

# STANDARDS FOR CHANGE?

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ISO 26000 and sustainable development

ADRIAN HENRIQUES – 2012



SHAPING  
SUSTAINABLE  
MARKETS

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Can markets be 'governed' to better benefit people and planet? This project explores the individual and combined impact of market governance mechanisms on sustainable development to find out what works where and why. Some of these mechanisms are well established. Others are innovative ideas yet to be tested in the real world.

We want to improve and broaden understanding of how market governance mechanisms can be designed and used to secure livelihoods and protect environments. Find out more about our work at <http://shapingsustainablemarkets.iied.org>.

We welcome your comments on this publication or other aspects of Shaping Sustainable Markets. Please contact [emma.blackmore@iied.org](mailto:emma.blackmore@iied.org).

#### Disclaimer

This paper represents the view of the author and not necessarily that of IIED.

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## ACRONYMS AND ABBREVIATIONS

CSR	corporate social responsibility
EC	European Commission
IIED	International Institute for Environment and Development
ISO	International Organization for Standardization
MGM	market governance mechanism
NGO	non-governmental organisation
NSB	national standards body
PPO	post-publication organisation (ISO)
SME	small and medium-sized enterprise

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# STANDARDS FOR CHANGE?

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Adrian Henriques – 2012

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# SUMMARY

In 2010, ISO, the International Organization for Standardization, published ISO 26000 as a guidance standard for organisations on social responsibility. The standard is designed to guide organisations in how they can contribute to sustainable development. ISO is a widely respected authority on standards worldwide, so their venture into this field was significant. But how much of a contribution can ISO 26000 make to sustainable development? This report looks at what has happened so far and what the potential could be. It is based on an analysis of the standard and existing literature together with the results of interviews carried out with some of those who have been actively working on the standard in various capacities.

Standards can have two kinds of impact: hard and soft. Hard impacts are those that can be quantified or measured. Soft impacts are those that affect culture and attitudes, which in turn will have an influence on behaviour (and hence hard impacts) in the longer term. This report looks at both types of impact, although it is too early in the lifecycle of ISO 26000 to expect clear evidence of hard impacts. Nevertheless, positive soft impacts were evident even during the development of the standard.

ISO 26000 was developed using a process that – although not perfect – directly addressed stakeholder involvement and included more representation from developing countries than from developed countries. The content of the standard also directly addresses the majority of the issues connected with sustainable development, including environmental impacts, human rights, labour rights, stakeholder engagement and organisational governance. Although the standard includes government within its definition of 'organisation', it excludes from its scope any recommendations for government policy for sustainable development.

Unlike some of the best-known ISO standards on other subjects, ISO 26000 does not address how to manage sustainable development issues in a *systematic* way. Moreover it does not provide for independent certification of its application. This limits not only how attractive it will be to many companies, but also how accurately its rate of adoption and the impact it might have can be measured.

However, the worldwide reach of ISO and its members – the 162 National Standards Bodies – together with the commitment of key governments including the Chinese, is likely to ensure that the standard is actively promoted. It has already been influential on regional bodies, such as in the reformulation of the European Commission's definition of corporate social responsibility (CSR). It also appears to have influenced ISO's own approach to standard-making.

The use of ISO 26000 by individual organisations is a crucial determinant of how much it can positively affect sustainable development. Key questions include not only how an organisation uses the standard, but also the degree to which the organisation's overall governance is affected by it. The latter is determined by how organisational governance is addressed in the standard. The key contribution that ISO 26000 makes is to legitimise the discussion of broader conceptions of organisational governance that include attention to sustainable development and to the interests of stakeholders other than those with a financial interest, such as shareholders. This is important because stakeholder empowerment is a central component of social sustainability and social justice. However, the standard does not suggest that this is best tied to any formal mechanism, which dilutes its power. Another part of organisations' use of the standard is revealed through how wide a range of

sustainable development issues they acknowledge as relevant to them. Here there is a real potential for accepted horizons of responsibility to be broadened by ISO 26000.

Even if ISO 26000 does serve to legitimise the consideration of a far wider set of sustainable development issues than is currently typically considered, that set will need to be revised and expanded over time. It remains to be seen not only how effectively those issues will be addressed, but also whether the standard comes to limit organisations' understanding of the content and process of sustainable development. The use and impact of ISO 26000 should therefore be monitored over time and should be the subject of future research. In particular, the process of development and re-development of the standard will be vital. In any event, ISO 26000 is a standard that will have worldwide significance.

# FOREWORD

Sustainability standards and certification schemes, such as Fairtrade and the Forest Stewardship Council (FSC), are some of the most widely known and used market governance mechanisms. These standards aim to encourage producers, traders, manufacturers and consumers to make more sustainable purchasing and production choices. The market share of some of these standards has grown considerably in recent years, with some well-known examples – like Fairtrade, FSC and Rainforest Alliance – now entering the ‘mainstream’.

The International Institute for Environment and Development’s (IIED) *Shaping Sustainable Markets* programme is asking important questions about the way standards are designed and used. We believe that standards matter for sustainable development and that they can have positive social, environmental and economic benefits. However, we also need to understand the unintended consequences that can arise from their use. In some cases standards can become *de facto* obligations for market access, and may act as barriers to trade. For example, the smallest and least resourced producers or companies can effectively be excluded from participation – thereby exacerbating any inequalities that already exist. Monitoring both the direct impacts and unintended consequences is therefore vital; as is understanding the relationship between private standards and policy making.

This paper explores the potential of a new standard for guiding organisations in how they can behave in a socially responsible way. ISO 26000 was published in 2010 by the International Organization for Standardization, the world’s largest developer and publisher of international standards. It aims to guide organisations (both public and private) in how they can contribute to sustainable development. Indeed the standard makes sustainable development the overarching goal of the concept of ‘organisational social responsibility’. While some other ISO standards, such as ISO 14001 or ISO 30000, have touched on aspects of sustainability, none have delved comprehensively into the field of sustainability.

The brand recognition of ISO standards, coupled with their geographical reach and credibility among market actors, makes it likely that ISO 26000 may become widely used. Initial evidence suggests that certifiable versions of ISO 26000 are already being developed, even though the standard expressly states that ISO 26000 is not for certification. There is clearly a perceived market demand for a certifiable equivalent. A number of organisations are also already publicising their use of the standard to guide their behaviour.

This paper makes the first major contribution in understanding the direct impact of the ISO 26000. Its research complements a previous paper published by *Shaping Sustainable Markets* and written by Halina Ward that

describes the development of ISO 26000 and discusses the impact of the standard and its development on policy-making, global governance and consequently sustainable development.

The paper argues that ISO 26000 undoubtedly offers potential in terms of changing the way organisations think about social responsibility, and ultimately sustainable development. While it is too early to measure its specific impacts, one key contribution has been to legitimise a broader definition of organisational responsibility – particularly for companies. The standard broadens the concept of organisational governance to include sustainable development and the interests of *stakeholders* (like the wider community), not just *shareholders*. This is important, because stakeholder empowerment is a central component of social sustainability and social justice.

However, while ISO 26000 may introduce companies to sustainable development concepts, there will always be a need to challenge the specific behaviour of individual companies in practice. It will be important to continue to monitor the use and impact of ISO 26000 as it develops.

**Emma Blackmore, Series Editor**

# INTRODUCTION

The ISO 26000 standard was published in 2010 and offers guidance to organisations on how they can behave in a socially responsible way – thereby contributing to sustainable development. Indeed, the standard defines social responsibility explicitly in terms of an organisation's contribution to sustainable development. The standard identifies key sustainable development issues and expectations for the behaviour of socially responsible organisations. Its development took almost eight years and involved many hundreds of participants drawn from different interest groups around the world.

It is significant that ISO – the International Organization for Standardization – has decided to produce such a standard and venture into the territory of sustainable development. ISO's members are the world's National Standards Bodies, responsible for the development of national standards. ISO standards are very widely used and as a result have considerable authority in many commercial arenas.

This report assesses ISO 26000 'Guidance on social responsibility' (ISO, 2010c) and its potential contribution to sustainable development. Since ISO 26000 focuses on the behaviour and management of organisations, one focus of attention for this report has been its likely effect on organisational governance. However, the effects of the standard go far beyond how individual organisations behave. IIED has published other research which looks at some of these wider implications of the standard for global governance (Ward, 2012). Ward's paper also provides a very thorough account of the history and development of the standard; while

that material will not be reproduced here in detail, this paper will draw on Ward's findings.

Since ISO 26000 is aimed at assisting organisations to contribute to sustainable development, it might seem safe to conclude that ISO 26000 must have a positive impact on sustainable development. Yet, before that conclusion is confirmed, a number of important questions need to be answered:

- How far should the scope of ISO 26000 reflect that of sustainable development?
- How widely will ISO 26000 be adopted and what will be the extent of its influence?
- To what extent will 'adoption' of the standard by organisations translate into positive sustainable development impacts?

