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Implementing CSR Initiatives – The Contribution of Systemic Thinking

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Resumen

La adopción de la responsabilidad social corporativa (RSC) se ha convertido en un tema de interés mundial. A través de la historia de la RSC, se han explorado una serie de áreas para fundamentar la idea de que las organizaciones deben atender las necesidades de la sociedad. Sin embargo, la implementación de distintas iniciativas para poner en práctica lo que la RSC significa ha experimentado grandes limitaciones y constreñimientos. En este artículo se exploran algunas de las áreas en las cuales la RSC se ha desarrollado: 1) La incorporación de la RSC en los propósitos organizacionales, 2) La gerencia de los socios, 3) Evaluación del impacto de la RSC en la sociedad. Se muestra cómo las ideas del pensamiento sistémico y las metodologías utilizadas nos han ayudado a facilitar la discusión acerca de estos elementos en el salón de clases.

Palabras claves: Responsabilidad social corporativa, pensamiento sistémico, metodología de sistemas suaves, heurísticas de sistemas críticos.



Abstract

The adoption of corporate social responsibility (CSR) has become an issue of interest world-wide. Through the history of CSR, a number of areas have been explored to support the idea that organizations should serve the needs of society. However, the implementation of initiatives to put in practice what CSR means has been difficult and contentious. In this paper, we explore some of the areas into which CSR has delved. In particular, we explore 1) The incorporation of CSR into organizational purposes; 2) stakeholder management and 3) assessment of CSR impacts in society. We show how systems-thinking ideas and methodologies have helped us to facilitate discussion about these elements in the classroom.

Key words: Corporate Social Responsibility; Systems Thinking; Soft Systems Methodology; Critical Systems Heuristics.

1. INTRODUCTION

No doubt, today we live in a globally connected society. With the pervasiveness of media, information and communication technologies, we can know what happens around the world almost instantly. Companies have taken advantage of the usefulness of technology and are more able to co-ordinate their operations, supply chains, and management practice if not their corporate knowledge more effectively. With the 'instant' access to information, we also know what companies have been 'up to', and if their operating has brought benefits as well as potential dangers or harmful effects. For instance, in the UK recently a company became the focus of public interest given the discovery of contaminated poultry. During the days that followed, the company had to explain to the media how this happened. Partly because of this public (dis)interest, the company entered into crisis and laid out an important number of workers.

Examples like the above show that unadvertedly, we get to know what companies are doing, and somehow claimants or stakeholders of their activities. Questions about how companies can be generating benefits, impacts and other consequences to the rest of society become prominent for the public sphere (although we do not define exactly what we mean by the public). An interesting development in this regard is now known as corporate social responsibility (CSR). It is difficult to provide a comprehensive definition of what this means in practice. What is clear is that the adoption of CSR requires companies to 'put less weight on the sovereignty of shareholders and much more on the responsibility of corporate managers to serve the needs of society" (Owen, 2001:8).

To date, some companies have explicitly defined initiatives and programmes that have been labelled as CSR. These include for instance (Henderson, 2002), socially oriented programmes and donations. Other companies (for instance Nokia corporation) have seen CSR as an 'opportunity', and developed new products and services to benefit alternative groups of customers (for instance customers with low income or community groups) (Córdoba, 2006). Another example include personal development programmes for employees (Sachs et al., 2006). The lack of a precise definition of what CSR is, makes it very varied, whilst at the

same time difficult to implement. Difficulties lie in the tensions that companies experience when they have to balance different demands, not only from shareholders, but also from the ‘public’ in general, and how to include them and their concerns in the definition and implementation of initiatives.

In this paper, we focus on some of the challenges and questions about CSR that we have encountered when we use it as a topic in our teaching. We provide some suggestions on how to go about these challenges with the help of systems thinking methodologies. The challenges are related to 1) The purpose(s) of CSR initiatives in relation to business strategies; 2) The management of different stakeholders; and 3) Consideration of impacts of CSR initiatives. We show how the use of systems-thinking ideas and methodologies can facilitate discussion about elements in these areas. We present an example of our teaching practice where we have focused on a current CSR challenge: Sustainability. To start the paper, we now provide a brief overview of CSR.

