Master of Project Management (MPM)

Are excellent companies in Iceland socially responsible?

Maí, 2019

Nafn nemanda: Ása Björk Jónsdóttir
Kennitala: 251283 – 2579
Leiðbeinandi: Agnes Hólm Gunnarsdóttir
9 ECTS ritgerð til meistaraprófs (MPM)
ARE EXCELLENT COMPANIES IN ICELAND SOCIALY RESPONSIBLE?

Ása Björk Jónsdóttir

Paper presented as part of requirements for the degree of Master of Project Management (MPM) Reykjavik University - May 2019

ABSTRACT

Excellence is something we all strive for and awards for excellence are celebrated. For companies in Iceland, two awards claim to measure excellence, the Outstanding companies award (ice. Framúrskarandi fyrirtæki) and the Exemplary company award (ice. Fyrirmýndarfyrirtæki). Although the titles of the awards may sound comprehensive, each award only measures a part of a company’s operations.

In this paper four international business excellence models are examined in order to try and determine how a company’s excellence can be measured. The models all have a common theme and agree on the fact that a company cannot be truly excellent without being socially responsible. With interest in social responsibility on the rise it is becoming even more important for a company to have a defined social responsibility strategy. When the recipients of the above-mentioned awards are asked, it turns out that being excellent in regard to your employees and your owners does not equal being excellent in social responsibility.

1. INTRODUCTION

According to the Oxford dictionary, excellence means: “the quality of being outstanding or extremely good”. But what makes a business excellent? Quite a few models claim to measure business excellence. In this paper I will be taking a closer look at four world-known business excellence models. In the book “Afburðastjórnun” the authors investigate three excellence models and discover that they have a lot in common, e.g. they all measure success as having met or exceeded the expectations of four key stakeholder groups; the clients, the employees, the owners and the society, for at least three consecutive years (Agnes Hólmi Gunnarsdóttir & Helgi Þór Ingason, 2017).

In Iceland there exist a few awards that reward companies for performance excellence in a specific area. What do those awards mean and is a company with an award more excellent than a company without one?

One of the Icelandic awards is given by the company Credit Info and is the Outstanding companies award (ice. Framúrskarandi fyrirtæki). According to the company’s website, outstanding companies build their operations on solid ground and grow the interests of investors and shareholders. Its main purpose is to reward companies for doing good and contribute to a better business environment (Credit Info, 2018). To be an Outstanding company, nine financial figures or financially related measurements must meet a standard set by Credit Info (Credit Info, e.d.). If
we were to compare it to the business excellence models it would fit nicely into the “expectations of owners” part.

Another award is the Exemplary company award (Fyrirmyndarfyrirtæki) given by the union VR. It measures nine key factors in the work environment of the employees, management, workplace morale, salary, work conditions, flexibility, independence at work, company image, happiness and pride and lastly equality. A survey is sent out to the employees and the award is given to those fifteen companies which get the highest score in each of the three predetermined size groups (VR, e.d.). Again, if we were to compare this award to the business excellence models, it would cover the “expectations of employees” part.

But is getting either of these awards enough for an organisation to be truly excellent? An organisation which gets both awards can be said to have met and/or exceeded the expectations of two of the four key stakeholder groups. What about the other two? Corporate social responsibility (CSR) awareness is on the rise and as our society becomes even more transparent, the image of an organisation can quickly be destroyed with a few pictures or quotes on social media. There are signs that this trend will only get stronger as a CSR survey done in 2017 by Cone Inc. finds that 79% of Americans expect companies to keep improving their CSR efforts. 87% also said that they would buy a company’s product if it advocated an issue they cared about. 92% say they have a more positive image of a company when it supports a social or environmental issue, 87% are more likely to trust the company and 88% are more loyal to it. On the other hand, 88% would stop buying products from a company if they learned it was irresponsible or deceptive and 50% reported that in the past 12 months, they had done just that (Cone, 2017).

In this paper I will investigate how the companies that have got both awards meet the fourth criteria of the excellence models in effort to try and answer the question, are the “excellent” companies in Iceland socially responsible?