This report addresses these questions.

## ABOUT THIS REPORT

The approach to the research for this report was to:

- review the current literature on the standard (which is not extensive, since the standard is so recent), including some of the current online discussion
- conduct telephone interviews with key individuals active in the standard's development (Appendix B).

The research was guided by the Shaping Sustainable Markets programme criteria for assessing the impact, design and implementation of market governance mechanisms.<sup>1</sup> This has

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1. A market governance mechanism (MGM) is a set of formal or informal rules designed to change behaviour – of individuals, businesses, organisations or governments – to influence how markets work and their sustainable development impacts.



three key components. For this paper, these will be interpreted as follows:

- Effectiveness concerns the scope, scale and speed of adoption of the standard as well as its usability by organisations. It concerns whether the standard actually delivers 'organisational social responsibility' and therefore contributes to sustainable development. It also concerns the process of the standard's development.
- Efficiency concerns the funding structure of the development of the standard and the business case for the user of the standard (i.e. the costs versus benefits of implementing the standard).
- Equity concerns the inclusiveness of the process for the development of the standard and its review, as well as whether the benefits and costs of implementation are distributed equitably.

This report contains two main sections. Section 1 describes ISO 26000, including the process by which it was developed, and analyses the standard in terms of equity as defined above. This section also describes the scope of the standard and how this relates to sustainable development, highlighting issues of effectiveness, efficiency and equity.

Section 2 analyses the impact of ISO 26000, by addressing several issues. The first is a central methodological question of how the effects of standards can be assessed. In light of this, the section goes on to analyse: the rate of adoption of the standard, a key factor in its effectiveness; drivers and barriers to adoption; the impact that that standard has had on ISO itself, which can indirectly contribute to all three criteria for assessment of the standard; and the impact through organisations actually using ISO 26000, which again addresses the criterion of effectiveness.

## A NOTE ON TERMINOLOGY

ISO 26000 concerns 'social responsibility'. This term suggests that the scope of the standard extends only to social issues. That is not true: the standard is concerned with social, environmental and economic issues and so, in general, with sustainability issues. 'Social responsibility' also, correctly, suggests a connection with 'corporate social responsibility' or CSR. The term 'CSR' was not used for ISO 26000 because it is often taken to suggest that the organisation addressing CSR is a private company. Because ISO 26000 is applicable to all organisations, 'CSR' was thought not to be suitable. However, there is little consistency in the use of terms such as CSR. In practice, organisations of all types (including companies, NGOs and those in the public sector) typically refer to their approach to sustainability and sustainable development as 'CSR'.

It is significant  
that ISO has  
ventured into  
the field of  
sustainable  
development

# ONE WHAT KIND OF A STANDARD IS ISO 26000?

## 1.1 THE DEVELOPMENT OF ISO 26000

ISO 26000 is an unusual standard for ISO to have developed for a number of reasons:

- Its subject matter, organisational social responsibility, had not been addressed by ISO before.
- Social responsibility is directly linked with sustainable development – which is made explicit in the standard.
- Its development involved a much wider range of stakeholders, and a much greater number of them, than are typically involved in the development of ISO standards.

ISO is a standards-setting organisation whose members are the National Standards Bodies (NSBs) from 162 countries around the world. (For further details, see Ward, 2012.) The large majority of standards developed by ISO, of which there are more than 18,000, are very technical in nature. Only very few of these relate directly to aspects of sustainable development, such as ISO 30000 (ISO, 2008) on ship recycling, and the more well-known ISO 14001 (ISO, 2004b) on environmental management systems. The development of most ISO standards is initiated through NSBs by businesses (or other organisations directly concerned with the subject matter) and produced by small committees typically consisting of representatives from companies and mainly from the developed world.

In contrast, ISO 26000 was proposed in 2002 by the ISO standing committee devoted to consumer interests, COPOLCO (COPOLCO is the only 'stakeholder' group explicitly represented in ISO's governance structure). A Working Group for

Social Responsibility was eventually established in 2005 with a remit to develop and negotiate the content of the ISO 26000 standard. The Working Group members were experts nominated by the National Standards Bodies together with direct representation (so-called 'D-Liaison status') from a number of international organisations including international NGOs.<sup>2</sup> Although they were not able to vote at the later stages of the development process, D-Liaison organisations were not bound by national positions, which enabled them to continue to voice issues that national consensus sometimes frustrated. The Working Group had grown to over 400 members by the time of publication of the standard in 2010.

The Working Group was divided into stakeholder groups (ISO, 2005):

- Industry
- Labour
- Consumer
- NGO
- Government
- Service, Support, Research and Others (SSRO), which included other standards bodies, consultants and academics.

While some such categorisation was obviously vital, no coherent justification of the particular division used has been produced. The categorisation perhaps owes more to the power wielded over ISO by the different groups represented than to logic. The decision to separate NGOs from consumer organisations, for example, appears to be arbitrary. The size and duration of the Working Group necessitated a complex governance process, with various levels

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2. IIED was one of the international organisations with membership of the ISO 26000 Working Group.

of permanent and temporary committees. One of the permanent committees was concerned, albeit with limited success, with securing practical help for organisations likely to find involvement difficult, particularly NGOs from the South. Significantly, the stakeholder grouping, as well as a North/South balance, was deliberately reflected in the governance structure. For example, the Chair was from Brazil, the Vice Chair from Sweden. This balance was reflected throughout the numerous subcommittees and sub-working-groups during the development process.

While Industry was always the largest stakeholder group, the sizes of the Government, SSRO and NGO stakeholder groups were roughly similar; the representation of Consumer and Labour groups was consistently lower, even if this did not reflect any lower level of influence. In any case, a serious attempt was made to balance the contributions to the Working Group across the various stakeholder groups and also across delegates from developed and developing countries. However, a lack of funding limited the attendance of smaller organisations, especially NGOs from the South; the use of English as the working language also put many at a disadvantage. (For further details, see Ward, 2012.)

Overall, however, the development process did systematically involve a wide range of stakeholders and was largely transparent. As one measure of that transparency, the later drafts of the standard (as well as the final version) were

available in Spanish, French, Arabic and Russian as well as English. The standard has since been translated into additional languages, including Thai, Portuguese and Chinese, with the tally at the end of 2011 approaching 20 languages.

The standard was published in November 2010 and the Working Group was dissolved after the final meeting before publication. ISO standards are typically reviewed on a 3–5-year cycle; the next review of ISO 26000 is scheduled for 2013. If revision is deemed necessary, a new committee would be established to undertake the work. While some interim structures<sup>3</sup> for the purpose of monitoring the use of ISO 26000 have been established and are active, there are currently no guarantees for the re-establishment of stakeholder-based structures for any major revision or for the conduct of a review. However, this does seem likely because of the strong expectations established in the community of Working Group members, the policies for stakeholder involvement established by ISO, and the obvious need for consistency with the content of the standard itself.

## 1.2 THE SCOPE AND STRUCTURE OF ISO 26000

The purpose of ISO 26000<sup>4</sup> is to provide guidance to all organisations from every geographical region on their social responsibility (ISO, 2010c: Clause 1). The guidance is intended to apply to all types of organisation, including governments and NGOs. While the standard is

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3. Of these, the Post-Publication Organisation (PPO), with its Stakeholder Advisory Group, is perhaps the most significant. The PPO has a remit to advise ISO on the revision, interpretation and communication of ISO 26000.

4. The standard is divided into seven clauses and related sub-clauses, two annexes and a bibliography.

therefore definitely applicable to companies from all industrial sectors, its scope is deliberately wider than only companies. It is therefore intended to be broader than a standard for 'corporate social responsibility' (CSR) alone.

The standard defines social responsibility as the:

*'responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:*

- *contributes to sustainable development, including health and the welfare of society*
- *takes into account the expectations of stakeholders*
- *is in compliance with applicable law and consistent with international norms of behaviour, and*
- *is integrated throughout the organization and practised in its relationships.*

*NOTE 1 Activities include products, services and processes.*

*NOTE 2 Relationships refer to an organization's activities within its sphere of influence.<sup>1</sup>*

(ISO, 2010c: clause 2.18)

The overall structure of the standard and division into clauses is shown in Figure 1.1, which is taken from the standard.