2. CORPORATE SOCIAL RESPONSIBILITY IN BRIEF

According to Carroll (1999)), the concept of Corporate Social Responsibility (CSR) can be traced back to the 1950s in the US, and since then it has unfolded in a variety of ways. To date, a clear definition is still elusive, although it has become clearer that the influence of CSR influences many business and societal dimensions. Carroll traces back the early writings of CSR as referring to the ‘social’ responsibility of businesses, in particular of workers and their contribution to society as a whole. This idea made CSR more of a moral imperative that could be followed than a normative set of practices on how businesses should go about benefiting society beyond their core operations.

Since the 1950s, and with an increasing interest in defining the scope and meaning of the social responsibilities of businesses, new elements have been added to the definition of CSR. Common to these elements is the idea that businesses need to balance a number of interests, demands and concerns (economic, social, ethical) related to society as a whole. These demands can come from among other aspects, legal obligations, ethical

codes of conduct, or particular activities that alongside the generation of profit, aim to increase possibilities for benefiting the public.

During the 1970s, the concept of corporate social responsibility became associated with business strategy. Some seminal books on strategic planning place the development of CSR as a practice that could contribute to generate appropriate working environments (internally and externally) for organizations (Mintzberg & Quinn, 1991). By this, it was understood that organizations could be better prepared in the long-term by understanding and acting upon the needs and concerns of different groups.

In developing CSR *alongside* corporate planning, according to Steiner (1969:173):

“When profit maximization in the technical sense is eliminated as a sole operating objective of a business, the door is opened for using corporate resources to satisfy other interests than those of stockholders. This raises highly controversial questions of significance to the type of society and enterprise system we wish to preserve”.

Indeed, there are controversies about the purpose(s) of CSR initiatives alongside different types of costs (including economic) in which companies are willing to forfeit when implementing CSR initiatives. To address these controversies, attempts have been made to delineate a number of dimensions that CSR should have, and what place it should occupy in relation to corporate strategies. An interesting development during the 1980s is that of trying to establish relationships between the undertaking of CSR-based initiatives, and the overall generation of profits. According to the study of McGuire et al. (1988), companies which had a stable and successful financial environment (measured in terms of accounting-based and stock market measures) are better seen as CSR oriented. This might mean among other interpretations, that profit has to do with CSR. But in which ways? Or how is that CSR can be defined and developed from corporate strategies? Mintzberg (1984) gives us some insights when he says that above all, CSR should not be ignored. To develop it, there could be different types of strategies according to particular circumstances. Strategies include ‘trust it [CSR]’ to managers and promote collective

awareness about it; pressure it (its development), democratize it (open decision-making to stakeholders) and regulate it when appropriate.

The 1990s, Carroll (1999) details, saw the incorporation of a number of areas associated with CSR. Those interested in CSR proposed that it should have not only economical but also legal, ethical and ‘discretionary’ aspects, the latter related to going *beyond* the provision of services and products and the generation of profits. The separation of these aspects has led to focus discussions on their priority and even discussions if these areas should be separated at all, as any corporate action presupposes legal, economic and ethical considerations (Porter & Kramer, 2002). Nevertheless, these dimensions have led to incorporate a number of strategies in CSR initiatives, one of the most popular being appropriate (i.e. strategic) definition and management of corporate stakeholders (Hawkins, 2006; Sachs et al., 2006). Stakeholders are considered as those individuals or groups who can receive or provide benefits and risks to organizations, some of whom can lay claims about corporate actions in relation to the distribution of corporate wealth. In managing stakeholder expectations (see figure 1), organizations are encouraged to adopt a number of strategies. These include to review their business principles to see how they can be used to improve relationships with stakeholders. Align CSR projects according to stakeholders’ expectations, communicate continuously with them, and consider the particularities of the contexts in which they are operating, in order to avoid imposing CSR policies or plans which might be in the long-term detrimental to local stakeholder needs (Hawkins, 2006).