2. LITERATURE REVIEW

This section briefly describes four world-known business excellence models, the Baldrige Excellence Framework, the EFQM Business Excellence Model, the Canadian Framework for Business Excellence and the Shingo Model. It will highlight what they have in common and what they can tell us about measuring the excellence of an organisation. It will then briefly go into the topic of Corporate Social Responsibility (CSR) and how it can be measured.

2.1 Baldrige Excellence Framework

In 1987 the Malcolm Baldrige National Quality Award was created, with the goal of increasing the competitiveness of U.S. organisations by focusing on quality. The scope of the awards has since expanded to organisation-wide excellence (NIST, e.d.-a). The award focuses on performance and outcomes in five key areas; product and process, customer, workforce, leadership and governance, financial and market. To get the award, an organisation must meet the Criteria for Performance Excellence, which is a part of the Baldrige Excellence Framework, figure 1. (NIST, e.d.-b)
Figure 1: The Baldrige Excellence Framework

The framework focuses on seven critical areas as displayed in the blue shapes on the grey platform in figure 1. It is based on 11 beliefs and behaviours which have been found in high performing organisations, shown in the blue base of figure 1 as core values and concepts. According to the framework performance excellence is three things; improving value delivered to customers and stakeholders, overall effectiveness improved and more knowledge for organisation and employees (Paldrige Program, 2019).

2.2 EFQM Excellence Model

In 1988, to promote higher standards, leaders from fourteen companies founded European Foundation for Quality Management, now EFQM. In 1991 the EFQM Excellence model was launched and in 1992 the first EFQM Global Excellence Award was given. Since then the model has been developed and extended (EFQM, e.d.). The EFQM Excellence Model is based on nine different criteria as seen in figure 2, as well as on the Fundamental Concepts of Excellence, which are eight principles (EFQM, 2012).

Figure 2: EFQM Excellence Model

The framework is supposed to help organisations understand the relationship between what they do and what they achieve and assumes that an excellent
organisation will comply with the ten principles of the UN Global Compact (EFQM, 2012). According to the Excellence Model, “Excellent Organisations achieve and sustain outstanding levels of performance that meet or exceed the expectations of all their stakeholders” (EFQM, 2012).

2.3 Excellence Canada

National Quality Institution, now Excellence Canada, was established in 1992 by Industry Canada. The goal was to help organisations perform better and become more globally competitive by providing best practices (Excellence Canada, e.d.-a). The framework has since been expanded and a more recent development is the Excellence, Innovation and Wellness Standard. The standard is split into five drivers; leadership, processes, people, customers and planning (figure 3) and claims to ensure that “organisations achieve the best results possible across all areas” (Excellence Canada, 2017).

![Figure 3: The Drivers of Excellence](image)

The standard has a four-level staged approach to certification and organisations with a certification can apply for the Canada Award for Excellence. The definition of Excellence is “meeting and exceeding rigorous standards and requirements, demonstration of continuous improvement, measurement of progress and verification” across all five drivers (Excellence Canada, e.d.-b).

2.4 The Shingo Model

The Shingo Model was created as a part of Utah State University in 1988. The program’s goal is to recognise the best in enterprise excellence throughout the world. When using the Shingo Model, an organisation’s culture is aligned with the Shingo Guiding Principles in figure 4 (Shingo Institute, 2018).
The framework revolves around the three insights of enterprise excellence. All three insights are about how to influence culture and people's behaviour towards the Shingo Guiding Principles. The first insight is about how that ideal behaviour will get ideal results. The second insight says that behaviour is driven by purpose and systems. The third insight states that if principles are behavioural rules that have consequences, then the better people understand the principles, the better they understand ideal behaviour. “Operation excellence requires ideal behaviour that translates into consistent and ideal results” (Shingo Institute, 2018).