The standard defines a number of principles intended to underlie the treatment of any particular issue and guide action for issues that the standard does not explicitly address. These overall principles<sup>5</sup> of social responsibility are:

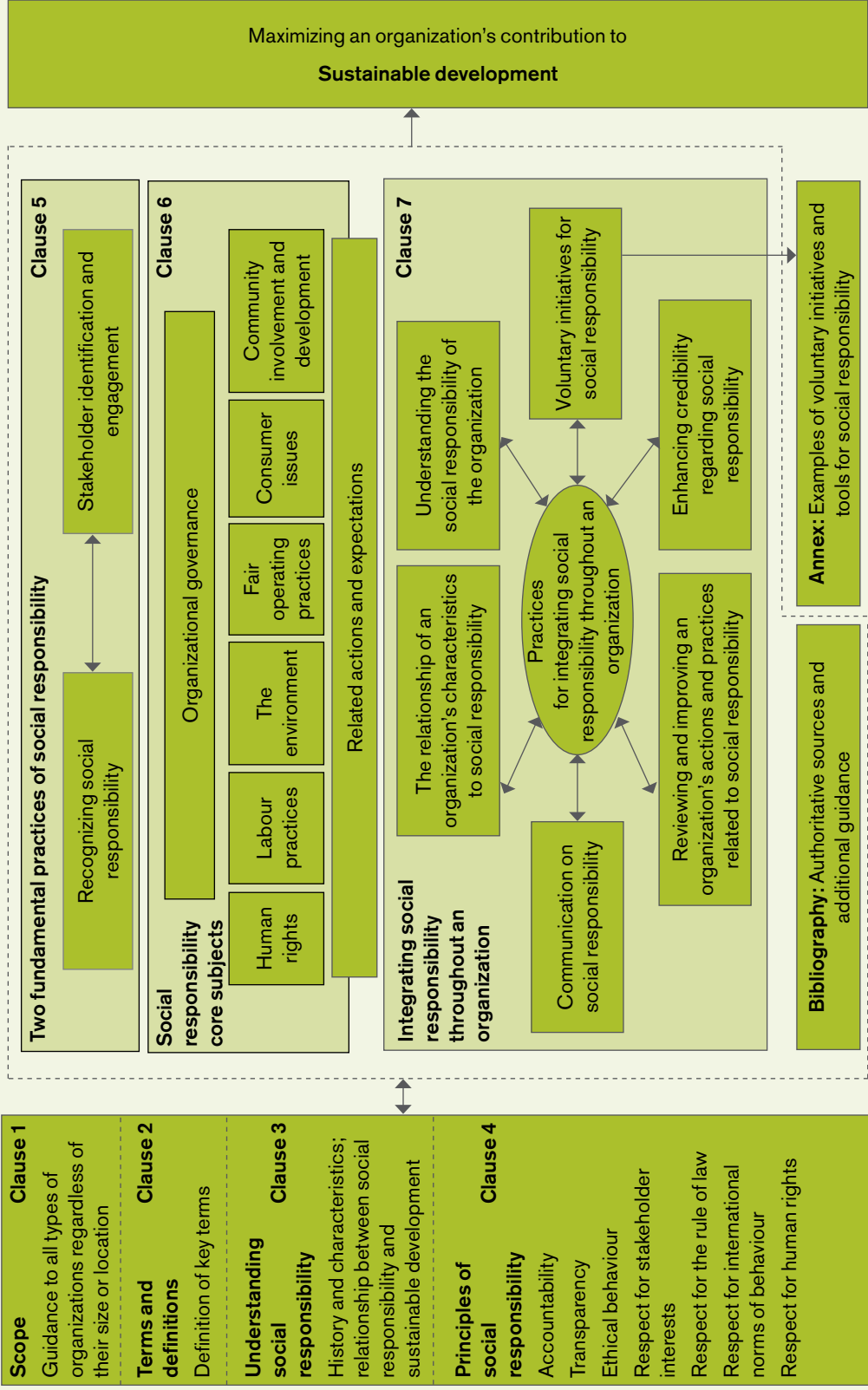
- accountability
- transparency
- ethical behaviour
- respect for stakeholder interests
- respect for the rule of law
- respect for international norms of behaviour
- respect for human rights.

It is important to note that complying with the law is explicitly included within the scope of organisational responsibility. This distinguishes it from the many other standards concerned with CSR, which are based on the idea that CSR is only what is done voluntarily.

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5. Confusingly, each core subject also defines a set of principles over and above the general principles of social responsibility articulated in Clause 4.

FIGURE 1: SCHEMATIC OVERVIEW OF ISO 26000



## ONE WHAT KIND OF A STANDARD IS ISO 26000? CONTINUED

The standard also defines a number of 'core subjects' which (with the exception of organisational governance) define in turn number of 'issues', of which there are 36 in total (ISO 2010c: Clause 6). For each issue a number of expected actions for organisations, that comprise social responsibility, are identified. These issues, actions and expectations comprise nearly half the length of the standard. (For further detail, see Henriques, 2011.) The core subjects are:

- organisational governance
- human rights
- labour practices
- the environment
- fair operating practices
- consumer issues
- community involvement and development.

In addition to the issues formally identified in the standard, other important concerns for sustainable development are addressed in the text, such as:

- respect for the diversity of cultural contexts
- the Millennium Development Goals and the importance of contributing to community development through core business practices
- the participation of the community in business practices as well as the participation of business in the local community
- employment creation
- wealth and income generation.

The core subjects appear to address many of the main areas of sustainability and sustainable development, as Appendix A demonstrates. There do not appear to be many gaps in the list of issues identified. Also the standard in many cases

accommodates recent developments related to the core subjects. The human rights section, for example, was reviewed by John Ruggie (Special Representative of the United Nations Secretary-General on the issue of human rights and transnational corporations and other business enterprises) and is consistent with the UN framework for business and human rights. Overall, the breadth of the issues addressed by ISO 26000 is probably at least as great as that of any other sustainability-related standard. To attempt to address all of the issues it identifies in a fully systematic way would be a considerable undertaking, particularly for a small organisation, although the standard does expect all organisations to consider all the core subjects (ISO, 2010c: vi).

Nevertheless there are many matters of detail, or depth, that the standard does not (and perhaps could not) address. The most obvious example is the absence of identification of issues specific to particular industrial sectors, although this is partially addressed through the list of sectoral initiatives in Annex A.2 of the standard.

To what extent can sustainable development be captured simply as a set of issues to be addressed, however urgent and important they may be? Sustainable development needs to be conceived of not only as a series of issues to be addressed but also as a process that is both legitimate and capable of persisting. Sustainability should also be seen as having a much wider reference than simply a set of discrete issues: it should be conceived of as a property of the global system (ISO, 2011a). Given this perspective, the extent to which ISO 26000 covers a set of issues which may need to be addressed at one time is not likely to be sufficient to assess its coverage of either sustainability or of sustainable development.

This raises the difficult question of whether it would even be possible to develop a standard for the aspects of sustainable development that are beyond a collection of specific issues. It is difficult partly because our understanding of the global system is so very weak and partly because the process aspect of sustainable development directly addresses questions that are not just social but also political in nature. At any rate, the political nature of sustainable development may mean that it is not legitimate to consider it a subject for standardisation (see Ward, 2011; 2012), certainly in the form in which standards for processes are currently produced.

It is perhaps therefore not surprising that ISO 26000 is weakest on guidance for systemic and global-level approaches to sustainable development. In part, this is because it is addressed to individual organisations; however reference to system-level solutions might still have been made. For example, the environmental clause does not capture the arguments for 'clustering', which is the need to re-configure the way industrial organisations relate to each other and operate to eliminate waste and reduce energy consumption, as Forum for the Future has described (Brouder and Berry, 2004).

While the standard is addressed to organisations in the public sector, it does not cover or comment on appropriate policies for governments (from any part of the world) to address sustainable development. It might have been expected that the standard would serve to provide advice as to which policy areas to address and perhaps how to formulate appropriate policies. The standard, however, carefully distinguishes the activities of government as they relate to policy and political processes, and the impacts of government bodies that might occur, largely irrespective of

the policies pursued. This is important to support the democratic legitimacy of the nation state.

Moreover, the standard gives particular prominence to stakeholder identification and engagement, including the identification of relevant sustainable development issues by stakeholders, which may help to address policy-related gaps on coverage in a constructive way. Stakeholder engagement is repeatedly referenced throughout the standard, and is specifically addressed in Clauses 5 and 7. While welcome, this represents only a very partial correction to the absence of systemic issues.

Clause 7 is concerned with approaches to 'integrating' social responsibility throughout an organisation. This covers what organisations should do to ensure that they address sustainable development. Its focus is not on the responses to specific sustainable development issues, but to the overall management practices that should be considered. This includes the use of due diligence, risk management, determining the relevance and significance of sustainable development issues and communication and reporting. An important achievement of this clause is the explicit guidance on assessing and addressing an organisation's sphere of influence.

