilled. However in reality, many supply chains operate in countries with different regulatory systems that inevitably influence the institutional environment (Delmas, 2002). On the one hand, MNCs are accused of exploiting cross-country differences in regulations; on the other hand, MNCs’ global strategies and policies actually enable diffusion of policies and performance standards that exceed the requirements of government regulations (Christmann, 2004).

During the development of ISO 26000, several MNCs argued that they often have to substitute the role of local governments and enforce the law and international conventions themselves. To do that,

MNCs develop and enforce their internal policies and/or codes of conducts that are cascaded down the supply chain. However, this practice was vastly criticized by nominated experts from the developing countries (Castka and Balzarova, 2005). The argument is that MNCs should not be allowed to impose self-defined social responsibilities on independent countries and hence nominated experts from developing countries demanded one international standard dealing with these issues. It can be predicted that:

Proposition 5. *Multinational companies (MNCs) will adopt ISO 26000 to seek legitimacy of their internal SR policies.*

In general MNCs are known to be key agents in the diffusion of practices across borders (Arias and Guillén, 1998) as MNCs tend to implement uniform policies and standards to reduce complexity (Christmann, 2004). Our prediction is that MNCs remain key actors in the diffusion of ISO 26000 (similar to ISO 9000 and ISO 14000 diffusion; Guler et al., 2002; Neumayer and Perkins, 2005), if they choose to do so (in line with Propositions 1 and 2). Hence, ISO 26000 will be diffused in MNC supply chains and organizations that will aim to join these networks will adopt ISO 26000 to align their practices to match the network.

Proposition 6. *Multinational companies (MNCs) that adopted ISO 26000 will require ISO 26000 in their networks.*

Proposition 7. *Organizations aiming to join MNC networks (Proposition 6) will adopt ISO 26000 to compete for contracts and opportunities to join the network.*

5.2. The role of governments and the local environment

Moon (2004) argues that even though recent literature on growth of SR focuses on the drivers of new business imperatives and new social demands, the influence of national governments in pursuing the SR agenda is crucial. Indeed, Arias and Guillén (1998) claim that governments with an active strategy can be an important coercive mechanism to accelerate the diffusion of innovative practices. Empirical studies from adoption of ISO 9000 and ISO 14000 report inconclusive findings in terms of the role of governments in the adoption process at the international level (Guler et al., 2002;

¹¹AA1000 is a voluntary standard for social and ethical accounting, auditing and reporting. SA 8000 is an auditable standard for a third-party verification system to ensure both ethical sourcing of products and goods and workplace conditions worldwide. For discussion of these standards see Göbbels and Jonker (2003).

Neumayer and Perkins, 2005; Potoski and Prakash, 2004). However at the national level, regulations are considered the main determinant of companies' conduct (Henriques and Sadorsky, 1996; Delmas, 2002).

Having a brief look at the European scene, for instance, it seems that some governments take the SR agenda seriously—which is particularly true of the UK and the Netherlands, who are considered leaders in SR in Europe (PRWeek, 2003). We predict that if these SR proactive countries promote ISO 26000—or even create other incentives to adopt ISO 26000—this will have a positive impact on the adoption of the standard. These incentives can vary. For instance, governments can assist by providing technical assistance for ISO 26000 implementation. Furthermore, governments can predict potential problems, such as legal non-compliance that can be revealed during the implementation process—and make it clear how potential conflicts between the regulatory environment and ISO 26000 will be resolved (Delmas, 2002). Finally, governments can create a coercive pressure as ISO 26000 can become a contractual requirement for governmental funding.