2.5 Intersections

If the basic ideas of each of the models are compared, a certain trend begins to appear. The main concepts can be sorted into six dimensions; Leadership, Vision and strategy, Continuous improvement, Processes, People and finally Universal success and systematic approach. According to the models, excellent management of these six dimensions will lead to excellent performance when it comes to meeting or exceeding the needs and expectations of the four key stakeholder groups, the clients, the employees, the owners and the community (Agnes Hólm Gunnarsdóttir & Helgi Pór Ingason, 2017). In table 1, the intersections of the models are shown by sorting their key concepts into the six dimensions.
Table 1: Excellence models and their intersections

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Principles of Business Excellence Models</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Baldridge</td>
</tr>
<tr>
<td>Leadership</td>
<td>Visionary leadership.</td>
</tr>
<tr>
<td></td>
<td>Ethics and transparency.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Vision and strategy</td>
<td>Organizational learning and</td>
</tr>
<tr>
<td></td>
<td>agility. Focus on success.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuous improvement</td>
<td>Managing for innovation.</td>
</tr>
<tr>
<td></td>
<td>Management by fact.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Processes</td>
<td>Customer-focused excellence.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>People</td>
<td>Valuing people</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Universal success and systematic</td>
<td>Systems perspective.</td>
</tr>
<tr>
<td>approach</td>
<td>Societal contributions.</td>
</tr>
<tr>
<td></td>
<td>Delivering value and</td>
</tr>
<tr>
<td></td>
<td>results.</td>
</tr>
</tbody>
</table>

When we compare how the models define excellence, another trend appears. The key drivers of success can be grouped into fulfilling or exceeding the needs of four key stakeholder groups; the customers, the employees, the owners and society (Agnes Hólm Gunnarsdóttir & Helgi Þór Ingason, 2017). In short, according to the business excellence models, an organisation cannot be excellent if it leaves out one of the four groups.

### 2.6 Corporate Social Responsibility

"In its purest form corporate social responsibility (CSR) is about companies taking responsibility for the impact they have on people and the environment“ (Festa, 2015-b). Socially responsible companies organise their operations in a way that will not impact society or the environment in a negative way. There are many ways for an organisation to practice CSR and here I will name a few.

The Global Compact was established in July 2000 by the UN. Its mission is to "mobilize a global movement of sustainable companies and stakeholders to create the world we want“ (United Nations, e.d-a). The compact is based on ten principles, which cover human rights, labour, environment and anti-corruption (United Nations, e.d-b).

In 2015, 17 highly ambitious goals were set in order to make the world a better place by 2030 - The Global Goals of the UN, referenced to in short as SDG for sustainable development goals. The agreement involves sustainable developments on social, economic and environmental scales (The Global Goals, e.d.).
An organization called the International Organization for Standardization (ISO) brings experts together in order to share knowledge and develop standards with the aim to ensure quality, safety and efficiency. It is an independent, non-government international organization (ISO, e.d.-a). One of those standards is ISO 26000: Guidance on social responsibility. It helps organisations be more socially responsible. It helps organisations to create effective actions and shares best practices (ISO, e.d.-c).

ISO 14001: Environmental management systems. By mapping out a framework that establishes an effective environmental management system, a company with an ISO 14001 certification can measure and improve its environmental impact (ISO, e.d.-b).

ISO 45001: Occupational health and safety management systems. It provides a framework a company can use to improve the occupational health and safety (OH&S) at the workplace (ISO, 2018).

ÍST 85: Equal wage management system. According to Icelandic laws, companies with 25 employees or more must be certified according to this standard to show that they are respecting the equal wage act (Staðlaráð Íslands, 2017). Every company that has 25 or more employees must fulfil this standard but the time limit for certification is different depending on the company size. The range is from 31st of December of 2019 to 31st of December of 2022 with the smallest companies having the longest time (Stjórnarráð Íslands, e.d.).

3. RESEARCH METHOD

The objective of the paper is to determine how socially responsible excellent companies in Iceland are. The author tries to achieve this by determining which companies are excellent with the business excellence models and then by measuring how socially responsible they are.