Nevertheless, overall Clause 7 is probably the weakest part of the standard because it does not address the issue of sustainability management systematically. This can be seen by looking at the formal categorisation of ISO 26000 in ISO's terms. ISO distinguishes several different types of management system (see Section 1.3). However, ISO 26000 is none of these, unlike other well-known ISO standards such as ISO 14001. ISO 26000 therefore *does not give systematic help with implementing* social responsibility practices, as would a management system



standard. While it does make useful suggestions, it offers these separately. Yet this approach does provide the space and encouragement for organisations to 'take ownership' of their particular use of the standard.

### 1.3 MANAGEMENT SYSTEM STANDARDS AND CERTIFICATION STANDARDS

Two of the most contentious issues relating to ISO 26000, both during its development and since its release, are that it is not a management system standard and that it is not certifiable. A key aggravating factor is that these two issues are usually confused and treated as one issue. This section will first describe these two issues and then explore their significance for the impact of ISO 26000 on sustainable development.

Management systems consist of the policies, rules and procedures through which management tasks are accomplished. Management system standards, of which ISO 9001 is the pre-eminent example, set out recommended structures and documentation for the management system to which they are applied. According to ISO, 'management system standards provide a model to follow in setting up and operating a management system' (ISO, 2011d). They are designed overall to reflect the flow of management activities. They do not, however, specify what the content of the relevant policies should be.

There are three types of management system standard, according to ISO (2001):

- *Type A: management system requirements standards, both generic and sector-specific*
- *Type B: management system guidelines standards, both generic and sector-specific*
- *Type C: management system related standards.*

ISO 26000 does not conform to any of these types.

Management systems are intended to improve management in some respect. For example, ISO 14001 is designed to improve management systems concerned with environmental impacts. It specifies requirements for an environmental management system to enable an organisation 'to develop and implement a policy and objectives which take into account legal requirements and information about significant environmental aspects' (ISO, 2004a: V). There are two questions here:

- Are the management systems actually improved in some way by the application of the standard?
- Is the performance of the organisation improved through the application of the management system?

In relation to ISO 14001 for example, it may be asked whether the use of the standard improves the policies on which the management is based and then whether adverse environmental impacts are reduced as a result of the use of the standard. The answers to these questions are not at all clear cut, as it is difficult to define rigorous criteria (Cheesbrough, 2006). Studies that have been carried out on management systems have found that evidence on whether they improve performance is far from clear, see for example, the work of Hiscox *et al.* (2008) on the evaluation of



# ISO 26000 is not a management system standard and is not certifiable

EMAS, an environmental management system standard similar to ISO 14001. In any case, as has been noted, ISO 26000 is not a management system standard; the terms of reference of the Working Group prevented that outcome. It is not clear whether, if ISO 26000 had been a management system standard, this would have led to greater social responsibility and better sustainable development outcomes.

The practical argument in favour of management systems is simply that if management attention is devoted to an issue, then it must be more likely that effective action will be taken. Therefore if ISO 26000 had been a management system standard, it would have been more likely to lead to better outcomes and would also have generated the perceived benefits (perhaps financial or reputational) of being able to claim ISO 26000 conformity. The arguments against the usefulness of management systems standard are based on the idea that they can create additional bureaucracy without helping with the selection of goals, such as environmental or social impacts, towards which management action should work. They can therefore provide an illusion of having dealt with a problem, without actually doing so.

Management system standards may or may not contain requirements.<sup>6</sup> Other kinds of ISO standard than those intended for management systems may also contain requirements. Although adoption of any ISO standard is voluntary, if the standard contains requirements and is adopted, then its various requirements become 'mandatory' in order to conform to the standard.

Requirements are designed so that adherence to them can be tested. Typically, third parties review the implementation of the standard and issue a certificate of compliance. The presence of requirements is therefore what makes a standard 'certifiable'. The absence of any requirements in ISO 26000 means it is impossible for an organisation to be certified against it, as conformity cannot be assessed.

The arguments about certifiability are even more contentious. The proponents of certifiability argue that:

- The additional rigour with which requirements are specified (compared to recommendations for guidance) leads to greater attention to the issue and greater confidence in assessing progress, perhaps together with an increased chance of implementation activities to address the issue.
- Without the proof that certification provides, it is not possible for external parties to be sure that substantive performance is being improved and thereby hold organisations to account. Certification is therefore an indispensable tool with which to manage performance.
- Certification can offer a financial incentive for organisations that can demonstrate compliance by potentially differentiating themselves from their competitors.

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6. In ISO standards, requirements are articulated using the verb form 'shall', rather than 'should' which is typical for standards containing only guidance. ISO 26000 has been written without using the word 'shall' so as to be, from an ISO perspective, uncertifiable.

## ONE WHAT KIND OF A STANDARD IS ISO 26000? CONTINUED

The arguments against certifiability are that:

- The rigour necessary for specification can be misplaced, particularly for some of the social aspects of sustainable development. While the issues may be very real (e.g. sexual harassment) it can be very difficult to define appropriate and useful measures of the impact of actions intended to promote improvement. If requirements are nevertheless defined, it is likely that they may provide a misleading picture of the actual impact.
- It can lead to a culture of 'box-ticking', i.e. going through the motions of managing something without any real attention being paid to it, a point well articulated by Karapetrovic (1999).
- Certification creates significant additional costs.

During the development of ISO 26000, the stakeholders against certification were primarily Industry and Labour. Industry typically opposed certification on grounds of cost and due to the creation of a compliance-based, rather than values-based, culture. Labour was opposed to it particularly on grounds of the difficulty of measurement and because of the temptation to exclude stakeholder involvement, especially of workers, in addressing the issues.

More widely for those with a labour perspective, the guarantee of real social performance should not be reduced to a technical exercise conducted according to the commercial interests of otherwise uninvolved consultancies. As Jan Furstenberg has eloquently put it: 'The best verification of compliance is a constructive social dialogue and a collective agreement with a bona fide trade union' (Furstenberg, 2011). For the labour movement in particular, ISO moving into

the area of social performance could represent a strategic threat, removing authority from the international labour movement.

During the development of ISO 26000, some were against the development of a certifiable standard because they thought it would simply create a market for consultants seeking to profit from a new area of work. Interestingly, this appears to have happened to some extent anyway, even though the standard expressly prohibits it. For example, the CWK-SCS Division der Coop Genossenschaft was certified against ISO 26000 by Swiss TS, and Air France Industries claims it was certified by Bureau Veritas against a number of standards, including ISO 26000 (Guertler, 2011b). More recently, it appears that certification bodies are offering to 'attest' to the use of the standard – although the precise meaning of the word is unclear. For example, RINA, the Italian-based assessment body, offers an 'assessment service' for ISO 26000 (RINA, 2011). By the end of 2011, 13 cases of certification had been documented.

The extended development period of ISO 26000 seems to have catalysed the development of similar standards, especially certifiable equivalents. The pressure for an international certifiable standard is growing. As UNCTAD has pointed out:

*Governments can support the development of national certifiable management system standards (MSSs). This approach provides enterprises with a certifiable standard to distinguish themselves in the area of CSR. Recent years have seen the creation of a number of national CSR MSSs, including standards in Brazil and Mexico in 2004, Portugal in 2008, Spain in 2009, and the*

*Netherlands and Denmark in 2010. In some cases these national MSSs are based on or aligned with ISO standards. As national CSR MSSs proliferate, there may be increased interest in an international CSR MSS.*

(UNCTAD, 2011: 117)

It is not clear that certifiability will always leave the underlying intent of the standard unchanged. For example, an Austrian national version of ISO 26000 is planned that will include reference to issues for which particular actions are only recommended in ISO 26000, but which are mandated under Austrian law. Moreover, creating a certifiable version of the standard could lead to a focus on behaviours that can easily be verified, rather than those which may have the greatest positive impacts. Similarly, 'adjusting' ISO 26000 for local circumstances may mean proposing weaker guidance that is less effective in achieving sustainable development outcomes.

Ultimately, the issue is whether certifiability positively affects how effective a standard can be. Here the evidence is inconclusive (see, for example, the work of John Hassell (2005)). The question of certifiability is likely to become prominent again when the options for revision of ISO 26000 are discussed.

By the end of 2011,  
13 cases of ISO 26000  
'certification' had been  
documented

# TWO

# THE POTENTIAL IMPACT OF ISO 26000 ON SUSTAINABLE DEVELOPMENT

## 2.1 HOW MUCH DIFFERENCE CAN A STANDARD MAKE?

Sustainable development is under active discussion throughout the world, and ISO 26000 is just one of numerous initiatives addressing it. Under these circumstances, it is difficult to be definitive as to the specific contribution of ISO 26000, but it is possible to distinguish the ways in which the standard's influence will be felt.