Despite the provision of practical ways of assessing and developing CSR initiatives as shown in the above figure, there is confusion about how to balance CSR initiatives with existing business practices and business purposes, or even review such practices. As is explored in the next section, possibilities for alternative business models need to be defined and developed if CSR is not to be ignored. Furthermore, assessment of business impacts to different stakeholder groups needs to consider not only their contribution to and benefit from wealth, but other effects that might be generated in the long-term. This is why current definitions of CSR see it as a “commitment to sustainable development, working with employees, their families, the local community and society at large to improve their *quality of life*” (WBC, 2000:10).

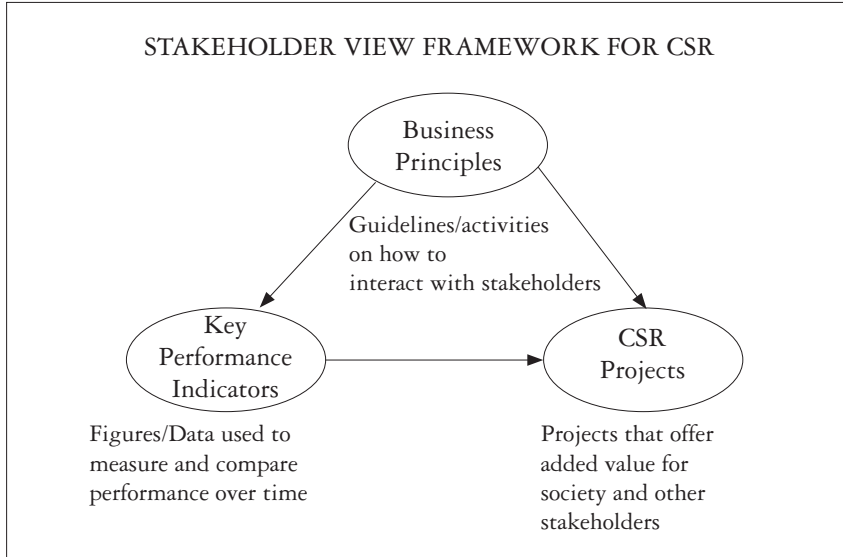


Figure 1: Managing Stakeholders in CSR Initiatives through a stakeholder view framework. Adapted from Sachs et al (2006)

3. SUSTAINABILITY ENTERS THE DEBATE

The 21st century and more particularly this year has been declared the beginning of a global strategy against negative environmental impacts (UNCED, 1992) so that businesses do not exhaust natural resources and secure benefits for future generations. This has been called sustainability, and now businesses are encouraged to address sustainability issues also when measuring their performance (Henderson, 2002). In a recent account, Hawkins (2006) proposes that both issues CSR and sustainability are intrinsically connected. However, this connection requires that any CSR initiative should consider first of all profit, but then project it to a wider context where it can be sustained by businesses and also in ways that do not 'make the poor poorer', neither damaging the physical environment. This also means that businesses should still focus on delivering products and services with quality, but quality also needs to be developed in the working and life conditions of employees and their physical settings.

The inclusion of sustainability has raised, as in the 1960's, a number of controversies in the implementation of CSR. To date there is a spectrum

of possibilities for businesses from going totally green (Hawken, 1994) to still focusing on profit and arguing that sustainability means the economic sustainability of their operations. Hawkins (2006) seems to be holding an intermediate view when he argues that CSR needs to be incorporated into and as integral part of business plans. According to Hawkins, efforts should be made to develop alternative business models to avoid transferring harmful management practices (i.e. pollution, low cost wages) to other companies or subsidiaries elsewhere. What he is suggesting is a re-definition of CSR initiatives in terms of their (business) purposes, and consideration of the impacts of organizational actions for different stakeholder groups. Hawkins also encourages business leaders to pay attention to particularities of local contexts (i.e. working conditions, labour standards, human rights, poverty) so that these are addressed with and via corporate strategies. The end-result should be according to Hawkins improved *relationships* between producers, suppliers, manufacturers and workers, so that better working conditions can improve production, yield, quality and wealth.