3.1 The excellent companies

For the sake of this paper, excellent companies were determined as all companies that appeared on Credit Info’s Outstanding companies (ice. Framúrskarandi fyrtæki) and VR’s Exemplary companies (ice. Fyrirmyndafyrtæki) list in 2018. The author found a list of the 2018 winners on the companies’ respective websites and cross referenced them to find the companies which were on both lists.

In total the companies were 25. They ranged from small to medium to large, small having less than 20 employees and large more than 50. The size distribution between groups was almost completely even with nine small companies, eight medium-sized and eight large ones. E-mails of managers and directors were then found on company websites or by calling companies.

3.2 The survey

Originally the author wanted to interview all the companies. However, once she reached the final number of 25 companies it wasn’t feasible for a paper of this scale. Then the choice was between getting a small glimpse of many of the companies or choose three or five and get detailed information from them. The benefits of doing a
survey is that it offers an easy way to reach all the companies, which in turn, if the response ratio is enough, returns a broader spectrum of answers. Therefore, the author resorted to doing a survey amongst these 25 companies.

The survey was sent to directors or managers of each excellent company, with a reminder a week later and a phone call to the rest on the last days of the survey in order to get a better response ratio. The survey airtime was from 16 April 2019 to 3 May 2019. It comprised of nine questions, seven of which had yes or no answers and two which were multiple choice. A copy of the survey can be found in appendix A. In the end 19 companies answered the survey, making the response ratio 76%. It was a good mix of small to large companies, 8 small, 5 medium and 6 large ones.

The survey questions were supposed to address each company’s responsibility to the four different stakeholder groups in the business excellence models; customers, employees, owners and society. As the author started to assemble the survey she decided to focus more on society and making the world a better place rather than the other three groups. The reasons for leaving out the employees was that the companies had already been given the Exemplary award. Furthermore, since only the companies themselves were going to be answering the survey the author did not think it would be a completely accurate depiction of the current status for the customer group. Lastly the same reasoning was used for the owners that is, they would not be answering the survey themselves.

Quite a few articles are written about how to measure CSR. However, none of the methods claim to be the best one. As a result, the survey questions were taken from a few different directions, some from the business excellence models while others were from articles written on the subject. The author tried to have a broad range of questions, global impact, the environment (Turker, 2009), standards, social initiatives (Sirgy & Lee, 2008) and finally whether CSR was incorporated into the company strategy and vision.

3.3 Limitations

When reading the survey and the interpretation of results, it should be borne in mind that the author is approaching the subject more out of interest rather than expertise. Also, there are a few limitations that must be addressed.

Firstly, an assumption is made that the awards chosen as a starting point are close enough to the corresponding dimensions in the business excellence models to be real indicators of excellence.

A second limitation is the companies themselves and the fact that they vary greatly in size, ranging from less than 20 to more than 100 employees. Also, the Exemplary award survey is sent to all employees of the companies it evaluates. However, not all employees of every company answered the Exemplary survey done in 2018 and the response ratio ranged from low, 35-49%, to high, 80-100%. However, in the case of the survey conducted for the purposes of this paper 14 of the 19 companies had a response rate of 80-100% in the Exemplary survey, with only one company in the 35-49% interval.

Finally, the measurement of CSR is not straightforward. A lot has been written on the subject, but each method has its limitations. A survey this size can
never take into account all of the company’s stakeholders e.g. employees, customers, society, government, competitors, environment, future generations and nongovernmental organisations (Turker, 2008). Also, since 11 of the 19 companies answered the survey independently online, the respondents may not have understood the questions in the way that the author meant them to be understood. Therefore, the survey can only ever offer a glimpse of the real situation.

4. RESEARCH RESULTS

The results are based on the answers of 19 companies to the nine questions in the survey. Eleven companies answered through an online survey, the other 14 companies were called up and asked to answer the survey via telephone with eight of them eventually reached and/or willing to answer. The questions were then sorted into the two different groups, local community and making the world a better place.