In general, standards can have two kinds of impact: hard and soft. Both are important and the sections that follow address both hard and soft impacts. Hard impacts are those that can be quantified or measured and are appealing because they seem to provide 'proof' that the standard 'works'. It is more straightforward to link hard impacts to performance standards and to those which are certifiable, since they are designed to generate measurable impacts. Unfortunately, the record of standards in terms of hard impacts is poor for both performance standards and management standards. For example, King and Lenox (2000) have studied the effects generated by the self-regulating programme 'Responsible Care' adopted by US chemical companies, and showed that the programme failed to generate better environmental performance for companies adhering to it. Various studies of the management system standard ISO 14001 have shown that positive effects are difficult to identify (King *et al.*, 2005).

The soft impacts of standards are those that affect culture and attitudes, which in turn will have an influence on behaviour (and hence hard impacts) in the longer term. Soft impacts typically occur when learning takes place, which can include learning during the development of a standard or when an organisation first explores a standard and

tries to understand its potential. For example, the process of exploring the potential benefits that contribute to the business case for using a standard can be of much greater significance, in terms of individual and organisational learning about sustainable development, than the uncritical use of the standard that may ensue. Yet, of course, these soft effects are far harder to assess than hard impacts such as pollution records, and attribution is very hard to prove.

It has been argued (de Colle *et al.*, 2012) that, while standards initially focus attention on performance and can improve it, due to the reliance placed on a standard over time that attention is relaxed and performance declines and may even reverse. This can present a dilemma for standards makers. As it is a guidance standard and not certifiable, ISO 26000 could be seen to have been built with soft impacts in mind; this was indeed argued during its development. Moreover, ISO 26000 is at an early stage of its lifecycle, which means that hard impacts are even harder to track. For both these reasons, the overall assessment of the standard should emphasise the soft aspects of its impact on culture and values – both within businesses and beyond – in the global public debate on organisational responsibility. One proxy for the extent to which such soft impacts are occurring is the rate at which the standard is being adopted.

## 2.2 THE ADOPTION OF ISO 26000

One indicator of the 'efficiency' of ISO 26000 is the scale and rate of its adoption, and the assessment of benefits against costs. Further important considerations are the regions and sectors of greatest adoption. Unfortunately, the measurement of the adoption of ISO 26000 is hard because it is not a certifiable standard. There is therefore no 'built-in' mechanism for recognising

adoption through certification, as there is for ISO 14001, for example.

It is also not appropriate to accept uncritically an organisation's own claim to have adopted the standard. This is not only because there is clearly a great temptation to make favourable but unfounded claims, but also because, even if all claims were well founded, the meaning of 'adoption' will vary between organisations. At one extreme, it would be possible to claim to have adopted the standard through merely having read it. At the other, an organisation may have put in place serious stakeholder engagement processes and due diligence procedures across all its operations for all the issues identified within ISO 26000, and as a result of stakeholder engagement.

One simple proxy for the rate of the standard's adoption is the rate at which it is sold. However, complete figures for sales of ISO 26000 are hard to come by. This is partly because sales of the standard can be made by all ISO member bodies, of which there are 162, as well as by ISO itself. In addition, member bodies are free to adopt variations of the standard, which will not be reflected in sales of the standard.

Bearing this in mind it is still interesting that in September 2011, ISO 26000 was listed as the top-selling standard by ISO (ISO, 2011b). In addition, ISO member bodies had sold approximately 6000 copies of the standard. That figure excludes both the contributions of those countries that distributed the standard free of charge, and also access to the standard through membership subscriptions of national standards bodies. (Organisations can access an unlimited range of standards, including ISO 26000, through their subscription.)

Moreover, ISO's sales records show that almost a year after its publication, ISO 26000 was selling better than ISO 14001 (environmental management) and was third after ISO 9001 (quality management) and ISO 31000 (risk management). To put those figures in context, it is worth pointing out that ISO 9001 was first published in 1987 and is currently the most-implemented ISO standard: in 2004 there were some 6.7 million adoptions of it (Castka and Balzarova, 2008a). ISO 14001 was originally published in 1997 and by 2007 there were over 100,000 adoptions of it (Schwartz and Tilling, 2009). ISO itself currently claims that over one million organisations have implemented ISO 9001, and 200,000 have implemented ISO 14001 (ISO, 2011c).

Despite a promising start, it is of course an open question as to whether ISO 26000 will follow the same kind of trajectory as ISO 9001 and ISO 14001. Also, as Castka and Balzarova (2008a) have pointed out, the fact that ISO 26000 is not a management system standard will reduce the tendency for those organisations that have already adopted the more established management systems to include the new standard in their portfolio. This is because ISO management systems overall have a similar structure, so the addition of new material to be managed systematically should be facilitated by appropriate pre-existing management structures and procedures. Nevertheless, the current awareness of ISO 26000 is a positive indicator for its adoption: in September 2011, Google searches on the names of the ISO standards returned 133 million results for ISO 9001, 26 million for ISO 14001 and 1 million for ISO 26000.

From neither the interviews conducted for this study nor other sources is it yet clear which particular industry sectors are leading the demand for the standard. It is possible that primary industries, including mining and agriculture, will adopt it early, if only because their adverse impacts are perhaps both most significant and most obvious to the public. There has also been no systematic survey to date of the adoption of the standard by geographic region. However, there is anecdotal evidence from the distribution of the standard that there is particular interest in Latin America. Also, supply-chain pressures across Asia may drive adoption within that region, as discussed in the following section.

### 2.3 DRIVERS AND BARRIERS TO THE ADOPTION OF ISO 26000

For most organisations, delivering social responsibility is hard to do, unless perhaps it is built into their missions, as it is with many NGOs. For that reason, the factors that increase or decrease the likelihood of adopting ISO 26000 will be crucial to the actual rate of adoption achieved and therefore the overall effectiveness of the standard. This section addresses the drivers and barriers that seem likely to affect the rate of adoption of ISO 26000.

#### Drivers

ISO and some of the National Standards Bodies have promoted the standard, typically holding launch events for example. Some industry associations have also promoted the standard through integrating it with CSR awards or a national strategy for CSR. Examples of these various strategies can be found in St Lucia (St Lucia, 2010), Nigeria (SERA, 2011) and Malaysia (Nadarajan, 2010). Universities and consultancies are also promoting the standard through courses and associated advertising. ISO 26000 features

in any current survey of corporate responsibility codes; see for example, Leipziger (2010). Finally, many of the members of the Working Group that developed ISO 26000 have since its launch been actively involved in promoting the standard in many parts of the world.

The interviews for this research identified one case in which ISO 26000 was used to design a procurement standard. The Swedish local government procurement standard, launched in 2007, was influenced by the developing drafts of ISO 26000 through individuals involved in both processes. However, ISO 26000 is not explicitly mentioned in the Swedish standard.

For many organisations, the business case will be the most obvious driver for the adoption of ISO 26000. The standard can be viewed as a specification of an organisation's 'licence to operate', as it sets out in considerable detail what society requires of an organisation for it to be generally regarded as legitimate. This has not been done so thoroughly before. Many clauses also detail expected behaviours that if followed will increase stakeholder trust. In turn, this is likely to lead to reduced transaction costs for the organisation (for example in recruiting staff) and so to a positive business case.

Yet ISO 26000 is unusual in that it does little itself to emphasise the business case for its own use (ISO, 2010c: 20). Furthermore, although it is sometimes assumed otherwise, there is no such thing as a general-purpose business case that will suffice to persuade an organisation to behave in a socially responsible way. If a business case is required, each organisation will need to construct its own from the raw material that the standard provides. For most organisations, this will result in the identification of 'soft' benefits, such as risk reduction or reputation gain, that cannot be definitively quantified. However, reliance on a



business case also carries the risk that, if significant costs or other disbenefits are identified, the business case will support *not* adopting the standard.

Nevertheless, it is likely that some benefits, particularly reputational gain, will accrue to the majority of organisations from behaving responsibly. Those that adopt ISO 26000 may expect to benefit from this. Further, ISO 26000 represents an emerging global consensus of the standards expected of organisations, including companies, by society. Organisations may be driven to abide by the standard to avoid losing reputation.

### Barriers

ISO 26000 is designed to be useful to all organisations of all sizes, including small and medium-sized enterprises (SMEs). However, NORMAPME (a European-Commission-supported NGO working for smaller organisations) among others, has argued that the standard is not equally accessible to all organisations and to smaller organisations in particular (Gourtsoyannis, 2010). The length of the standard, which is nearly 120 pages, and its complexity, are seen as key barriers to its use by smaller organisations, including those in developing countries, who will not have the capacity to invest in this way.