In looking at how organizations are developing their CSR initiatives, Henderson (2002) warns us about keeping an excessive focus on either organizations or the public in general as the centre of action. Excessive focus on organizations might lead to a limited consideration of stakeholders as those who are related to the organizations via the provision of benefits (i.e. wealth). This might leave out attention to other societal expectations, and thus different processes of involvement with stakeholders are needed (Henderson, 2002). On the other hand, excessive attention to the public might leave out the inclusion of understandings about how companies should operate in their markets. Therefore, the claims and concerns of representatives of ‘the public’ should be also reviewed. Although these might come from public organizations, they might not entirely represent the concerns of all groups in society. Inclusion of different stakeholders and their concerns is needed in the process of dealing with different concerns to be addressed via CSR.

According to the above discussion, three key issues can be derived which relate to CSR initiatives implementation. First, there is still concern with the purpose of CSR (i.e. generation of wealth) by businesses in relation to CSR initiatives. Discussion about purposes should be the subject of

reflection and debate, so that initiatives can be directed to influence positively an organisation's environment (internally and externally). Secondly, there is a perceived need to consider how stakeholders can be included and managed in the definition of CSR initiatives. And thirdly, here is a need to develop practical, ways to identify the different impacts that businesses are generating in different stakeholder groups. To address these elements in detail, we now present ideas on systems thinking and systems methodologies.

4. SYSTEMS THINKING

There is a vast literature that talks about systems thinking as adopting a way of looking at situations as 'wholes', in which different parts are interconnected so that they need to be managed simultaneously to achieve for instance organizational purposes. The popularity of systems thinking has been helped by books on systems and ecology (Kapra, 1997), systems and learning (Senge, 1999) and systems and policy-making (Chapman, 2002). In the UK, developments in systems thinking have considered early works of authors like Churchman (1968), Ackoff (1981) and Checkland (1981). Other developments emphasise the importance of developing principles, commitments and frameworks to guide systems methodology use in management situations (Jackson, 2003; Midgley, 2000; Mingers & Gill, 1997). What follows is an introduction to some ideas and methodologies of systems thinking which can be relevant to address the issues related to CSR raised above (purposes, stakeholders and impacts).

Ackoff (1981) argues that the current notion of a corporation is very much influenced by a machine-like type of mentality, where the corporation is supposed to focus on producing profits and returns for investors only, without considering the wider (people) environment in which it operates. However, with the emergence of systemic thinking where emphasis is in inter-connectedness of people and phenomena, inclusion of human values in scientific efforts and tackling exclusion (Midgley, 2000), this notion is currently under attack. Ackoff (1981) suggests considering corporations as *purposeful* systems which should aim to increase their abilities to develop its stakeholders. Central to this is the notion of development (as opposed to growth), which to Ackoff means "*a process by which an individual increases*

his {ber} ability and desire to satisfy his {ber} own desires and those of others” (p.35, original italics, brackets added).

What Ackoff is suggesting is to consider that organizations are part of a wider system that should contribute to define the organisation’s own purpose. Through interactive (i.e. participative and with the aim to dissolve rather than simply solve problems) planning, organizations should be able to define their own future and that of the environment in which they want to operate so that both can improve their situation and possibilities for development. This requires among other things, identifying and removing any barrier to development, and continuously reviewing the scope and nature of corporate plans to create adequate futures (Ackoff, 1981).

Alongside Ackoff (1981)’s interactive (IP) planning approach, we now have available a number of systems-based methodologies that could be used to implement CSR. These methodologies have been the subject of further developments by practitioners who want to improve situations of social design (Flood & Romm, 1996; Jackson, 2003; Midgley, 2000). What follows is a short description of two (2) of them that we have used in our teaching on sustainability issues. We find them helpful to: 1) Surfacing of purposes of particular policies or initiatives. 2) Including stakeholder groups and their views in planning; and 3) Reflecting on potential impacts that actions could have for different stakeholder groups in society.