Seven questions were assigned to the local community group. The questions were; if the company offered jobs for disabled people, if the company supported causes of people with disabilities, different methods of practicing CSR, if the strategy or vision of the company involved CSR and if the company fulfilled three different standards. It turns out that most of the companies, i.e. 15 of them, support some causes of disabled people while six offer jobs specified for them, see figure 5. During a phonecall, one company mentioned that it offered jobs for people trying to get back to work after burnout or a long-term illness, and another said that they did not dismiss people of retirement age who wanted to keep working, the oldest person still working being 75 years old.

![Figure 5: Answers to Q8 and Q9](image)

Almost all the companies, or 16, practice corporate social philanthropy and many, 13, are also socially responsible in their business practices, figure 6. On the phone one of the companies also mentioned that they regularly donate things to those in need.
A total of 15 answered that either or both the vision and strategy involved social responsibility, figure 7, and 11 of those answered yes to both. Only four out of the nineteen answered that neither of them did. One of the companies which answered the question with a no, mentioned that even though it was not written down they had an informal strategy of never turning down people that asked for donations.

Questions one, two, four and five had to do with making the world a better place. They pertained to whether the company was a member of Festa, whether it had signed Festa’s climate declaration or set itself climate goals and also the two UN initiatives, the Global compact and the Global Goals for Sustainable Development. Only two companies were members of Festa (figure 8) which is an Icelandic non-profit association. Its role is to increase CSR among Icelandic companies as well as raise awareness of it and sustainability among the general public. It also supports its members in implementation of CSR and sustainability (Festa, 2015-a). The answer to the climate goal question was an overwhelming 17 noes against two yeses. However, in the phonecalls made to companies, two answered that even though they did not have a climate goal at the moment they were in the middle of creating it. Another company mentioned that their eventual goal was to be a leader in environmental
issues. Another company mentioned that even though they did not have climate goals written down, their product was very environmentally friendly, which was a primary goal of theirs.

Most of the companies had not signed the Global compact nor chosen a goal from the Global Goals initiative (figure 9), with 16 noes against three yeses. One company was very interested in these initiatives and asked the author to send over some information about them. The same three companies that have signed the Global Compact have chosen SDGs, one of them is also a member of Festa and has signed its climate declaration.

Question three was a multiple answer question which touched on a few different standards and both stakeholder groups. For the local community group there was ISO 9001, which is a quality management standard, ISO 45001 for health and safety and ÍST 85 for equal pay. For making the world a better place there were two standards; ISO 26000 which provides guidance on how to operate globally in a socially responsible way and ISO 14001, which is an environment standard. Out of the 19 companies that answered, 13 of them did not fulfil any of the standards (figure 10). When phoned, two of the companies said they had never heard of some of them and asked the author to send them more information. One company mentioned that they were working towards fulfilling ÍST 85 very soon and two others mentioned that they would not fulfil it because of their size. Another two companies said that even though they themselves did not fulfil these standards that all their
manufacturers did, and a third company said that they were working towards being certified in ISO 45001 and fulfilled the other ones but were certified by a third party.

<table>
<thead>
<tr>
<th>Standards</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>None of the above</td>
<td>13</td>
</tr>
<tr>
<td>ISO 9001</td>
<td>5</td>
</tr>
<tr>
<td>ÍST 85</td>
<td>2</td>
</tr>
<tr>
<td>ISO 14001</td>
<td>2</td>
</tr>
<tr>
<td>OSHAS 18001 / ISO 45001</td>
<td>1</td>
</tr>
<tr>
<td>ISO 26000</td>
<td>1</td>
</tr>
</tbody>
</table>

Figure 10: Answers to Q3

When individual company responses are compared the companies are varied, but with two extremes. One company answers all questions but one in a negative way while the other one answers all questions, except one, in a positive way. All the other companies are somewhere in the middle.

5. DISCUSSION

After the phonecalls to those eight companies the author realized that it would have given more accurate results to call all the companies and ask the questions herself. The discussions that took place during the phone calls gave the author a much better insight into what the companies were really doing and showed her a few gaps in her survey. This also helped with a common understanding of what the author was really asking.