Despite, or perhaps because of, its concerns about the accessibility of the standard for smaller organisations, NORMAPME has produced a guide to ISO 26000 for SMEs (NORMAPME, 2011), which summarises the key elements of the

standard in accessible language. Other guides to the standard designed for small businesses have also been published, such as one from ECOLOGIA, a US-based NGO that works in China, which emphasizes the business benefits to an SME of using the standard (ECOLOGIA, 2011). Partly in response to broader concerns about the length and complexity of the standard for all organisations, the Dutch national standards body, NEN, intends to provide an online set of Q&As on the standard.<sup>7</sup>

It was also suggested during the interviews that one of the principal barriers to ISO 26000's adoption will be its sale price. ISO itself and individual National Standards Bodies are free to adopt their own pricing schemes. In most countries,<sup>8</sup> ISO 26000 is sold for around £100 (approximately US\$160). The price may be a significant factor affecting the decision by smaller organisations, and those in the developing world, to purchase the standard.

Another barrier is likely to be the non-certifiable status of the standard. It has been repeatedly suggested that organisations, especially businesses, like to have some 'proof' that they have adopted a standard. This is a crucial part of the business case for using ISO 26000 as it enables early adopters, at least, to demonstrate competitive differentiation. Since it is non-certifiable, ISO 26000 does not have any built-in mechanism for providing such evidence. This will reduce the justification for management to invest time in understanding the standard. On the other hand, the non-certifiable nature of ISO 26000 means that, provided there is sufficient initial

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7. There is also a trade-off between complexity and price, since the very complexity of the standard becomes an opportunity for consultants working in the area of social responsibility, but at a cost to the organisations they are trying to help.

8. Across Brazil and Uruguay, several thousand copies of the standard have been distributed free of charge.

interest, organisations may actually work with the standard and, more importantly, social responsibility issues themselves in a deeper and more permanent way.

The standard was also designed *not* to be suitable for contractual purposes, so as not to be susceptible to forming barriers to trade. Its non-certifiability is part of that design. This means that, although there may be a general influence on procurement standards and possibly also on procurement contracts, the active propagation of ISO 26000 through supply chains may be limited. This is a contrast with ISO 9001 and ISO 14001, for which explicit provisions are made for suppliers to make contractual use of these standards.

Finally, while ISO 26000 is currently available in 17 languages,<sup>9</sup> and other translations including Chinese are planned, it is clearly not available in many languages. There is also a clear bias towards European languages. Furthermore, ISO tightly controls the copyright of official versions; this has inhibited some organisations from distributing it as they might otherwise have done.

### Predicting uptake of ISO 26000

Based on the drivers and barriers identified above, the pattern of uptake for ISO 26000 is most likely to be led by countries in which there is a general national commitment to promoting the standard. In particular countries in which the government gives its explicit backing to ISO 26000, such as Argentina (where it is being used by the government) and China, there may be significant adoption rates. For individual companies, the business case will be critical. ISO 26000 will be of great interest to those new to social

responsibility and those for whom there is some customer or other stakeholder pressure (Castka and Balzarova, 2008b).

The outcome in developing countries is uncertain. The standard is perhaps more likely to be seen as a barrier to exports and trade, as it demands higher performance than companies might easily be able to deliver. Indian government representatives argued from this position during the final stages of the development of the standard. Nevertheless, the enthusiasm for the standard in Latin America and some other developing countries means that it could still be seen as an opportunity to increase exports for some individual companies. It is also interesting to note that the German government is reported to be keen on the use of ISO 26000 in connection with sustainable development projects, as the standard is seen as legitimate for use in the South as a result of its inclusive development process.

## 2.4 INFLUENCE ON GOVERNMENTS, STANDARDS BODIES AND INDUSTRY ASSOCIATIONS

The effectiveness of ISO 26000 will be determined partly through its influence on other bodies concerned with the promotion, standardisation or development of CSR, both nationally and internationally. ISO 26000 has undoubtedly had an influence on national, regional and global bodies concerned with sustainable development. One of the most notable influences is probably the revision of its definition of CSR by the European Commission (EC). Until 2011, the EC definition asserted that CSR did not include activities to ensure compliance with the law and regulations, thus restricting CSR to purely

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9. The languages are English, French, German, Spanish, Portuguese, Dutch, Czech, Italian, Serbian, Slovak, Thai, Russian, Swedish, Norwegian, Danish, Finnish and Romanian (Soderberg, 2011).



voluntary activities. Of course, in many parts of the world, the content of the law is not the major problem, but a lack of compliance with it is. So, to restrict CSR to voluntary activities was unhelpful and contentious.

In the 2011 strategy for CSR published by the European Commission, CSR is defined simply as 'the responsibility of enterprises for their impacts on society' (EC, 2011: 6). This definition with its subsequent elaboration appears to echo that of ISO 26000 closely. Indeed the whole document bears the fingerprints of ISO 26000 not only in its definition of CSR, but also in its analysis and identification of CSR issues, stakeholder categories and many other areas (EC, 2011). The EC also directly promotes the standard, stating:

*The Commission invites... [all] large European enterprises to make a commitment by 2014 to take account of at least one of the following sets of principles and guidelines when developing their approach to CSR: the UN Global Compact, the OECD Guidelines for Multinational Enterprises, or the ISO 26000 Guidance Standard on Social Responsibility.*

(EC, 2011: 13)

In Japan, the Kaidanren industry association has incorporated ISO 26000 into its charter for businesses (Kaidanren, 2010). The foreword to the charter notes: 'In recent years, the idea that all organizations should realize and discharge their social responsibility for sustainable development of society, a concept demonstrated by ISO 26000... has spread around the world' (Kaidanren, 2010). Furthermore, the association's definition of responsibility and its treatment of issues such as human rights explicitly reference ISO 26000.

In Chile, the government is reported to have been exploring the use of ISO 26000 as a criterion for providing subsidies to business (Pesce, 2011). In Indonesia, the law on corporate responsibilities has been influenced by ISO 26000 (Nugroho *et al.*, undated). In the Netherlands, a parliamentary motion moved in 2010 requested: 'the government to make it mandatory for both existing and new PPPs [public private partnerships] to apply the revised OECD Guidelines and that the application of ISO 26000 with a self-application about this ... is the most appropriate means for it' (Overheid, 2011). The Minister of Development Co-Operation accepted that request but it is too early to say how effectively it is being enforced.

As noted above, standards similar to or based on ISO 26000 have been and are still being developed. This may have been due to the protracted length of the ISO 26000 development process, which meant that much of the outline of the standard was available as a model for similar standards, before ISO 26000 was officially completed. These standards may have been developed partly also because, despite the demand for certification, ISO 26000 is not certifiable nor is it a management system standard. Some standards have been developed to ensure that there are standards available that more closely reflect local conditions and contexts. There are currently 11 countries with some kind of national sustainable development standard which appear to be based on ISO 26000. In 2012 China will not only have published its translation of ISO 26000, but will begin development of a family of social responsibility standards (Wang, 2011) that may be expected to show considerable influence of ISO 26000.

At the inter-governmental level, ISO 26000 is showing itself to be influential in the formulation of positions of the NGO movement in preparation for the Rio+20 Conference. This is evident in, for example, the Bonn Declaration and the proposals of the Stakeholder Forum (Osborn and Dodds, 2011; UN, 2011).

### **The impact of ISO 26000 on ISO**

One of the important ways in which ISO 26000 can affect sustainable development is through its impact on ISO itself. Will ISO become better at contributing positively to sustainable development issues? This could be as a result of both the scope of new standards and particularly the process through which they are developed. If ISO 26000 shifts the work of ISO, making it more likely to develop standards with positive sustainable development outcomes, then given ISO's reach and influence in the world of standards and the number of standards it develops, such a change would be significant.

As noted above, ISO 26000 was developed in a way that was almost without precedent within ISO. While it is true that the development process for ISO 14001 (the ISO standard for environmental management systems) was also intended to make use of different stakeholder groups in its development, in practice this was not rigorously enforced. More broadly, ISO's website (ISO, 2011e) has acknowledged since 2007 that

the following stakeholders are likely to be involved in any standards development:

- industry and trade associations
- consumers and consumer associations
- governments and regulators
- societal and other interests.

It is important to note, however, that this claim has not been monitored.

Following the publication of ISO 26000, ISO initiated a review of its standard development processes. One of the results of this has been advice issued to National Standards Bodies that wide stakeholder input to standards should be systematically pursued from the outset of the development process (ISO, 2010b). Similar guidance was issued to liaison organisations, which are international organisations that also contribute to standards development for ISO (ISO, 2010a).

However, the stakeholder analysis that ISO is using seems uneven and may mean – depending on the practical interpretation of ‘societal and other interests’ – that smaller, more vulnerable stakeholders, such as small producers or local communities, are in practice excluded. This is an important point, given that there is generally no financial support for involvement in an ISO standard-development process; it is expected that all parties will fund their own involvement. This is likely to exclude smaller organisations, NGOs, and many organisations from developing countries.