4.1. Soft Systems Methodology (SSM)

This methodology is the result of a thirty-year research programme developed by Checkland and colleagues at Lancaster University (UK) (Checkland & Poulter, 2006). For Checkland, organizations are not static goal-seeking entities. They are purposeful systems of human activity in purposes change all the time. To address complex situations, Checkland develops a methodology that facilitates continuous learning about and acting on situations by considering the meanings (i.e. appreciations) that people give to them. This methodology considers that the process of inquiry into situations can be organized as a system, and systems concepts are used to structure our thinking about how the situation could be improved.

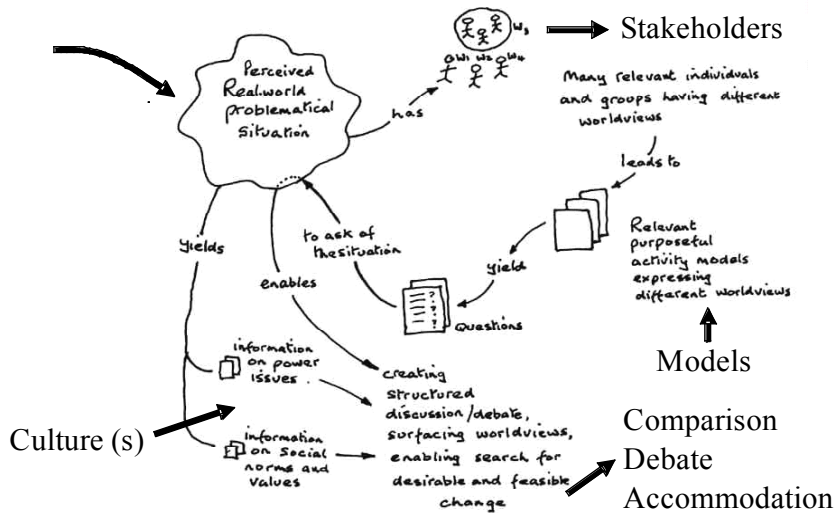


Figure 1.4 SSM's basic process

Figure 2: SSM in Brief. Adapted from Checkland and Poulter (2006)

Figure 2 shows a general view of the methodology. From appreciating and expressing a 'problematical situation' (rather than a single problem), those involved in and affected by it (i.e. stakeholders) can formulate a number of relevant issues which, if tackled systemically, could bring improvement to the situation. Such issues are used to produce definitions of conceptual systems of human activity. The systems do not necessarily exist in the 'real' world, but they can help people to identify activities, relations, resources and meanings needed to improve their situation. With these models, comparison, debate and discussion yield possibilities for change, which need to be systemically desirable (i.e. derived from the models), as well as culturally feasible (given the prevailing set of norms, roles and values of a particular context). The methodology suggests that once action is implemented (and different interests from stakeholders are 'accommodated'), learning about the 'new' problematical situation can continue (Checkland & Poulter, 2006).

4.2. Critical Systems Heuristics (CSH)

Although it is likely that both Ulrich and Checkland see systems as social and inter-subjective constructions which influence what we consider as improvement in a situation (Churchman, 1968), Ulrich (1983) has a different view on how systems are conceptually defined. He argues that what constitutes a systems boundary (i.e. what defines knowledge and people to be considered relevant in a social design) is intimately linked to human values. This means that the values of planners and experts inevitably influence the boundaries that they define for analysis and decision-making. Conversely, the boundaries adopted by planners define the values that will be privileged or taken into account, and the ethical stances taken in relation to who is to be benefited and what is to be included from plans. To these differences, Ulrich claims that critical thinking needs to be exerted by participants to secure collective acceptance (i.e. legitimate). Critique should aim at avoiding ‘hardening’ of some taken-for-granted assumptions surrounding decision making processes, as well as enabling debate by stakeholders regarding any consequences that decisions will have for them. For Ulrich (1983), only when this debate has taken place and people consent on decisions and implications has been reached can planning proceed.

To facilitate reflection on system boundaries, Ulrich (1983) develops a methodology called Critical Systems Heuristics (CSH). The methodology contains a list of twelve questions about a plan as a ‘system’. A summary of the questions, and how they could be used to support IS planning is presented in Table 1. The questions can be used in the ‘is’ mode (to help people clarify the current purpose of a plan) or in the ‘ought’ mode (to facilitate debate about improvements). With this methodology, Ulrich (1983) argues, ‘lay’ people can be able to gain competence to face and challenge experts and decision makers whose values and knowledge drive the definition of plans.