One gap is that the author did not ask the companies to answer if the company was small, medium or large. This was a significant oversight and as the author went through the results, she discovered that it would have been more interesting and likely given a more relevant outcome to be able compare the companies within the same size range. Comparing how the small and medium companies did vs. the large ones would also have been interesting as in the author’s opinion it is likely that smaller companies are doing less, since they may have to put more focus on day-to-day operations than on CSR. It is impossible to corroborate with this dataset, but the author’s opinion was strengthened by the phonecalls made to the smaller companies.

From the survey results it is reasonable to assume that the excellent companies are all aware of CSR. The author then tried to determine how socially responsible the companies were by comparing the questions in the two shareholder groups.

Since most of the companies were on the smaller side, the author decided to split the local community group into two parts, A and B, and keep the fulfilment of standards as a secondary indicator. This was decided because she did not believe that the questions with the standards were telling the whole truth. Even though the
question was not, “Are you certified in these standards?”, many companies she called were doing almost everything right, but as they were not certified, they were not comfortable with answering the questions with a yes. It would have been better to ask the companies questions that were less leading such as “Do you have an operational quality management system?”. The author was pleasantly surprised by how well the companies did on part A in local community (figure 11). All questions got a positive answer percentage of over 60% except the question about work for disabled people. In the question about different types of CSR practiced, two or more types of CRS practiced were required for a positive result.

A gap in the survey was made clear when one company talked about how they assisted people who were trying to get back to work after, e.g. illness or burnout. This was not addressed in the survey but could have been rectified by having an open question in the end of the survey about what else a company was doing. However, since this came up in a discussion it is not certain that such a solution would have been enough.

Figure 11: Local community A - Percentage of companies, co, with positive answers

The companies did not do as well in part B. It was disappointing to the author to see that only one company fulfilled either the ISO 45001 or the OSHAS 18001 standard and just five companies fulfilled ISO 9001. ÍST 85 is a different matter, by law a company does not have to get certified if it has less than 25 employees and the first companies have a deadline till 31 December 2019. Since eight out of the 19 answers were from companies with fewer than 20 employees and the survey was done in the first quarter of 2019, it is not a big surprise to see that only two of the companies fulfil ÍST 85. However, one company mentioned that they were working towards getting certified as soon as possible.
In the dimension of making the world a better place the results were not very positive (figure 12). However, it was encouraging that one company was very interested in the UN global goals and asked the author to send some information about them and another wanted more information about the standards. There is definite room for improvement in this dimension and the author believes it shows that the companies are more concerned about the local community they operate in rather than the rest of the world.

The results show many good examples of CSR on a local community scale, but in the end the question is about answering how the companies are doing over both dimensions. It is not possible to say that as a group, these companies are socially responsible. On the global scale, taking the first step has been made easy by
organisations such as Festa and the UN, and anyone can choose a global goal suited to their operations.

Incidentally, to what standard do we hold companies with awards for not only being outstanding but exemplary as well? The premise of this paper is that these companies must be the best. However, the international business excellence models all agree that a company cannot be truly excellent without fulfilling the needs of society and customers as well as owners and employees. The author fully supports acknowledging companies for a job well done but these award titles are misleading and need to be called something more descriptive of what is really being measured.

6. CONCLUSION

With the interest in CSR on the rise (Cone, 2017) and the world becoming smaller and smaller as technology advances, the importance of CSR keeps growing. The result of this survey shows that Icelandic excellent companies are more invested in their local community than the world. Of course, everyone must start somewhere, and it looks as they are off to a good start. However, it must be said that with recent threats to the world we live in, such as Global Warming (Nunez, C, 2019) and ever increasing plastic pollution (Ostle, Clare et al, 2019), thinking locally may not be enough and it would be a shame if Icelandic excellent companies were to ignore their role in the global society.

7. ACKNOWLEDGEMENT

The author would like to thank her supervisor Agnes Hólm Gunnarsdóttir, her family, her friends and those who took the time to respond to the survey.
7. REFERENCES


Credit Info. (e.d.). Það er eftir eftirsóknarvert að skaraframúr. At Retrieved from https://www.creditinfo.is/framurskarandi/default.aspx