Perhaps as a result of ISO’s new awareness of sustainability and sustainable development, ISO has also initiated the development of a guide for standards writers that addresses how sustainability should be taken into account in the

development and review of all ISO standards, not just those directly addressing sustainability-related issues. This has the potential to affect all ISO’s standards in due course. ISO 26000 has been an important influence on the development of the guide, judging by drafts produced to date (ISO, 2011a).

## 2.5 IMPACT THROUGH ORGANISATIONS USING THE STANDARD

In terms of effectiveness, one of the most important questions for ISO 26000 is the level of additional positive impact from individual organisations using it. In this respect, the key question is not only how an organisation uses the standard, but also the degree to which the organisation’s overall governance is affected by it. This section tackles this question in three ways:

1. through an analysis of the concept of organisational governance
2. looking specifically at how the standard itself talks about organisational governance, and thus its potential impact on sustainable development
3. assessing how organisations appear to be using ISO 26000, and whether there are yet any obvious changes in their behaviour.

### Organisational governance

Organisational governance drives company behaviour. It therefore critically affects the level of impact on sustainable development that ISO 26000 can have. This section describes how the term ‘organisational governance’ is typically used. It also proposes a wider interpretation, more appropriate for governance in the context of social responsibility and sustainable development.

# ISO's stakeholder analysis may mean that smaller stakeholders are excluded

The term 'organisational governance' came into widespread use only recently. Its predecessor, 'corporate governance' was not widely used before the mid-1990s. In the wake of various high-profile business collapses, Sir Adrian Cadbury produced a report in 1992 which defined corporate governance in these terms:

*Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting.*

(Cadbury, 1992: s2.5)

This approach has been reinforced through the OECD's influential contribution (OECD, 2004) to the topic. The main elements of this traditional approach to governance are:

- an exclusive orientation to shareholder interests and the balance of power between shareholders and management
- a focus on formal management mechanisms, including those enshrined in law.

Since the mid-1990s, considerable attention has focused on corporate governance, and additional measures to support good corporate governance have been built into listing requirements and company law in a number of jurisdictions. However, 'good corporate governance' does not

seem very well correlated with low business failure or the absence of scandals. Part of the reason is likely to be the narrow focus of concern on financial interests alone.

In parallel, wider notions of governance have been developed (Mason and O'Mahony, 2008), but not widely adopted. For example, Turnbull (1997) has focused on stakeholder governance and the benefits it can bring to organisations of all kinds. Since there is very little regulatory support for the inclusion of stakeholders other than shareholders, wider stakeholder approaches tend not to emphasise formal procedural elements. This is understandable, but limits the likely influence of such wider stakeholder governance. Yet it is entirely possible to develop formal mechanisms that support broad stakeholder participation. Indeed such support is built into the formal governance of most non-profit organisations. As Turnbull (2002) has noted, such wider organisational governance has been important for some very successful organisations. Wider organisational governance is likely to lead to wider overall accountability (Bovens, 2006).

One important counter-argument from those who resist any widening of the idea of governance from corporate governance is that not only does the law require a company to satisfy shareholder interests, it also in practice prohibits attention being given to anything other than profit. However, this view has been challenged. The opinion of the law firm Freshfields, having reviewed the legal situation in the USA, Europe and Japan, is that 'integrating ESG [environmental, social and governance] considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions' (UNEPFI, 2005: 13). In this light, it is interesting to note that the British Standards

Institution in late 2011 initiated the development of BS 13500, a new standard for governance that will include reference to ESG issues.

In summary, the nature of organisational governance actually practised by an organisation affects how far stakeholder interests and sustainable development are likely to be systematically and positively addressed. If traditional concepts of organisational governance based on financial control alone are retained, then positive sustainable development outcomes are likely to be systematically reduced or at least far less predictable. The formulation of organisational governance in ISO 26000 is therefore an important issue.

#### **Organisational governance in ISO 26000**

ISO 26000 gives particular prominence to organisational governance. It is the first core subject to be described in the standard, where it forms the content of Clause 6.2. Here, it is described as 'the most crucial factor in enabling an organisation to take responsibility for the impacts of its decisions and activities and to integrate social responsibility throughout the organisation and its relationships' (ISO, 2010c: 21).

However, Clause 6.2 is also the shortest of those clauses dealing with core subjects. While it distinguishes between formal governance mechanisms and informal measures such as initiatives relating to organisational culture, it does not identify any formal mechanisms specific to social responsibility. In other words, ISO 26000 is positioned very much at the informal or 'soft' end of the spectrum of corporate governance practices.

Clause 6.2 does however identify stakeholder engagement as one of the key expectations of a responsible organisation (stakeholder engagement is also prominent in Clause 5.3 of the standard). In addition, Clause 7.3 discusses the use of due diligence to identify social, environmental and economic impacts. This is very important since not only does due diligence bring a systematic quality to the identification of impacts, but it is also a key tool for corporate governance in the traditional sense.

Clause 7.4 is entitled 'Building social responsibility into an organization's governance, systems and procedures'. Its principal concern is not so much adding additional processes, such as stakeholder engagement, to what an organization might do anyway, but to modify the existing governance structures, including formal ones, so that social responsibility issues are taken into account. Of particular note is the recommendation that due diligence be applied not only to human rights impacts, but also to all core subjects, including environmental impacts, labour practices and issues such as corruption and lobbying.

In general, ISO 26000 adopts an informal stakeholder-governance stance: while a far wider set of stakeholders than merely shareholders is acknowledged, no additional formal procedures are advocated. A typical perspective is that of Neureiter (2011), in which the appeal to organisational self-interest provides the main motivation for social responsibility. This means that the practical use of the standard is determined from the convenience to an organisation, rather than from the needs of its stakeholders. Indeed, the standard emphasises that integrating social responsibility should not be attempted for all core subjects at the same time, although all core subjects should be considered.

Overall, ISO 26000 may be expected to increase the amount of attention to sustainable development issues from companies and other organisations. If the recommendations for systematic due diligence are actually widely adopted, the standard has the potential to make a very significant contribution to sustainable development.

### The use of ISO 26000

Although there are no systematic studies of how organisations have been using ISO 26000, there is considerable anecdotal evidence. It would appear that companies in Asia are being most active in actually using ISO 26000 for their CSR.

For example, In Japan, NEC has made use of ISO 26000 in designing its 'Stakeholder Review' – a method of stakeholder dialogue (NEC, 2011). A key feature of the dialogue was the use of the ISO 26000 core subjects as the basis for discussions, and NEC plans to continue this approach in future. In India, NCR Consultants (NCRCL) has applied ISO 26000 to itself, stating that it has implemented 'management by values' which 'includes all recommendations of ISO 26000 for: Effective Governance, Leadership and Due Diligence' (NCRCL, 2011). NCRCL also offers ISO-26000-based consulting services for companies.

Other consultancies have reviewed the relevance of the core subjects and issues within ISO 26000. Examples are provided by Guido Guertler for two small organisations in the healthcare sector (Guertler, 2011a). These examples show the difficulty, in the absence of certification, of judging what 'implementation' actually means. Yet, as noted above, there are a number of examples of consultancies providing certification against ISO 26000, despite the express prohibition of this in the standard itself. It might be thought that such certifications provide a more reliable indication of the use of the standard, particularly since some of the certifying organisations are experienced auditors. However, ISO 26000 does not only prohibit certification, it also provides no support for it. Whereas a certification against ISO 14001 has a well-defined meaning, this is not the case for ISO 26000.

It is most likely that a considerable number of companies are assessing ISO 26000 and comparing and reviewing their current CSR policies and activities against the core subjects and the various recommendations within ISO 26000 (see, for example, Anca, 2011). But, in many cases, whether or not there are any resulting differences in policy or behaviour, attribution to ISO 26000 may not be proven. For example, Toshiba's CSR report is clearly structured in terms of the ISO 26000 core subjects (Toshiba, 2011); however, the standard is not explicitly referenced at all.

On the other hand, many companies will be happy to proclaim their use of the standard. Two typical examples of this approach are provided by the Japanese chemical engineering company Showa Denko (Showa Denko, 2011). Its report says that the standard was used to 'ensure compliance with guidelines for social responsibility (ISO 26000)' (Showa Denko, 2011: 8) and that the company's code of conduct would be revised in the light of ISO 26000.

It is not yet clear in which core subject areas the greatest impact of ISO 26000 may lay. Although it does not cover all aspects of sustainable development, ISO 26000 covers virtually all the areas in which companies can directly affect sustainable development. However, it is unlikely that its guidance in environmental areas, the equivalent of which are already well covered by established standards and initiatives, will have a significant additional influence. Although it is impossible to be definitive, perhaps the key areas in which ISO 26000 could have most influence, were it keenly adopted, are those in which it can be used as practical guidance to support emerging compliance with other initiatives, such as in community development and human and labour rights (particularly in the supply chain). ISO 26000 also covers issues such as consideration of an organisation's sphere of influence and corruption, where much less alternative guidance exists. In these areas also, ISO 26000 has the potential to make an important contribution to sustainable development.