With the above methodologies, those involved in complex situations can facilitate enquiry about how a variety of issues (inside or outside organizations) can be tackled. Each methodology has its own strengths and weaknesses (Jackson, 2003), and will yield different insights. There is a

variety of example of their use, including combining whole methodologies or parts of them (Jackson, 2003; Midgley, 2000; Mingers & Gill, 1997; Ormerod, 2005). In using methodologies jointly or separately, it is advisable to explore the particularities of the problem situation (context) where they are to be used, so that this use can be better justified in relation to the issues at hand, the methodologies' strengths and weaknesses (Jackson, 2003) and the purposes sought in their use (Midgley, 2000).

Table 1
 Questions of Critical Systems Heuristics (CSH) in the 'is and 'ought' modes
 (Ulrich, 1983)

Who is / ought to be the <i>client</i> (beneficiary) of the system S to be designed or improved?
What is / ought to be the <i>purpose</i> of S; i.e. what goals states ought S be able to achieve so as to serve the client?
What is / ought to be S's <i>measure of success</i> ? (or improvement?)
Who is / ought to be the <i>decision taker</i> , that is, has the power to change S's measure of improvement?
What <i>components</i> (resources and constraints) of S are / ought to be controlled by the decision taker?
What resources and conditions are / ought to be part of S's <i>environment</i> , i.e. should not be controlled by S's decision taker?
Who is / ought to be involved as <i>designer</i> of S?
What kind of <i>expertise</i> is / ought to flow into the design of S; i.e. who ought to be considered an expert and what should be his role?
Who is / ought to be the <i>guarantor</i> of S; i.e. where ought the designer seek the guarantee that his/her design will be implemented and will prove successful, judged by S's measure of success (or improvement)?
Who is / ought to belong to the <i>witnesses</i> representing the concerns of the citizens that will or might be affected by the design of S? That is to say, who among the affected ought to be involved?
To what degree and in what way are / ought the 'affected' be given the chance of <i>emancipation</i> from the premises and promises of the involved?
Upon what <i>worldviews</i> of either the involved or the affected is/ ought S's design be based?

The above methodologies give us practical ways of developing or evaluating initiatives aimed at addressing the goals of CSR. They can also help us to provide ways of identifying a variety of purposes in a situation, and this can support the development of actions which cater for the needs of

different stakeholders (Hawkins, 2006). Because they imply participation and debate, methodologies can help us identifying and involving different stakeholders. Moreover, they can help us structuring debate with them about potential consequences of decisions.

What follows is an example of our teaching practice that has been informed by the above ideas, and how our students have implemented CSR in the classroom.

5. CSR IN THE CLASSROOM: THE CASE FOR SUSTAINABILITY

In 2006, one of us proposed sustainability as a topic to explore through student projects in a course on systems methodologies. This course aims to offer students practical ways of tackling complex managerial problems. At the most recent cohort, sustainability was included in the course assessment, and students were organized around group projects (between four and six students in each group) to explore it. At the time of this course, we just had started to become familiar with the main ideas of CSR, and therefore we did not offer much content on this area to our students. Nevertheless, we gave them some reading material about sustainability in cities (Ravetz, 2002).

To begin with, students were prompted to the website of Hull City council and its current plans on sustainability (available at <http://www.hullcc.gov.uk>, accessed march 2007). From this information, students had to select at least *two of the areas of activity* shown in the main page. Around these areas, students were asked to define problematic situations as sets of two or more interacting parts (i.e. areas), in which the behaviour of each part has an effect on the behaviour of the whole (i.e. society). Moreover, the behaviour of the different activity areas and their effects on the whole are interdependent so that no single area has independent effects (Ackoff, 1981:15). With this, we were encouraging students to identify complex problems which were being tackled in more than one way, and whose solutions (if any) should not be understood in isolation from other solutions to other problems.