Proposition 8. *National adoption of ISO 26000 will be higher in countries where the standard is supported by the government.*

Proposition 9. *Organizations competing for governmental contracts in countries with governments supporting the social responsibility agenda, will adopt ISO 26000 to demonstrate their social responsibilities.*

In line with institutional theory (DiMaggio and Powell, 1983), social pressures (coercive, mimetic and normative) and key agents can create the demand for adoption of new organizational practices in SR and this pressure can be both formal and informal. This social pressure can stem from any stakeholder group or key agent that is able to create (or benefit from) changing societal values and create the pressure for organizations to adopt ISO 26000 and for governments to support it. Following on from previous studies on diffusion of organizational practices, we argue that the diffusion of the SR agenda (not necessarily ISO 26000) at the national level will depend on several factors such as *SR awareness* at the national level, *local demand* from consumers for *socially responsible products*, *level of education* (Guler et al., 2002), *'environmentality'*

(Corbett and Kirsch, 2001), *availability of telecommunications media* (Neumayer and Perkins, 2005) and *citizens participation in non-governmental international organizations* (Potoski and Prakash, 2004). This can be applicable to ISO 26000 if ISO 26000 will be recognized by the key agents in the country (in line with Proposition 2).

Furthermore, based on our involvement in the development of ISO 26000, we argue that *nominated experts* of the SR Working Group (ISO/TMB/WG SR) will positively affect the national diffusion of ISO 26000 in their respective countries (see Table 1 for the list of countries that have nominated their experts). Even though this fact itself cannot be justified as the predictor of ISO 26000, activism of nominated experts should not be underestimated. Each country involved was asked to establish a national mirror committee, to involve national stakeholders and to coordinate the national input into the international process (as in June 2006, most countries have done so). Each mirror committee further disseminates information from the SR Working Group through national promotional campaigns. Our prediction hence is that nominated experts in the SR Working Group will have positive impact on national diffusion of ISO 26000.

Proposition 10. *Domestic diffusion of ISO 26000 will be dependent on the coercive pressures of key agents in each country.*

6. Conclusions

This paper contributes to a growing number of studies into diffusion of ISO standards in the global context. Specifically, this paper provides predictions about diffusion patterns of ISO 26000 guidance standard for SR amongst business organizations. Discussion of the diffusion amongst non-profit, governmental and non-governmental organizations is outside of the scope of this paper. We understand our work as the first attempt to grasp this area and provide a platform for future empirical research.

In this paper, we argued that organizations would adopt the SR agenda for strategic, altruistic or coercive reasons. However, out of this pool of organizations, only certain organizations will adopt ISO 26000. Our prediction is that only organizations that will be able to balance the cost of implementing the standard against *perceived* benefits from this action will choose to adopt the standard. In another explanatory angle, we suggests

that organizations will most likely adopt the standard if their most salient stakeholders recognize and value ISO 26000—otherwise organizations choose other means to deal with their social responsibilities. We suggested to control for other rival explanatory factors such as the type of relationship and governance in the supply chain and infrastructural convenience. We have furthermore argued that MNCs will seek legitimacy of their SR agendas and adopt ISO 26000 if this will be the best means for dealing with it. We concluded with a discussion on predictors of local diffusion of ISO 26000 and outlined the role of governments and key local agents in this process.

We suggest that future empirical research looks at the diffusion of ISO 26000 from different perspectives and that our propositions can be investigated together or separately. Apart from studying the international diffusion, researchers may as well look at national patterns. Here, it will be interesting to observe how both developed and developing countries will deal with ISO 26000 and to monitor activism from various key agents in this process. We also suggest that industry specific research will be necessary to support the uptake of ISO 26000. This research can be internally focused (for instance investigation of implementation issues; making sense of ISO 26000 in companies) or externally focused (making sense of ISO 26000 in supply chains and industries; looking at influences of professional bodies on this process, etc.).

It is expected that the ISO's effort in the area of SR will lead to a global uptake—with a vast platform of stakeholders already supporting the development of ISO 26000 (including governments, industry, non-governmental organizations (NGOs), labor and consumer organizations, and national standards institutes), with support from developed and developing countries, and with the support of the United Nations and the International Labor Organization. Our research provides the first prediction about this diffusion process.

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