# CONCLUSION

This report has been produced at an early stage in the lifecycle of ISO 26000. While it is therefore impossible to be definitive about the ultimate impact of the standard on sustainable development, it is apparent that because of the mainstream legitimacy and widespread authority of ISO, the potential is considerable. Indeed the standard's impact on the sustainable development debate and the global acceptance of human rights and labour issues as part of sustainability is already apparent.

ISO 26000 was developed through an inclusive and transparent process, which explicitly acknowledged the needs of a broad range of stakeholders, of sustainable development and of the South. In terms of equity, while significant attention was paid to stakeholder balance and that between developed and developing countries during development, there were real barriers to the practical inclusion of smaller organisations from the South.

The accessibility of the standard, particularly to smaller organisations and to those in developing countries, is limited. The key limiting factors are its price, its length and the technical detail with which the sustainable development issues are identified. The tension between length and detail and the need for a full listing of sustainable development issues is largely unavoidable; the balance that ISO 26000 has struck in favour of a more complete description of sustainable development issues is probably helpful.

The effectiveness of ISO 26000, evidenced through the initial scale and speed of its adoption and influence, is difficult to assess. On one hand, it has been, and will probably continue to be, influential on major international organisations such as the EC and UNCTAD, and also on ISO itself and the numerous standards that ISO develops. On the other hand, its adoption by the organisations for which it was actually intended, including companies, is very hard to gauge. This is partly because the standard is for guidance only and is not certifiable. Without certification there is no independent means to assess adoption. Moreover, companies might claim to be influenced by ISO 26000, having done little more than read it.

Yet there is a real potential for ISO 26000 to make a positive contribution to sustainable development. ISO 26000 does cover the majority of direct sustainable development issues, such as environment impacts and human rights. Indeed, the standard has a broader scope than most sustainable development standards, although it does not provide recommendations for the development of policy for sustainable development by governments. The standard deliberately, and probably rightly, does not allow itself to trespass on the democratic sovereignty of the nation state.

# A key contribution of ISO 26000 is to legitimise a wider conception of the responsibility of organisations

One key contribution of ISO 26000 is to legitimise the discussion and acceptance of a wider conception of the responsibility of organisations – particularly for companies. ISO 26000 has also sketched out a broad conception of organisational governance that includes attention to sustainable development and to the interests of stakeholders other than those with a financial interest, such as shareholders. While the standard does not go so far as to suggest formal mechanisms for sustainable development governance, it does recommend such crucial approaches to management as due diligence for human rights.

In the end, the judgement of ISO 26000 will depend on the extent to which its clauses and provisions translate into positive social, environmental and economic impacts. It is too early to make that judgement. Although there are increasing reports of companies and other organisations using the standard, with interest from Latin America and Asia particularly in evidence, 'using the standard' is not the same thing as having positive sustainable development impacts. No large-scale, systematic study has yet been undertaken. Such research will be an important, if challenging, area for future study.

There is an inherent conflict in using standards to try to effect change in an area as complex as sustainable development. All standards tend to be inappropriately prescriptive. As Linneberg (2011) has pointed out, the principal virtue of standards, from the point of view of companies adopting them, is that they provide a pre-agreed terminology and perspective with which to frame and address issues. ISO 26000 has provided exactly that for organisations wishing to address sustainable development in a coherent and complete way. That is an important achievement. The process of assimilating that frame of reference is where ISO 26000 may have its greatest impact. As a direct result of fixing an agreed frame of reference, however, standards may not always enable the specific needs of a particular situation to be addressed appropriately. While ISO 26000 may serve adequately to introduce companies to sustainable development, there will always remain a need to challenge the specific behaviour of individual companies in practice.

## APPENDIX A: ANALYSIS OF THE SCOPE OF ISO 26000

This appendix assesses the scope of ISO 26000 against that of sustainability and sustainable development. Table 1 lists the core subjects and maps them against the three main dimensions of sustainability. It shows that all the dimensions of sustainability are covered to some degree by ISO 26000.

Table 2 was produced by assessing each of the areas of sustainable development to which IIED devotes resources against the content of ISO 26000. This analysis is not meant to suggest that the scope of ISO 26000 would be complete

if it addressed all IIED issues. The idea is rather to identify issues that ISO 26000 does not address.

As the table shows, there is some level of coverage of 15 out of the 22 areas that IIED addresses, but there are indeed some missing issues. The majority of the areas not represented in the standard on this analysis are those that relate to systemic policy issues that may be addressed by governments but are not generally within the remit of individual organisations, other than those whose mission is explicitly concerned with sustainable development.

TABLE 1: ISO 26000 AND SUSTAINABILITY

ISO 26000 CORE SUBJECT	DIMENSION OF SUSTAINABILITY	COMMENT
Organisational governance	Social Economic	See Section 2.5 in main report for an analysis of the treatment of organisational governance
Human rights	Social	Based on key human rights conventions
Labour practices	Social Economic Environmental	Based on key ILO conventions
The environment	Environmental	
Fair operating practices	Economic	Includes issues such as corruption, lobbying, completion and promotion of social responsibility
Consumer issues	Social Economic Environmental	
Community involvement and development	Social Economic Environmental	



TABLE 2: ISO 26000 AND IIED AREAS OF CONCERN

IIED AREA OF CONCERN	COVERAGE BY ISO 26000	COMMENT
<b>Climate change</b>		
Cities	✓	Limited coverage
Communities	✓	
Drylands	✗	
Economics	✗	Does address aspects of the economic behaviour of organisations Does not address the failings in traditional economics
Evaluating adaptation	✓	
Negotiation capacity	✗	
<b>Governance</b>		
Environmental law	✗	Does call for existing law and conventions to be observed
Gender	✓	
Strategic planning	✓	Covered at the organisational level
<b>Human settlements</b>		
Urban environment	✓	Limited coverage
Urban poverty	✗	
Rural–urban linkages	✗	
<b>Natural resources</b>		
Biodiversity & conservation	✓	
Empowerment & land rights	✓	
Food & agriculture	✓	Limited coverage
Forestry	✓	Limited coverage
Water & ecosystems	✓	
<b>Sustainable markets</b>		
Business & sustainable development	✓	
Environmental economics	✓	Limited coverage
Market governance	✓	
Direct investment	✗	
Energy	✓	

## APPENDIX B: INTERVIEWS

The following people were interviewed in the course of preparing this paper:

- Sophie Clivio, ISO, Geneva
- Paul Hohnen, Sustainability Strategies, the Netherlands
- Dwight Justice, ICFTU, Belgium
- Lucy Yates, Consumer Focus, UK
- Miles Watkins, Aggregate Industries, UK
- Halina Ward, Foundation for Democracy and Sustainable Development, UK
- Hubert van Breemen, Confederation of Netherlands Industry and Employers VNO-NCW SME Netherlands, the Netherlands
- Anna Linusson, previously Stockholm County Council, Sweden

Interviews were guided by the following questions:

- How influential do you think ISO 26000 is or could be?
- What is the level of uptake?
- Where is level of influence greatest:
  - Geographic region?
  - Industry sector?
  - Type of organisation?
  - What area of impact (eg core subject) is most likely?
- What are the barriers to impact?
- Will there be any negative impacts?
- What will be the consequences of ISO 26000's non-MSS status?
- What will be the consequences of ISO 26000's non-certifiability?

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# STANDARDS FOR CHANGE?

## ISO 26000 AND SUSTAINABLE DEVELOPMENT

In 2010, the International Organization for Standardization published ISO 26000: a standard to guide organisations in implementing social responsibility and contributing to sustainable development. ISO is a widely respected authority on standards worldwide, so their venture into this field was significant. But how much of a contribution can ISO 26000 make to sustainable development? This report looks at what has happened so far and what the potential could be.

The paper argues that unlike some of the best-known ISO standards on other subjects, ISO 26000 does not address how to manage sustainable development issues in a systematic way. And it does not provide for independent certification of its application. This limits its appeal to many companies and makes it difficult to measure accurately its rate of adoption and

impact. However, the worldwide reach of ISO and its members – the 162 National Standards Bodies – together with the commitment of key governments, including the Chinese, is likely to ensure that the standard is actively promoted.

While it is too early to measure its specific impacts, one key contribution of ISO 26000 has been to legitimise a broader definition of organisational responsibility – particularly for companies. The standard broadens the concept of organisational governance to include sustainable development and the interests of *stakeholders*, not just *shareholders*. This is important, because stakeholder empowerment is a central component of social sustainability and social justice. ISO 26000 is a standard that will have worldwide significance, and its impact should be carefully monitored.



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