From the information of Hull city council's website, groups selected two or more areas to work. For instance, road transport and small businesses versus big businesses; housing and safety; pollution and road provision; green transport and congestion; or investment and education. Groups were asked to research on problems related to those areas, and present a number of interconnections between problems. To explain connections between problems, students needed to show evidence about the existence of problems, which put together constituted a complex (i.e. problematic) situation to work with. After this initial mapping of problems and their connections, students were then asked to select two or more problematic issues and individually apply systems methodologies to bring some suggestions to improve the situation.

This required students to share information about their group's problematic situation; select and negotiate the definition of relevant problems; and organize subsequent activities so each group member could be able to tackle two or more issues. Some students found it difficult to define the 'right' set of issues to work with. In this case, the role of the tutors was to shift students' thinking so they did not focus on working with 'right' problems but 'useful' ones, and avoid directing students too much towards problems and solutions.

The use of systems methodologies like SSM and CSH enabled students to reflect on the *purpose* of action to be undertaken to improve current situations on sustainability, and review the involvement of a number of different *stakeholders*. For example, the group working on the issues of road transport and small businesses versus big businesses (Suggett, 2006) decided to use soft systems methodology (SSM) (Checkland, 1981) in combination with critical systems heuristics (CSH) (Ulrich, 1983). After using SSM to select two relevant issues (make transport in and out of Hull easier to attract new businesses, and allow easier distribution of goods and services) some students widened their definition of systems to address these issues by using the questions of CSH. This led them to include a number of stakeholders whom they had not considered previously to be benefited from transport initiatives and services (small businesses, employees from small businesses, and delivery companies). Moreover, the use of conceptual systems models to compare against the current situation

led some students to suggest a number of questions and suggestions to be incorporated for instance, *continuous consultation, communication and feedback* with these stakeholders to learn among other things why businesses do not want to relocate in Hull. In the systems models there were also provisions to allocate specific actions to each stakeholder group, and monitor a series of indicators to measure progression towards goals like timely deliveries for businesses (small and big), an increase in the number of investments, and ease access to Hull city from the outside.

Given the constraints of time, (this is only a one-semester course), suggestions for improvement have not been taken forward. However, some students have decided to engage with relevant organizations about their findings and they have some very interesting questions to ask. Although their suggestions for improvement might not be entirely related to corporate initiatives, their engagement is indeed a positive result related to what CSR as a commitment to benefit society (WBC, 2000) is trying to achieve.

6. FINAL REFLECTIONS

Having considered a number of issues (purposes, stakeholders, impacts) that could emerge when engaging with CSR implementations, and having attempted to address them with the use of systems thinking, we now provide some final reflections about the use of systems methodologies.

As Mintzberg (1984) and Hawkins (2006) have suggested, those organizations and individuals aiming to put CSR into practice need to consider appropriate strategies to the environment where they are operating. Using systems thinking methodologies, we find that we can take into account what can *make sense* for people in a particular context (i.e. that of Hull), and if time allows, engage in dialogue with others about what can be accommodated in such context (Checkland & Poulter, 2006).

Moreover, when using systems methodologies, we can generate a number of individual actions that not only aim to provide improvements by different stakeholders (i.e. small and big businesses, transport authorities, etc), but also promote improvements of the situation as a whole. We think that the use of systems methodologies can help individuals to engage

with others and jointly explore how best action can be taken in different fronts. Emphasis on the exploration of relationships between problems and actions for improvement (derived from the use of methodologies) can also help them to learn and debate about impacts that are connected with other impacts in society.

Finally, we started by locating some challenges for CSR in organizations, and through the use of systems methodologies we ended up by facilitating the definition of actions to improve societal situations. In such definitions, there might be conflicts and tensions to be experienced. A possible way out of potential conflicts between competing purposes and actions could be to use systems methodologies to promote reflection about how organizational activities (profit and non-profit based) can generate a number of positive impacts in different groups in society, and use systems-based models and questions to facilitate this reflection. For the future, we see opportunities for research and teaching in the use of other systems methodologies and concepts to facilitate thinking about, and with, corporate social responsibility practices.

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